

REQUEST FOR PUBLIC COMMENT: WRITTEN COMMENTS & PUBLIC HEARING

Introduction

The Connecticut Retirement Security Board (CRSB) was created by Public Act 14-217, signed by the Governor on June 17, 2014. The CRSB is chaired by the State Treasurer and the State Comptroller. The Board's mandate is to conduct a market feasibility study on the implementation of a public retirement plan and report its findings by January 1, 2016, and to develop a comprehensive proposal for implementation of such a plan by April 1, 2016. The market feasibility study will conduct a market analysis, recommend a plan design based on the results of such market analysis, and then examine the financial feasibility based on both the market analysis and recommended plan design.

In order to help the CRSB with its market feasibility study and plan development and implementation, the CRSB is requesting written comments in response to a series of questions below on a public retirement plan for private sector employees. The CRSB will also hold a public hearing on the questions below on November 19, 2014. The Board requests comments from members of the public, financial experts, small business organizations, organizations representing retirees, scholars from university schools of management or business, research institutes, and institutes of labor studies.

Disclaimer

THIS REQUEST FOR WRITTEN COMMENTS DOES NOT CONSTITUTE A SOLICITATION FOR PROPOSALS. RESPONSES WILL NOT BE CONSIDERED OFFERS FOR THE PURPOSES OF ENTERING INTO A CONTRACT WITH THE BOARD.

Background of the CRSB

The CRSB is chaired by the State Treasurer and the State Comptroller. The Board's mandate is to conduct a market feasibility study on the implementation of a public retirement plan and to develop a comprehensive proposal for implementation of such a plan by April, 2016. The market feasibility study will examine the feasibility of the goals and design features of the plan under the statute and will recommend methods by which these can be accomplished.

“Such market feasibility study will examine:

- a. Likely participation rates
- b. contribution levels
- c. rate of account closures and rollovers

- d. ability to provide employers with a payroll deposit system for remitting contributions from employees
- e. funding options for implementation of the plan
- f. likely insurance costs and whether such costs should be subject to the limit on annual administrative expenses
- g. legal compliance necessary to ensure the individual retirement accounts qualify for the favorable federal income tax treatment ordinarily accorded to individual retirement accounts under the Internal Revenue Code, and that the public retirement plan is not treated as an employee benefit plan under the federal Employee Retirement Income Security Act of 1974.”

Goals and Design Features

The Implementation Plan “shall include, but not be limited to, the following goals and design features:

- a. An increase in access to and enrollment in quality retirement plans without incurring debts or liabilities to the state;
- b. A reduced need for public assistance through a system of prefunded retirement income;
- c. A minimal need for financial sophistication in plan participants;
- d. The promotion of transparency and accountability in the management of the retirement funds through oversight, regular reporting to plan participants and ethics review of plan fiduciaries;
- e. The payment of all expenses, including employee costs, incurred to implement, maintain, advertise and administer the plan, from moneys collected by or for the trust;
- f. Plan portability through maintenance of individual retirement accounts for each plan participant;
- g. Low administrative costs that shall be limited to an annual, predetermined percentage of the total plan balance;
- h. The provision of an annuitized benefit with options for conversion to lump-sum payout upon retirement, spousal benefit and preretirement death benefits to enable a plan participant to bequeath assets to designated beneficiaries;
- i. An annually predetermined guaranteed rate of return and the procurement of insurance, as necessary, to guarantee the stated rate of return;

- j. Implementation of a default contribution rate and a process by which plan participants may elect to change their level of contribution;
- k. Compliance with all applicable requirements of federal and state laws, rules and regulations;
- l. Ensuring that the plan participants and the individual retirement accounts qualify for the favorable federal income tax treatment ordinarily accorded to individual retirement accounts under the Internal Revenue Code;
- m. Ensuring that the plan is not treated as an employee benefit plan under the federal Employee Retirement Income Security Act of 1974;
- n. A process to determine the eligibility of an employer, employee or any other individual to participate in the plan and to ensure mandatory participation by any qualified employer that does not offer an employer-sponsored retirement plan to its employees;
- o. A process by which a qualified employer shall credit the plan participant's contributions to his or her individual retirement account through payroll deposit;
- p. Employer immunity with regard to investment returns, plan design and retirement income paid to plan participants;
- q. A process for streamlined enrollment of potential plan participants, including automatic enrollment of each employee unless the employee chooses to opt out of participating in the plan;
- r. The dissemination of educational information concerning saving and planning for retirement to potential plan participants;
- s. The establishment of a secure Internet web site to assist qualified employers in identifying vendors of retirement arrangements that may be implemented by qualified employers in lieu of participation in the plan;
- t. Legal enforcement of employer obligations arising under the plan;
- u. Ensuring that any assets held for the plan shall be used for the purpose of distributing individual retirement savings balances to the plan participants and paying the operational, administrative and investment costs associated with the plan;
- v. Ensuring that any amounts on deposit to be utilized in the plan shall not (A) constitute property of the state and the plan shall not be construed to be a department, institution or agency of the state, and (B) be commingled with state funds and the state shall have no claim to or against, or interest in, such funds;
- w. Ensuring that any contract entered into by or any obligation of the plan shall not constitute a debt or obligation of the state and the state shall have no obligation to any designated

beneficiary or any other person on account of the plan and all amounts obligated to be paid pursuant to the plan shall be limited to amounts available for such obligation;

- x. Ensuring that the plan shall continue in existence as long as it holds any deposits or has any obligations and until its existence is terminated by law and upon termination any unclaimed assets shall return to the state; and
- y. Ensuring that the property utilized in the plan shall be governed by section 3-61a of the general statutes.”

