STATE OF CONNECTICUT
RETIREMENT SECURITY BOARD
CO-CHAIRS: STATE COMPTROLLER KEVIN LEMBO & STATE TREASURER DENISE L. NAPPIER

Staff Report to CRSB

Re: Update on Similar Initiatives

March 4, 2015 CRSB Meeting

California:

The California Secure Choice Retirement Savings Investment Board intends to award the contract for market analysis, feasibility study, and program design consultant services to Overture Financial, LLC on March 3, 2015.

Minnesota:

The Management and Budget Commissioner issued an RFP for a study on a public retirement plan in December, with a deadline for responses on January 5, 2015.

Massachusetts:

The State Treasurer's Office is still awaiting IRS approval on the group trust to be used for the 401(k) deferred compensation plan for employees of small non-profits.

Oregon:

SB 615 was introduced by Senators Lee Beyer, Arnie Roblan, and Diane Rosenbaum and Representatives Jennifer Williamson and Tobias Read on February 10, 2015 to establish the Oregon Retirement Savings Board in the office of the State Treasurer to administer the Oregon Retirement Savings Plan based off of the report submitted by the Oregon Retirement Savings Task Force. The board would develop a defined contribution retirement plan that would be pooled and professionally managed for those employed in Oregon. Employers would be required to offer their employees the opportunity to contribute to the plan through payroll deduction unless they offer an alternative retirement plan. The plan must provide for automatic enrollment with a default contribution level, as well as allow employees to opt out of the plan. Before the plan can be established, the board must conduct a legal and market analysis to assess the feasibility of the plan as well as the applicability of the Employee Income Security Act of 1974 (ERISA). Otherwise, contributions to the plan should begin no later than June 16, 2017.

Maryland:

Maryland's Task Force for Improving Retirement Security published its report on February 24, 2015. The Task Force did not recommend a particular plan, but it did identify guiding principles for a plan. (1) Access: Every Marylander should have access to an automatic payroll deduction retirement savings plan through their employer. People who are self-employed or unemployed should be able to make contributions at the same time that they pay their State taxes. (2) Simplicity: People should have access to simple, low cost retirement savings plans that make enrollment automatic (auto-enrollment), that don't require complex investment and savings decisions by providing low-cost automatic (default) options, and that enable savers to grow their saving rate over time through auto-escalation. (3) Portability: They must be able to keep their retirement savings plan when they change jobs. Individuals should never be forced out of a plan because they change or lose their jobs. Workers should have the choice of keeping their existing retirement savings in the plan when they move to another employer or consolidating their retirement savings by moving it to another retirement plan. (4) Choice: Of course, they should have the ability to change the amount that they save, change their investments, move to another plan, or stop saving entirely.

The report also highlighted some guiding principles on the employer side. (1) Since most of the companies who do not offer a retirement plan are smaller businesses, it's essential that they aren't forced to take on significant additional financial, administrative or regulatory burdens. (2) Employers should be able to use their current payroll processes to quickly and easily forward employee contributions to a savings plan without assuming significant additional legal or fiduciary responsibilities or taking on significant additional cost. (3) Employer contributions should not be required, but should be permitted if allowed by federal law. (4) Consumer protection, disclosure, and other protections are essential, but these and other regulatory responsibilities should be undertaken by the program itself and not imposed on businesses.

And for the state, any program should be self-sustaining. Maryland should help Marylanders save for retirement without risking the State's credit. It should cover its own operating costs without relying on taxpayer funding or risking the State's credit by creating contingent liabilities.

The full Maryland Task Force report can be found here:
http://www.brookings.edu/~/media/research/files/papers/2015/02/improving-maryland-retirement-security/improving_retirement_security_maryland.pdf

Washington:

SB 5826 was introduced by Senators Mark Mullet and Don Benton on February 4, 2015 to establish the Washington small business retirement marketplace in the state Department of Commerce. The marketplace would educate small employers on plan availability and promote participation in low-cost, low-burden retirement savings plans. The director of the marketplace would work with the private sector to establish a program that connects eligible employers with qualifying plans. Only those who are self-employed, sole proprietors, or employers with fewer than one hundred employees are eligible to participate in the marketplace. Participation in the marketplace is completely voluntary. Total annual fees are limited to 100 basis points.

The marketplace must approve three types of plans: 1) a SIMPLE IRA-type target mutual fund; 2) a SIMPLE IRA-type balanced mutual fund; and 3) myRA, the retirement plan backed by the US Department of Treasury. The options must include: 1) a SIMPLE IRA type or other IRS approved employer plan that provides for employer contributions to participating enrollee accounts and 2) a payroll deduction individual retirement account type program or workplace based individual retirement accounts open to all workers in which the employer does not contribute to the employees' accounts. The plans must include the option to roll over contributions to different retirement accounts. These plans are subject to ERISA but do not expose the State of Washington to ERISA liability. The bill authorizes appropriations of $100,000 for 2015 implementation and $50,000 each for fiscal years 2016, 2017, and 2018.

Indiana:

HB 1279 was introduced by Representative Matthew Lehman on January 13, 2015 to establish the Hoosier Employee Retirement Option (HERO) plan that would create portable individual retirement accounts for employees of employers that do not offer a retirement plan. The accompanying board would be responsible for designing, establishing, and operating the plan; financial services would be provided by a private company overseen by the board. Employee and employer participation is voluntary and contributions would be made using post-tax dollars. The state or employer would not be held financially liable.

Kentucky:

HB 261 was introduced with bipartisan support on February 3, 2015 to establish the Kentucky Retirement Account Program, an automatic enrollment payroll deduction Roth IRA program, for employees of private employers with five (5) or more employees. The bill requires the board to contract with a third party administrator for plan administration; requires the program contain a default investment fund but permit a range of investment options; establishes that the program shall begin twenty-four (24) months after the effective date of the Act; permits employers to obtain an hardship exemption from participation in the program; declares that neither the state or employers are liable for investment losses; allows the board to delay implementation for lack of funding; permits the board to seek an opinion as to the applicability and impact of ERISA.

Bills proposed in New Hampshire and North Dakota this session have been defeated.

Additional information on other states' initiatives can be found at the Georgetown Center for Retirement Initiatives website: http://cri.georgetown.edu/states/

Federal:

The proposed federal budget includes $6.5 million in funding through September 2017 for the U.S. Department of Labor (DOL) to allow a limited number of States to implement State-based automatic enrollment IRAs or 401(k)-type programs. The provision would include a temporary waiver of the preemption provisions of Section 514 of ERISA.

Additional information on the Department of Labor's share of the proposed federal budget can be found here: http://www.dol.gov/dol/budget/