



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

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

Staff Report to CRSB

Re: CA's RFI Response Summary and Website Link

October 1, 2014 CRSB Meeting

Please find below CA's summary of its RFI responses:

The full responses are available to the public and can be accessed by clicking on the links below. While the Board encourages interested parties to read the responses, a high-level summary of key themes and findings is provided below:

Among respondents who commented on the issue of retirement security and the current state of retirement savings behavior in the U.S., there seemed to be general agreement retirement savings rates and access to retirement savings plans need to be increased.

Although the RFI did not ask whether Secure Choice is an appropriate means of addressing retirement security in California, some respondents opined it is. Others suggested improvements to the existing retirement savings market would better address the issue. Some were concerned Secure Choice would compete with the existing private retirement savings market or create liabilities, costs and administrative burdens for employers.

Some respondents suggested Secure Choice should consist of Individual Retirement Accounts. Others recommended pooling as a way to leverage the potential scale of the program to lower costs and/or mitigate the risk of market volatility. For some respondents, pooling meant establishing a collective trust that offers participants a limited number of well-chosen investment options. For others, pooling would involve combining all assets in a single, professionally-managed investment fund that guarantees participants a specified minimum return.

While some respondents said it is important to establish a means of guaranteeing a minimum rate of return, there appeared to be more support for including a product that can convert participants' accounts into a lifetime income stream upon retirement. There was no consensus, however, and some respondents recommended against both concepts.

There appeared to be general agreement Secure Choice should have an automatic contribution rate of 3 percent of pay at the time of enrollment, with automatic, incremental escalation over time until the contribution rate reaches 10 to 15 percent of pay. Some respondents recommended a higher initial contribution rate of 5 to 6 percent of pay because they believe a lower rate would not provide an adequate source of retirement savings.



There appeared to be consensus that pre-retirement draw-downs are a significant problem and that Secure Choice should be designed to minimize draw-downs through a variety of suggested strategies.

Several responses contained suggestions for addressing the administrative challenges associated with communicating to, and collecting payroll data from, a dispersed and heterogeneous population of employers and employees.

Below are the organizations that submitted responses:

Financial Service Companies (retirement plan consulting, administration and/or record keeping services)

Automatic Data Processing, Inc. (ADP)
CapitalOne**
Cheiron
The Online 401(k)**
PAi
PenServ
Prudential**
Retirement Revolution
SavedPlus
TIAA-CREF

Academic, Government or Non-Profit Policy Research Organizations

American Enterprise Institute (A. Biggs)
Center for American Progress (CAPS) (R. Davis and D. Madland)
Economic Policy Institute (M. Morrissey)
New America Foundation (M. Calabrese, R. Cramer, and A. Sprague)
The New School (T. Ghilarducci and J. Saad-Lessler)
Pension Benefit Guarantee Corporation
Pension Rights Center

Industry, Business and Professional Associations

Association of California Life and Health Insurance Companies (ACLHIC) / American Council of Life Insurers (ACLI)
American Society of Pension Professionals and Actuaries (ASPPA)**
California Chamber of Commerce / California Manufacturers and Technology Association
Investment Company Institute**
Securities Industry and Financial Markets Association (SIFMA)

Link to Full Responses:

<http://www.treasurer.ca.gov/scib/rfi/responses.asp>

**** Although all of the responses contain a lot of information, these particular responses contain very detailed suggestions on certain technical and/or legal aspects of the potential plan.**