



STATE OF CONNECTICUT

# RETIREMENT SECURITY BOARD

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

## Staff Report to CRSB

### Re: Phases of the Market Feasibility Study

### December 3, 2014 Meeting Follow-Up

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#### Market Analysis (non-profit or academic institution)

Who are the would-be eligible employees (working at businesses not currently offering a plan):

- Demographics.
- Income level, job classification, full-time or part-time, and permanent or seasonal.
- Stratification on both individual and household level, including analysis of income level, employment, current savings, number of dependents, and debt.

Likely participation by would-be eligible employees:

- Would they prefer to participate in the state plan or in a private plan if both were offered?
- Would they participate in the state plan if the plan had a guaranteed rate of return, target date retirement funds, or conservative to aggressive investment options?
- Would they participate if the plan converted to an annuity, if there was or was not a cash-out provision, or if there was or was not a provision for early withdrawals or loans?
- Would they participate if they were automatically enrolled into the plan, or if they were not automatically enrolled into the plan?
- How much would they contribute if there was no default contribution level, if there was a default contribution level at 2% - 5%, or if there was or was not a default escalation of contribution levels?

Who are the would-be eligible employers (not currently offering a plan):

- Demographics, size, age of company, number of employees, and types of employees.
- How many currently do or do not use payroll systems that would support a payroll deduction IRA plan?
- How many are planning to offer a retirement plan even if they are not required to do so by law? Within the next six months? The next year? The next two years?



Likely participation by would-be eligible employers:

- Would they prefer to participate in the state plan or in a private plan if they were required to offer any plan?
- Would they offer the state plan if the plan had a guaranteed rate of return, target date retirement funds, or conservative to aggressive investment options?
- Would they offer the state plan if the plan converted to an annuity, if there was or was not a cash-out provision, or if there was or was not a provision for early withdrawals or loans?
- Would they offer the state plan if employees were automatically enrolled into the plan, or if employees were not automatically enrolled into the plan?
- Would they want to offer employer contributions to the state plan if allowed?
- Would they have the capacity to remit employee contributions through their current payroll systems?

Who are the employers that are already offering a retirement plan:

- Stratification by size, age of company, number of employees, and the age, gender, race, and income level of their employees.
- What plans are currently offered? For how long have they been offered?
- What are the participation rates of employees?

Survey questions for employers already offering a retirement plan:

- Would they forego their current employer-sponsored retirement plan if a state plan was offered that (insert questions from above on plan design elements and investment options)?
- Would they forego their current employer-sponsored retirement plan if a state plan was offered and they had to go for one year without any retirement plan before they could start offering the state plan? Two years?
- Would they support a law that required employers with 5 employees or more to offer some type of employer-sponsored retirement plan or access to payroll deduction for IRAs?
- Would they support a law that required automatic enrollment of all employees of businesses with 5 employees or more into the employer's chosen retirement plan? Do they believe this law would increase participation in retirement plans?

Trend projections:

- What are the current trends in national retirement savings? In retirement savings in CT?
- What are the current trends in private retirement plan participation in the absence of a state-sponsored plan?
- What are the behavioral economics of saving? What would be the likely behaviors of would-be eligible employees? What plan design elements tend to maximize participation?



## **Program Design (consulting firm)**

Plan structure:

- Plan design elements (see skeleton of plan design).
- Investment options.

Administration:

- Recordkeeping.
- Managing payroll deductions.
- Employer eligibility determinations.
- Enforcement of employer obligations.

Communications:

- Between state and any third party administrator.
- Between state and employers.
- Employer communication obligations to employee.
- Between state and employees.
- Retirement savings education and financial literacy initiatives.

Vendor website:

- Administration.
- Requirements.
- Levels of disclosure.

## **Financial Feasibility (actuarial firm)**

Actuarial analysis based on market analysis and program design.

## **Legal Feasibility (legal services firm or other legal professional)**

ERISA

IRC

CT statutes, including creation statute.