Written Comments

The deadline for submitting written comments is November 3, 2014. Written comments will be accepted from any members of the public. All written comments must be in electronic format. Hard copies will also be accepted in addition to an electronic copy, but are not required.

Please submit all written comments to:

Connecticut Retirement Security Board
Office of the State Comptroller
55 Elm Street
Hartford, CT 06106

Fax number: (860) 702-3319

Email address: OSC.CRSB@ct.gov
Attn: CRSB Request for Public Comment

Public Hearings

A public hearing will be held on November 19, 2014 to allow for oral presentations before the Connecticut Retirement Security Board on the questions below. The hearing will be held at the Constitution Room in Memorial Hall, Central Connecticut State University. Invited speakers will be presenting at 4:00 p.m. Public comment will begin at 6:00 p.m. Public comments at the hearing may be limited to 3 minutes depending on participation. Sign-up to participate in the hearing will begin at 5:00 p.m. Members of the public are welcome to participate in the public hearing. Members of the public are also invited to attend the public hearing and are invited to submit a written comment.

Other Information

Written comments and transcripts from public hearings will become part of the Connecticut Retirement Security Board’s public file and will be posted on the website.

QUESTIONS

Responses are not required nor expected to include answers to all of the questions below.

Plan Design

1. What plan structure would you recommend in order to meet the statutory goals and design features (listed above)?
2. How would you recommend satisfying the requirement that the plan maintain an annually predetermined guaranteed rate of return? Would you recommend obtaining private insurance?
3. What amount would you recommend as the default contribution rate? Why?
4. Would you recommend the plan automatically increase participants' contributions over time? If so, by how much and at what time?
5. Would you recommend immediate vesting of the participant's contributions? What about the employer's contributions?
6. How would you recommend minimizing the funds that participants withdraw from their retirement accounts prior to their retirement in order to minimize fees assessed on the funds (or pre-retirement "leakage")?
7. Do you have any additional concerns about the plan design features? If so, how could those concerns be addressed?

Investments

8. What investments would you recommend to satisfy the statutory goals of the plan, including the types of funds and underlying assets? What style of management (active vs. passive) would you recommend?
9. Would you recommend more than one investment option? If so, what would you recommend as the default option?
10. Would you recommend an annuitized benefit, a lump sum payout, a lifelong stream of income, or multiple options? How would you structure each option? Would your recommendations require changes to the statutory investment policy parameters? What amendments to the statute would you recommend?

11. What recommendations would you make to ensure an effective risk management system is in place?

Administrative Issues

12. How would you recommend qualified employers structure the payroll deduction process to credit the plan participant's contributions to his or her individual retirement account through payroll deposit?
13. How would you recommend managing the enrollment, receipt, and recordkeeping of employee payroll contributions and transactions?
14. How would you recommend managing rollovers and closures of plan accounts?
15. How would you recommend identifying eligible employers and disseminating information to eligible employers and their employees?
16. Do you have any additional concerns about the administration of this plan? If so, how could those concerns be addressed?

Legal Issues

17. How would you recommend obtaining a favorable ruling from the Department of Labor that the plan is either exempt from ERISA coverage under an exception or that ERISA does not cover the plan?
18. How would you recommend obtaining a ruling from the IRS that the plan qualifies for favorable income tax treatment as individual retirement accounts?
19. What recommendations, if any, would you have toward amending or enacting statutes and/or regulations in order to improve the legal requirements of the plan? Would you recommend any amendments to the enacting legislation of the CRSB (P.A. 14-217)?
20. Do you have any additional legal concerns surrounding this plan? If so, how could those concerns be addressed?

Costs and Fees

21. How would you recommend minimizing ongoing administrative costs and fees associated with the plan?
22. How would you recommend calculating the estimated startup costs of the plan? What would you estimate those costs to be? How would you recommend covering those startup costs?
23. How would you recommend minimizing any administrative costs to the employers?

24. How would you recommend achieving transparency and accountability in the management of the retirement funds?

25. Do you have any additional concerns regarding the costs of this plan?

Retirement Plan Vendors Website

26. What level of interest would vendors have in establishing a secure website to assist qualified employers in identifying vendors of retirement plans that may be implemented by qualified employers in lieu of participation in the plan? How should the Board determine that interest?

27. How would you recommend establishing a process for vetting vendors to include on the website?

28. What information is most important for employers to know about vendors on the website?

29. How would you recommend operating the website effectively and efficiently, in a manner that minimizes liability?

30. Do you have any additional concerns on creating a secure website for vendors of retirement plans for the use of eligible employers?

Funding

31. How would you recommend seeking funding for the market feasibility study?

32. Would you suggest any particular types of organizations that may be willing to donate significant funding for the study?

33. Given that some organizations do not or cannot donate directly to governments, will that make it more difficult to raise money? If so, can you suggest funding solutions or arrangements that might help to avoid this difficulty while maintaining the state's independent oversight and jurisdiction over the study?

34. Do you have any additional concerns about funding the market feasibility study?

Additional Information

35. Do you have any additional concerns about the CRSB conducting the market feasibility study?

36. Do you have any additional concerns about any aspects of the operations of the CRSB?

37. What is your personal story? How would this program benefit you? Or harm you? Why?