



STATE OF CONNECTICUT

# RETIREMENT SECURITY BOARD

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

**Public Act 14-217, Sections 180 - 185**  
**Effective July 1, 2014**

**I. Board's Mandate:** To “conduct a market feasibility study regarding the implementation of the public retirement plan and develop a comprehensive proposal for the implementation of such plan.”

***A. Requirements for the Market Feasibility Study***

1. Determine whether the goals and design features of the plan may be accomplished; and
2. Recommend methods by which such goals and design features shall be accomplished.
3. Additional statutory guidance: “Such market feasibility study shall examine:
  - a. Likely participation rates
  - b. contribution levels
  - c. rate of account closures and rollovers
  - d. ability to provide employers with a payroll deposit system for remitting contributions from employees
  - e. funding options for implementation of the plan
  - f. likely insurance costs and whether such costs should be subject to the limit on annual administrative expenses
  - g. legal compliance necessary to ensure the individual retirement accounts qualify for the favorable federal income tax treatment ordinarily accorded to individual retirement accounts under the Internal Revenue Code, and that the public retirement plan is not treated as an employee benefit plan under the federal Employee Retirement Income Security Act of 1974.”

***B. Requirements for the Implementation Plan***

1. Plan “shall include, but not be limited to, the following goals and design features:
  - a. An increase in access to and enrollment in quality retirement plans without incurring debts or liabilities to the state;
  - b. A reduced need for public assistance through a system of prefunded retirement income;
  - c. A minimal need for financial sophistication in plan participants;
  - d. The promotion of transparency and accountability in the management of the retirement funds through oversight, regular reporting to plan participants and ethics review of plan fiduciaries;
  - e. The payment of all expenses, including employee costs, incurred to implement, maintain, advertise and administer the plan, from moneys collected by or for the trust;
  - f. Plan portability through maintenance of individual retirement accounts for each plan participant;
  - g. Low administrative costs that shall be limited to an annual, predetermined percentage of the total plan balance;
  - h. The provision of an annuitized benefit with options for conversion to lump-sum payout upon retirement, spousal benefit and preretirement death benefits to enable a plan participant to bequeath assets to designated beneficiaries;



- i. An annually predetermined guaranteed rate of return and the procurement of insurance, as necessary, to guarantee the stated rate of return;
- j. Implementation of a default contribution rate and a process by which plan participants may elect to change their level of contribution;
- k. Compliance with all applicable requirements of federal and state laws, rules and regulations;
- l. Ensuring that the plan participants and the individual retirement accounts qualify for the favorable federal income tax treatment ordinarily accorded to individual retirement accounts under the Internal Revenue Code;
- m. Ensuring that the plan is not treated as an employee benefit plan under the federal Employee Retirement Income Security Act of 1974;
- n. A process to determine the eligibility of an employer, employee or any other individual to participate in the plan and to ensure mandatory participation by any qualified employer that does not offer an employer-sponsored retirement plan to its employees;
- o. A process by which a qualified employer shall credit the plan participant's contributions to his or her individual retirement account through payroll deposit;
- p. Employer immunity with regard to investment returns, plan design and retirement income paid to plan participants;
- q. A process for streamlined enrollment of potential plan participants, including automatic enrollment of each employee unless the employee chooses to opt out of participating in the plan;
- r. The dissemination of educational information concerning saving and planning for retirement to potential plan participants;
- s. The establishment of a secure Internet web site to assist qualified employers in identifying vendors of retirement arrangements that may be implemented by qualified employers in lieu of participation in the plan;
- t. Legal enforcement of employer obligations arising under the plan;
- u. Ensuring that any assets held for the plan shall be used for the purpose of distributing individual retirement savings balances to the plan participants and paying the operational, administrative and investment costs associated with the plan;
- v. Ensuring that any amounts on deposit to be utilized in the plan shall not (A) constitute property of the state and the plan shall not be construed to be a department, institution or agency of the state, and (B) be commingled with state funds and the state shall have no claim to or against, or interest in, such funds;
- w. Ensuring that any contract entered into by or any obligation of the plan shall not constitute a debt or obligation of the state and the state shall have no obligation to any designated beneficiary or any other person on account of the plan and all amounts obligated to be paid pursuant to the plan shall be limited to amounts available for such obligation;
- x. Ensuring that the plan shall continue in existence as long as it holds any deposits or has any obligations and until its existence is terminated by law and upon termination any unclaimed assets shall return to the state; and
- y. Ensuring that the property utilized in the plan shall be governed by section 3-61a of the general statutes.

## **II. Board Composition – 14 members in all**

- Co-chaired by Comptroller and Treasurer
- The following appointees shall serve an initial term of four years:



- » Appointee of the Senate President “who shall be an expert on retirement plan designs”
  - » Appointee of the House Speaker “who shall represent an organization whose principal purpose is advocacy for seniors”
  - » Appointee of the Senate majority leader “who shall be an organized labor representative”
  - » Appointee of the House majority leader “who shall be an individual who manages employee retirement plan options in the private sector”
- The following appointees shall serve an initial term of three years:
    - » Appointee of the Senate minority leader “who shall have expertise in designing retirement plan options for businesses”
    - » Appointee of the House minority leader “who shall be an individual with expertise in consumer retirement planning”
    - » Two appointees of the Governor, “one of whom shall be a plan participant or potential plan participant and one of whom shall have expertise regarding the federal Employment Retirement Income Security Act of 1974 or the Internal Revenue Code or both”
    - » Appointee of the State Comptroller who “shall be experienced in matters relating to investments”
    - » Appointee of the State Treasurer who “shall be experienced in matters relating to investments”
  - The following appointees are ex officio and, therefore, not term limited:
    - » The State Comptroller, or the Comptroller’s designee;
    - » The State Treasurer, or the Treasurer’s designee;
    - » The Labor Commissioner, or the commissioner’s designee; and
    - » The Secretary of the Office of Policy and Management, or the secretary’s designee.

### **III. Deadlines/Action Items**

- Appointments shall be made by July 31, 2014; must take an oath of office (administered by a board chair) within 10 days of appointment.
- First meeting must be held no later than August 8, 2014, and shall meet at least monthly thereafter.
- By May 1, 2015, report of the status of the market feasibility study must be submitted to the Governor and the legislature’s Labor Committee.
- By January 1, 2016, final report of the market feasibility study.
- By April 1, 2016, the board shall submit the comprehensive proposal to the General Assembly and Governor, the Senate President and House Speaker.

### **IV. Budget/Administration**

- Board within the OSC for administrative purposes only
- \$400,000 initially appropriated for the Board to conduct its work (to be confirmed)