July 28, 2014

AGENDA ITEM 06
INFORMATION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Legislative Update

Presenter

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Background

The purpose of this agenda item is to provide the Board with a summary of relevant legislative proposals attempting to address retirement security.

Minnesota

The Minnesota legislature passed a bill that requires the commissioner of management and budget to report to the legislature by January 15, 2015 on the potential for a state-administered retirement savings plan. The plan would serve private-sector employees without access to an employer-sponsored plan. The funds would be pooled and invested by the State Board of Investment. The bill makes a one-time appropriation of $400,000 for the report.

The report *must* include an estimate of the Minnesota workers who could benefit from the plan and their expected participation rate; the effect of federal tax laws and ERISA on the plan; barriers to savings; investment strategies; options for the enrollment and contributions to the plan; projected costs of administration and recordkeeping; and a comparison of a potential state-administered plan to private sector and federal government retirement savings, especially regarding participation rates, contribution rates, risk-adjusted return expectations, and fees.

The report *may* include estimates of the average amount of savings and other resources for retirement and what is recommended for a financially secure retirement; estimates of the relative progress toward achieving the savings recommended for a financially secure retirement by gender, race, and ethnicity; the estimated impact on the social safety net programs attributable to retirement insecurity; the effect of federal tax laws and ERISA on a potential state-administered plan; options to use group annuities to ensure a stable stream of retirement income; alternative means of improving retirement security; and other relevant topics.

Utah

A joint resolution passed in the Utah legislature that gives the Legislative Management Committee items of study it may assign to interim committees. The assigned interim committees are directed to make recommendations based on the studies to the legislature before the 2015 Annual General Session, convening January 25, 2015. Included among the studies is an evaluation of financial security in retirement, how to help citizens of Utah prepare to be financially self-sufficient in retirement, retirement contribution rates, post retirement employment, and an overview of retirement systems in Utah.

Federal

If enacted, the Smart Savings Act, a bill sponsored by Darrell Issa (R-CA) in the House and Elizabeth Warren (D-MA) in the Senate, would change the automatic investment fund for federal employees enrolling in the Thrift Savings Plan from the overly conservative “G Fund” to a lifecycle fund, which adjusts investment balances depending on the age of the participant. The bill passed the House July 14th and is in the committee stage in the Senate. The bill is an example of the increasing adoption of automation in retirement plans.

Ontario

After winning reelection on a platform that included a hypothetical Ontario Retirement Pension Plan (ORPP), Ontario Premier Kathleen Wynne announced that her administration would push to establish the new defined benefit pension plan for workers with only a defined contribution plan or no plan at all.

The administration hopes to introduce the ORPP in 2017 and begin enrollment in stages, with the largest employers enrolling first. Enrollment would be mandatory for eligible employees and workers with comparable retirement plans would have the option of opting out of the ORPP. Employees and employers would split a contribution of 3.8% of earnings up to a maximum threshold of $90,000. Investments would be pooled and benefits would be indexed to inflation, similar to Canada’s already-existing Canada Pension Plan. The plan would be designed with the goal of providing a replacement rate of 15% of an individual’s earnings. To reduce the impact on lower-income enrollees, earnings below a certain threshold would be exempt from contributions to the ORPP.