



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

CO-CHAIRS: STATE COMPTROLLER KEVIN LEMBO & STATE TREASURER DENISE L. NAPPIER

Staff Report to CRSB

Re: Illinois Bill Summary

January 5, 2015 CRSB Meeting

Illinois bill SB2758 passed both houses on December 5, 2014 and was sent to the Governor to be signed. The bill purports to create the Illinois Secure Choice Savings Program, which has similar characteristics to the plan requirements in the CT statute creating the CRSB.

Plan Design:

- Roth IRAs
- Eligible employers are those who employ 25 employees or more and have not offered a qualifying retirement plan in the preceding two years.
- Plan requires pooling investment funds, portability of benefits, and deaccumulation of enrollee assets in a manner that maximizes financial security in retirement.
- Automatic enrollment with opt-out provision.
- Default contribution at 3% with opt-out provision.
- The State shall have no financial liability with respect to the plan.
- The Board, the individual members of the Board, the trustee, any other agents appointed or engaged by the Board, and all persons serving as Program staff shall owe a fiduciary duty to the Program's enrollees and beneficiaries.
- Employers shall have no financial liability and will not be considered plan fiduciaries.

Administrative Costs:

- Subject to appropriation, bill allows State to pay administrative costs for the creation and management of the program until sufficient assets are available.
- Administrative expenses shall not exceed 0.75% of total trust balance.

Investments:

- A written statement of investment policy that includes a risk management and oversight program and prohibits borrowing for investment purposes must be written and adopted by the Board annually.



- The Board shall engage, after an open bid process, an investment manager or managers to invest the Fund and any other assets of the Program.
- Default investment option will be a lifecycle fund with a target date based on the age of the enrollee. The Board may also establish any or all of these three additional investment options: (1) a conservative principal protection fund; (2) a growth fund; (3) a secure return fund whose primary objective is the preservation of the safety of principal and the provision of a stable and low-risk rate of return; (4) an annuity fund.
- The Board may procure any insurance, annuity, or other product to insure a guaranteed rate of return if it chooses to establish a secure return fund.

Communications:

- The Board will be responsible for creating and disseminating employee and employer information packets.
- Opt-out form provided in the information packet.
- The Board shall establish and maintain a website to assist employers with identifying private sector providers of retirement plans, which employers may choose to use at any time. The website must be funded by the private sector providers.

Implementation:

- Program to be implemented within 24 months of the date of the bill. Implementation may be delayed if the Board does not yet have sufficient funds to start the program. Eligible employers then have 9 additional months to allow each employee to participate. Employers with less than 25 employees may request to participate but are not required to participate.
- The Board may not implement the Program if the Roth IRA arrangements offered under the Program fail to qualify for the favorable federal income tax treatment ordinarily accorded to IRAs under the Internal Revenue Code or if it is determined that the Program is an employee benefit plan and State or employer liability is established under ERISA.

Employer Responsibilities:

- An annual open enrollment period shall be established by each employer so that after initial implementation, employees who opted out may only opt back into the program during the open enrollment period.
- An employer who fails without reasonable cause to enroll an employee in the Program within the time prescribed shall be subject to a penalty equal to \$250 for each employee for each calendar year or portion of a calendar year during which the employee neither was enrolled in the Program nor had elected out of participation in the Program. For each calendar year beginning after the date a penalty has been assessed with respect to an employee, an additional penalty of \$500 shall be assessed for any portion of that calendar year during which such employee continues to be unenrolled.



- An employer may file a written protest to the assessment of a penalty.
- The provisions of the Administrative Review Law and the rules adopted pursuant to it shall apply to and govern all proceedings for the judicial review of final decisions in response to a protest filed by the employer.

Please find the complete bill text here:

<http://www.ilga.gov/legislation/98/SB/PDF/09800SB2758lv.pdf>