



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

CO-CHAIRS: STATE COMPTROLLER KEVIN LEMBO & STATE TREASURER DENISE NAPIER

Connecticut Retirement Security Board

Meeting Minutes

Wednesday, May 6, 2015

9:00 a.m.

55 Elm Street, Hartford, 7th Floor Treasurer's Conference Room

Members Present:

Hon. Kevin Lembo, State Comptroller, Co-Chair
Hon. Denise Nappier, State Treasurer, Co-Chair
Commissioner Dennis Murphy (on behalf of Sharon Palmer)
Thomas Barnes
Michael Callahan
Ken Floryan
George Kasper
Brendan Maher (via phone)
Jamie Mills
James Russell
John Sayour

Members Absent:

William Kosturko
Sal Luciano

Special Guests:

Anek Belbase, Center for Retirement Research at Boston College
Geoffrey Sanzenbacher, Center for Retirement Research at Boston College

Other Participants:

Genevieve N. Ballinger, Research Analyst, Office of the State Comptroller

A. Call to Order

Comptroller Lembo called the meeting to order at 9:09 a.m.



B. Adoption of Meeting Minutes

A motion was made by Thomas Barnes to adopt the Meeting Minutes of April 1, 2015. Jamie Mills seconded the motion. The minutes were adopted unanimously at 9:12 a.m.

C. Fundraising Update

Comptroller Lembo briefed the Board on updated fundraising activity. AARP has proposed a potential donation of \$15,000 and PEW has proposed a potential \$50,000. The legislative Appropriations Committee passed a proposed budget which includes \$250,000 budgeted for the Board. The Treasurer's Office has raised \$89,000 from its vendors.

D. Update on Other States

Genevieve Ballinger gave a brief overview of the initiatives in Oregon, California, and Massachusetts, as well as a federal overview. Oregon is looking to conduct a feasibility study and has been asking for CRSB documents to assist it. California has finalized its contract with Overture Financial to conduct its study. Massachusetts has introduced a bill that would establish a Secure Choice Retirement Savings Board that would administer two retirement savings trust funds. Assets would be pooled and professionally managed. Neither the state nor employers would be responsible for any liabilities. The two plans would collectively be known as the Secure Choice Retirement Savings Trusts. The first plan is the Secure Choice Individual Retirement Account Trust which accepts individual contributions through payroll deduction and direct payment into individual retirement accounts, a plan that is very similar to the one dictated by the Connecticut statute. The second plan is the Secure Choice Multiple-Employer Retirement Trust which is a profit-sharing, defined contribution plan offering individual accounts. This plan would subject the plan administrator, board, and staff to ERISA, while the IRA plan would not be subject to ERISA. Employers would not be subject to ERISA liability under either plan. Employers with ten or more employees are mandated to offer a retirement plan of their choosing whether it be one of these trusts or a private sector plan. On the federal level, some United States Senators are preparing to send a bipartisan letter to President Obama and the Department of Labor to see if states could receive more guidance.

E. Market Feasibility Study Update

Anek Belbase and Geoffrey Sanzenbacher from the Center for Retirement Research at Boston College ("CRR") outlined their methodology for conducting the feasibility study for the Board. The study that they are conducting will focus on three steps; fleshing out who the Connecticut work force is and what their retirement needs are, conducting a benefit enrollment experiment, and conducting an employer focus group. The working population that will be studied will be employees that are not covered by a retirement plan. According to a Current Population Survey these employees are less likely to be college graduates; work for small firms; work fewer hours; and earn less per year. There is a financial disparity between employees that have a retirement plan and employees that do not, however, because Connecticut is a high-wage state the employees without a retirement plan earn above the national wage average, which results in those employees earning less in Social Security Benefits. As a result, it is imperative that



employees without a retirement plan have other options for being financially stable when they retire.

To get the randomized results that the CRSB is looking for, the CRR will conduct an experiment for uncovered workers. The experiment will present uncovered workers with a single benefit enrollment scenario. Respondents will be randomly assigned one of the eleven plan designs. Variance in opt-out can be attributed to variance in plan design and the results can then be segmented by age, income, and other factors. The CRR will sample 4,000 uncovered workers from GfK's knowledge panel. Three hundred sixty of the panelists will be given the "base case," other groups will receive the "base case" but with one variable changed. The contract budgeted for 10 tests, but the CRR is proposing 12 tests. The cost of adding two tests is \$7,000 (\$3,500 per question).

