



Multiple Employer Plans:

A Complement to the Connecticut Retirement Program

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Prudential Experience and Learnings

- **Retirement plan design**
 - Prudential Financial, Inc. has been a financial services leader for over 135 years and has over 85 years of retirement experience
 - Offers innovative ways to help manage risk and provide guaranteed retirement income
- **Defined benefit, pension risk transfer and annuities**
 - Prudential Retirement has been meeting the needs of over 4 million participants and annuitants
 - Over \$370 billion in retirement account values
- **Guaranteed lifetime income**
 - An industry leader in providing guaranteed retirement income solutions to Americans since 2001
 - Largest in-plan guaranteed lifetime income provider (47% market share)¹

As of 06/30/2015

Guarantees are based on the claims-paying ability of the insurance company and are subject to certain limitations, terms, and conditions.

¹LIMRA In-Plan Guarantee Availability and Election Tracking Survey, May 2015.

Desired Program Outcomes

- ✓ Expansion of Coverage
 - ✓ Minimal Need for Financial Sophistication
 - ✓ Portability
 - ✓ Low Administrative Costs
 - ✓ Automatic Enrollment
 - ✓ Legal Enforcement of Employer Obligations
 - ✓ Limited Employer Fiduciary Responsibility
 - ✓ Complete Consumer Protection
 - ✓ Guaranteed Lifetime Income
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Implementation Considerations

- Proposed Rule – DOL Guidance on Auto-IRA
 - Standard of Conduct for Investment Selection
 - Fulfilling Responsibility for the Security of Payroll Deductions and Employee Savings
 - ERISA Implications of Employer Noncompliance with the Safe Harbor
 - Employer Impact of Compliance with the Safe Harbor (Payroll Systems, Records Maintenance, Required Notices)
- **Client Experience**
 - Loss of Principal
 - Fees on Low Balances
 - Mandatory Annuitization
 - Sequence of Returns Risk
 - New Regulatory Framework

MEP Complements the Program

- **What is a Multiple Employer Plan (MEP)?**

- Multiple Employer Plan is “a type of employee benefit plan that can be maintained as a single plan in which two or more unrelated employers participate.”

- **Employee Perspective: Better Retirement Outcomes**

- Employer Match Available
- Higher Contribution Limits
- Protection of Principal and Accumulated Interest Available for Conservative Investor
- Guaranteed Lifetime Income with Liquidity

- **Employer Perspective: Less Burden and More Flexibility**

- Limited Employer Involvement
- Tax Credits to Offset Employer Startup Costs
- Choice of Plan Design

- **Regulatory Perspective: Well Established and Defined**

- ERISA Regulatory Framework
- Consumer Protections

MEP Compared to Proposed Program

- Comparison

Features	State-Sponsored MEP	CT's Auto-IRA
Contribution Limit	<ul style="list-style-type: none"> • Age < 50: \$18K • Age ≥ 50: \$24K 	<ul style="list-style-type: none"> • Age < 50: \$5.5K • Age ≥ 50: \$6.5K
Employer Contribution Allowed	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
Automatic Enrollment	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes
FINRA Rule 2090 (Know-Your-Customer) Applicability	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • Yes
Tax Credits Available to Offset Employer Set Up Costs	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
Scale Lowers Administrative Costs	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes

MEP Compared to Proposed Program, cont'd

- Comparison

Features	State-Sponsored MEP	CT's Auto-IRA
Choice of Investment Options	• Yes	• No (*)
Principal Protected Investment Option	• Yes	• No (*)
Guaranteed Lifetime Income with Liquidity	• Yes	• No (*)
Portability	• Yes	• Yes
Need for Employee Financial Sophistication	• No	• No
ERISA Fiduciary Protections	• Yes	• No

* Source: Draft proposed to Legislature. Connecticut Retirement Security Board.

Disclosure

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