



STATE OF CONNECTICUT

# RETIREMENT SECURITY BOARD

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

Connecticut Retirement Security Board

Meeting Minutes

Wednesday, April 6, 2016

9:00 a.m.

55 Elm Street, Hartford, 7<sup>th</sup> Floor Treasurer's Conference Room

## Members Present:

Hon. Kevin Lembo, Comptroller, Co-Chair

Treasurer Denise Nappier, Co-Chair

Commissioner Scott Jackson

Thomas Barnes (via phone)

Michael Callahan

Ken Floryan

George Kasper

William Kosturko

Brendan Maher

Jamie Mills

James Russell (via phone)

## Members Absent:

Sal Luciano

John Sayour

## Other Participants:

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

## A. Call to Order

Comptroller Lembo called the meeting to order at 9:08 a.m.

## B. Review of the February 4, 2016 Meeting Minutes

A motion was made by Ken Floryan to adopt the Meeting Minutes of February 4, 2016. William Kosturko seconded the motion. The minutes were adopted unanimously at 9:09 a.m.



### **C. Review of the February 11, 2016 Special Meeting Minutes**

A motion was made by Mr. Kosturko to adopt the Meeting Minutes of February 11, 2016. Mr. Floryan seconded the motion. The minutes were adopted unanimously at 9:10 a.m.

### **D. Update on Proposed Legislation- H.B. 5591**

Genevieve Ballinger gave an overview of the status of Connecticut Retirement Board proposed House Bill 5591. The proposed bill did pass out of the Labor Committee onto the House floor with amended language. The following substantive changes were made:

- The mandate was brought back to its original form, where it only applies to employers with five or more employees that do not offer any retirement savings plan to their employees. It no longer includes those long term part time employees working for an employer that offers a plan that they are ineligible for. This was changed because there was a big push back from larger employers. This can be revisited and changed in future years.
- The default contribution rate was changed from 6% to 3%. However, the implementing board still has the authority to change that. This changes the feasibility slightly. This would mean that the program would be self-sustaining in 3-4 years and all startup costs would be paid back in 5-8 years.
- The default account was switched from a Traditional IRA to a Roth IRA. The program will still offer both as options. The Office of Fiscal Analysis (OFA) was given a fiscal note of \$0-10 Million depending on what option employees choose. If they take the Roth IRA option there will be no fiscal impact on the State, but if they take the Traditional IRA option there will be a fiscal impact on the State.

There were other technical changes made by the Legislative Commissioner's Office (LCO). The language changed to mandate reimbursement to the Connecticut Department of Labor for its assistance in enforcement activities. There is proposed legislative language for all of the quasis to allow them to obtain a liability insurance policy rider in lieu of surety bonds, which may be added to this bill as well. LCO also changed the retirement age, but it is being changed back to the retirement age that was set by the Board to 70 ½ or an earlier age chosen by the employee but no earlier than age 65.

Comptroller Lembo added that House Majority Leader Aresimowicz is ready to roll out this bill and they are hopeful that there will be no other amendments.

Mr. Kosturko asked if the fiscal note of \$0-10 Million could be changed. Comptroller Lembo responded that OFA does not usually amend their fiscal notes. Ms. Ballinger added that if the Roth IRA was not the default the fiscal note would be higher. Majority Leader Aresimowicz has given the impression that if it becomes an obstacle the Traditional IRA option will be removed to make the fiscal impact zero. After the bill passes the House it will then move to the Senate and Senate President Pro Tempore Looney is in favor of the bill. The Governor is staying neutral.



Michael Callahan inquired about the timing of the bill. Comptroller Lembo responded that the bill could go quickly. The last day of session is May 4.

Jamie Mills asked if the Board could help in any way to help pass the bill. Ms. Ballinger said that she will keep the Board aware of any opportunities to help out.

#### **E. CRSB Media**

Comptroller Lembo shared with the Board that he had staff pull together articles regarding the Connecticut Retirement Security Board.

#### **F. Financial Report**

Comptroller Lembo presented the financial report to the Board. The Board has spent all the funds from the non-profit donors. There is \$39,000 left from the state's appropriated resources. To date the Board has approximately \$125,000 remaining, assuming that nothing else needs to be paid to legal. Comptroller Lembo said that his commitment to the program is great and that even if there were no state funds, his office would support the RFP process through their resources.

Mr. Callahan asked if those donors would be publicly given credit. Comptroller Lembo responded that they were when they donated funds. They would also be highlighted after the process was completed. Treasurer Nappier suggested putting together a pamphlet to the Finance Committee highlighting the supporting agencies.

Mr. Floryan inquired if the legislation gave permission to the quasi-public agency to loan money to the State. Ms. Ballinger responded that the legislature removed the language that would allow the quasi-public agency to loan money to the State. Mr. Floryan clarified that the program may not have any money unless we can move the unused funds of \$39,000 over until a vendor is chosen. Treasurer Nappier suggested that the committee who develops the RFP needs to understand how to be a fiduciary and understand fiduciary insurance. Ms. Mills suggested that maybe some money could be moved over from the legal line item and inquired if it would be possible to have the Groom Law Firm or Finn Dixon do work for them. It was suggested that the Board would need to amend the contract with Finn Dixon so that work falls within the scope. Currently, the scope is limited to the Board. Treasurer Nappier added that Finn Dixon is a vendor for the State of Connecticut and they could probably help out through their other contract.

Mr. Callahan added that places like the Center for Fiduciary Studies and the International Foundation of Employee Benefit Plans offer training on fiduciary responsibilities.

Ms. Ballinger commented that if the Board would like Groom or Finn Dixon the contract would need to be amended. Comptroller Lembo said that we can do that and an MOU can be written to transfer money between the Treasurer's office and the Comptroller's office especially to Finn Dixon since they are a State of Connecticut vendor.

#### **G. Closing Remarks**



Treasurer Nappier wanted to thank her co-chair, the Board and the staff for the important journey. She has been thrilled with the input. The Board was committed to the cause and she is happy with the final product. As the program is implemented she will make sure that it is not changed from the planning stages. She believes this program will help the citizens of Connecticut and the economy by ensuring that everyone is able to retire with dignity and not rely on government programs.

James Russell added that the Board has done really good work but there is still more work ahead in the distribution phase. It is important to distinguish between reality and retirement. He wants to make sure that the distribution phase is handled correctly and not just increasing business for insurance companies.

Ms. Mills thanked the leadership of Comptroller Lembo and Treasurer Nappier and she believes that the Board put together a product in good faith and everyone brought different perspectives.

Mr. Kosturko thanked Comptroller Lembo and Treasurer Nappier for their fundraising efforts.

Comptroller Lembo wanted to echo everyone's comments and congratulated the Board on their conscientious work.

#### **H. Public Comment**

Mr. David McQuade, Murtha Cullina, LLP

Good job.

#### **I. Motion to Transfer Unused Funds**

Comptroller asked for a motion to empower the chairs to facilitate the transfer of unused funds from the Board. Mr. Callahan made the motion. Mr. Maher seconded the motion. The motion was adopted unanimously at 9:38 a.m.

#### **J. Adjournment**

Comptroller Lembo asked for a motion to cancel all future meetings and adjourn this meeting subject to the call of the Chairs. Mr. Floryan made the motion. Mr. Maher seconded the motion. The meeting adjourned at 9:40 a.m.