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FEBRUARY 23, 2015

AGENDA ITEM 06  
INFORMATION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

*Update on Retirement Security Initiatives and Proposals*

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***Presenter***

Eric Lawyer

***Background***

The purpose of this agenda item is to provide the Board with a summary of relevant legislation and regulations relevant to the issue of retirement security.

***President Obama's 2016 Fiscal Year Budget***

President Obama's budget for fiscal year 2016 includes, among other features related to retirement security, a provision creating a government-administered retirement plan for private-sector workers in which employees of participating-employers would be automatically enrolled, but retain the option of opting-out.

The budget also 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 the Employee Retirement Income Security Act (ERISA).

***New State Legislation***

Legislation that would establish a board to evaluate a state-administered retirement plan for private-sector workers has been introduced in Indiana, Kentucky, New Hampshire, North Dakota, Oregon, and Washington so far this year.

In general, these plans have in common some level of automatic-enrollment with an opt-out provision, would be portable for employees, qualify for favorable federal tax treatment, and would rely on a third-party to administer the fund.

The plans differ in that some would require businesses that don't already provide their employees access to a retirement savings account to enroll their employees in the plan—Oregon, Kentucky (with hardship exemption)—whereas participation in other plans would be optional for employers—North Dakota, Washington and Indiana. New Hampshire's employer mandate remains undefined.

The Washington plan is defined as a plan under ERISA regulations. According to the legislation, the state of Washington itself would not be exposed to ERISA liability, however the entity that would administer the program is not yet clear. The bill would establish a “small business retirement marketplace” that would connect employers with qualifying retirement plans. Only the self-employed, sole proprietors, or employers of fewer than one hundred employees would be eligible to participate in the marketplace. The bill would appropriate \$100,000 for implementation in 2015 and \$50,000 for 2016-18.

### *Minnesota*

The Minnesota legislature passed a bill that includes language charging the Minnesota Office of Management and Budget to evaluate and report on the potential for a state-administered retirement plan for private-sector workers. The bill appropriated \$400,000 to conduct the study. An RFP to conduct the evaluation was released late in 2014.

### *Connecticut*

In 2014, the Connecticut legislature passed a budget bill that established the Connecticut Retirement Security Board and appropriated \$400,000 for the board to conduct a market feasibility study and implementation plan. The board released an RFP in January, 2015 and is due to submit a comprehensive proposal by April 2016.