The CRR will also poll employers to gather their thoughts on the State's program. The employer poll will be conducted by Nielson. The employer focus groups will be conducted online and consist of benefit decision-makers at small firms in Connecticut. Employers will be screened to determine if they do or do not currently offer a plan. For employers that offer a retirement plan the goal of the poll is to get their initial reactions to the state mandate as well as what their reasons are for offering a plan. For the employers that do not currently offer a retirement plan the goal is to find out why that is.

There was some discussion about how the data will be sorted such as eliminating people with current retirement coverage, homeownership versus renters as well as employment status such as full-time vs. part-time. Mr. Belbase stated that people with retirement coverage at their current employer would be eliminated and that it did not matter what people's home and employment status is. This data will include employees whose spouse has a pension. Mr. Belbase explained that there will be a pretest given to 50 people as a qualitative sample, asking them open ended questions. He also stated that they will be looking at how employees without retirement plans are planning for retirement now. Mr. Belbase did say they would provide summaries of why people would opt out of the state's plan. When asking the questions to the employees, plan names will not be given-only concrete examples will be provided, such as telling them that X amount of dollars will be taken out of their paychecks rather than just using percentages.

There was discussion about which two test questions could be eliminated. Mr. Belbase suggested eliminating the separate question about spousal benefit and assuming a spousal benefit with all the annuity tests. He stated that he believes it does not affect participation.

The Board agreed to take out the spousal benefit separate test and to add an additional test at a cost of \$3,500, adding one test to the original contract. The Board then took a vote on adding an additional question. A motion was made by Michael Callahan and Jamie Mills seconded the motion. The resolution to add an additional test at \$3,500 on the contract passed unanimously.

Ms. Ballinger asked if the Board wanted to approve the finalized employer focus group design or if they were comfortable having the subcommittee approve it. The Board decided that the subcommittee would approve the employer focus group design. Ms. Ballinger stated that a draft of the survey for the employer would be drafted prior to the June Board meeting and would be



brought to the June 3rd meeting. The Board recommended emailing it out to members once the subcommittee finalized it and so as to not engage in lengthy discussion on it at the next full Board meeting unless necessary.

F. June 3rd Meeting on Legal Concerns

Comptroller Lembo brought up to the Board that Professor Norman Stein is willing to speak at the June 3rd meeting, but he had requested that the CRSB pay for his travel and hotel stay. The Board took a vote to approve funding his expenses up to \$500. A motion was made by Treasurer Nappier and Mr. Callahan seconded the motion. The resolution to pay for Professor Norman Stein's travel and hotel accommodations up to \$500 passed unanimously.

Comptroller Lembo also notified the Board that at the June 3rd meeting Mercer will present. Mercer also offered to connect the Board to the Morgan Lewis law firm, who offered to present to the Board about the legal ramifications. The Board agreed that it would be a good idea to hear from them. Comptroller Lembo also shared that the Federal Department of Labor is willing to speak to the CRSB staff about guidance on the plan rather than to the whole Board. The Board was comfortable with this. The staff will then report any such conversations to the Board.

G. Public Comment

Mark Ferris, Private Citizen

Mr. Ferris suggested that when polling employers that offer retirement plans that they be asked why they offer a retirement plan, was it for themselves or for their employees. He also pointed out that the 4% rate of withdrawal is generally increased by inflation.

Ms. Karen M. Waltemath, Financial Planning and Benefit Resources

Ms. Waltemath suggested the need for putting the money that was raised by the Board into education. She pointed out that a lot of employees will not purchase life insurance and would therefore not buy this plan. She also stated that Connecticut is eighth on the list of most expensive places to do business and that the cost is due to state mandates that Connecticut puts on businesses. She stated that small to mid- size businesses cannot compete with larger companies.

Mr. Mark Goldberg, Gateway Financial Partners

Mr. Goldberg stated that he has been talking to employers around Connecticut and has explained to them that his plan costs them nothing. Employers are still hesitant to buy into it. As a financial planner, he feels that it is imperative to sit with employers and employees face to face to get them to adopt a retirement plan and he feels if the State is not doing that then the public option will fail.



John Sayour made the recommendation that if the Board finds out that a State option is feasible with a small percentage of cost then the State could allow the private sector to educate the employers and employees through financial advisors.

Comptroller Lembo pointed out that the Board was formed by legislation. The survey that will be conducted by the Center for Retirement Research at Boston College is mandated by the statute to gather people's thoughts on a State plan, specifically the concerns of small employers.

H. Adjournment

A motion was made by Mr. Callahan to adjourn. Ms. Mills seconded the motion. The meeting adjourned at 10:49 a.m.