
APRIL 28, 2014

AGENDA ITEM 02
INFORMATION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Acting Executive Director's Report

This item will be presented verbally at the meeting.

Attachments:

Attachment 1 – Legislative update.

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AGENDA ITEM 2 – APPENDIX 1
INFORMATION ITEM

SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Legislative Update

Presenter

Eric Lawyer

Background

The purpose of this agenda item is to provide the Board with a summary of relevant state and federal legislation aimed at addressing the lack of access to retirement plans.

State

Connecticut

The “Retirement for All CT” Senate bill (S.B. 249) is modeled pretty closely on California’s S.B. 1234 in that it establishes a board and gives the board the authority to design the plan and evaluate the inclusion of possible features such as a guaranteed interest rate and transitioning participants to an inflation-indexed annuity. The board would be comprised of eleven members, chaired by both the Comptroller and Treasurer.

If implemented, employers that employ more than five employees would be required to provide the plan if they do not already provide a retirement plan to their employees. The self-employed, employers with less than five employees, and employees working for an employer already offering a different retirement plan may voluntarily enroll in the state-run plan.

Prior to implementation of the plan, the Board must establish a website that would provide employers with information about already-existing retirement plans available for employers to enroll in in lieu of participation in the state-sponsored plan.

The bill requires that a market feasibility study is completed by December 15, 2014 to determine if the necessary conditions for the plan can be met. If the results of the market feasibility study determine that the plan is feasible and if the clearinghouse website is completed, then the plan must be open for enrollment by August 15, 2015.

Last month, the bill passed the joint Committee on Labor and Public Employees.

Illinois

The Illinois Secure Choice bill (SB 2758) would establish the Illinois Secure Choice Savings Program. The plan would be mandatory for employers of ten or more employees and enrollment would be automatic for employees, with the option of opting out.

The plan would use a life-cycle fund with a target date based upon the age of the enrollee as the default investment option. The bill identifies three additional investment options, including a conservative principal protection fund, a growth fund, and a secure return fund, which would serve to protect the principal investment and provide a low-risk rate of return.

As written, implementation of the program is not contingent on a study. The Board may not implement the program, however, if program accounts “fail to qualify for favorable federal income tax treatment” or if it is “determined that the program is an employee benefit plan and State or employer liability is established under the federal Employee Retirement Income Security Act.

The bill was passed by the Illinois State Senate April 9, 2014 and has been referred to the House Rules Committee.

Minnesota

In March, the Minnesota Secure Choice Retirement Savings Plan (S.F. 2078) was introduced in the State Senate. The proposal would establish a retirement savings plan that qualifies for favorable tax treatment and is not an employee benefit plan under the federal Employee Retirement Income Security Act. It requires the Commissioner of Minnesota Management and Budget to submit a report to the legislature by January 15, 2015. The report must include estimates of Minnesotans’ retirement savings progress and an examination of various means of increasing access and participation in retirement savings plans, including the advantages and disadvantages of a state-administered plan.

Washington

House Bill 2474 would establish the Start Retirement Savings Plan, or Start Plan. Private employers employing less than 100 employees and the self-employed could voluntarily enroll in the plan. The plan would be run administered by the Washington State Department of Retirement Systems, the department responsible for overseeing the state’s public employee pension plans, and funds would be invested by the Washington State Investment Board.

In order to avoid Employee Retirement Income Security Act (ERISA) regulations triggered by employer contributions, the plan was designed to allow employers the option of contributing to their employees’ account by contributing to a fund separate from the employees’ accounts. As it’s written, the bill appears to leave the inclusion of an automatic enrollment feature to the discretion of each participating employer.

The bill does not require that a study take place prior to implementation, though it does assume that any aspects of the plan must meet IRS definitions of a qualified plan.

Federal

The Federal Retirement Security Act of 2014

Senate Bill 1970, introduced by Susan Collins (R-ME), and the identical House Resolution 4376 would simplify and incentivize the creation of multiple employer pension benefit plans by amending ERISA and the Internal Revenue Code to allow employers to enter into a multiple

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employer pension benefit plan even if the participating employers share no common interest, reduce the number of employees needed to qualify for such a plan to 100, increase the allowable default contribution level, and extend the saver's credit to employers' matching contributions.