



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

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

Staff Report to CRSB

Re: RFP Scope

January 5, 2015 CRSB Meeting

The Board is soliciting responses to this RFP from qualified vendors to conduct general consulting, market analysis, program design, and financial feasibility consulting services. Interested vendors are asked to provide information regarding their qualifications, in addition to their availability and interest in providing the requisite services.

The Board will accept responses from vendors who are interested in conducting only certain services described below but not all of the services contained in this RFP. Please indicate the services the vendor would perform, the vendor's qualifications for conducting such services, and the reason why the vendor would not be able to perform the remainder of the requested services.

The contractor will be expected to perform the following services:

1. General Consulting:

The contractor will provide general consulting services to the Board throughout the market feasibility study process. This will include developing a timeline for each step of the market feasibility study, guiding the direction of the study based on the Board's statutory mandate, reporting to the Board on the progress of each step of the study, collaborating with the Board's legal consultants when developing a plan design in order to determine and maintain the legal feasibility of such design, attending Board meetings when requested, and developing a report on the results of the market feasibility study by January 1, 2016.

In addition, the contractor will consult on and recommend best practices for establishing a secure internet website in order to assist qualified employers in identifying vendors of retirement arrangements that may be implemented by qualified employers in lieu of participation in the plan.

2. Market Analysis:

The market analysis will include surveys of both eligible participants and eligible employers. The survey of eligible participants will determine likely participation rates, likely contributions, and



program design elements that would maximize participation. The analysis should include a stratification of participants based on age, gender, race, and income level. There should be a household component of the analysis, whereby income levels, employment, retirement savings accounts, number of dependents, and debt are studied from a household perspective, in addition to an individual perspective. The market analysis will also study eligible participants' comfort with the different investment vehicles and degrees of risk, as well as the anticipated rate of account closures and rollovers.

The survey of eligible employers will determine the transaction costs of certain program elements to employers, with an additional particular concentration on small employers. The survey will determine what retirement options are currently offered by small employers, the rates of participation by their employees, and the employer's interest in offering a retirement program if not already doing so. The survey will ascertain how many employers would choose to forego the offering of an employer-sponsored retirement plan, or would discontinue offering such a plan, if a state-sponsored plan were available. The analysis will also determine how many employers would currently be eligible and those employer's abilities to remit employees' contributions through their current payroll systems.

In addition, the market analysis will include a study of the natural trends of retirement savings and employer-sponsored retirement plans, including trend projections for private retirement plan participation in the absence of a state-sponsored retirement plan, and for private plus public plan participation in the presence of a state-sponsored plan. The analysis will also include a review of academic literature on behavioral economics to determine the likely behaviors of eligible participants, including the plan design elements that maximize participation and income replacement ratios.

3. Program Design:

The contractor will recommend how best to structure and administer the plan based on the results of the market analysis. This recommendation will include what type of entity would be best positioned to administer the program. The program design will include the best methods for recordkeeping and administrative functions, handling payroll deductions, communicating with participants regarding their individual accounts, default contribution levels, automatic escalation levels, opt-out procedures, automatic enrollment procedures, and maximum contribution levels.

The contractor will recommend a process by which to determine eligibility of employers and employees to participate in the plan and to enforce mandatory participation by any qualified employer that does not offer a retirement plan to its employees. The program design will also determine the best methods for investment, including what options are offered to participants for investing, what options are offered at retirement, and how to guarantee a rate of return as prescribed by the statute.



In addition, the contractor will include an analysis of how the Board's creation statute could be amended to allow for certain plan design elements that would make the program better suited to the needs of the eligible participants and employers.

4. Financial Feasibility:

The financial feasibility portion of the study will determine whether the likely participation rates would be sufficient to maintain a self-sustaining trust that covers all expenses of the program as required by statute. The contractor will determine the level of funding required for implementation of the plan design. The study will analyze whether or not the plan design is feasible without incurring debts or liabilities to the state and with low administrative costs that shall be limited to an annual percentage of the total plan balance. The study will also analyze how an annually predetermined guaranteed rate of return can be set, the cost and structure of insurance necessary to guarantee the stated rate of return, and an appropriate limit of plan funds that can be devoted to administrative costs.