STATE OF CONNECTICUT
RETIREMENT SECURITY BOARD
CO-CHAIRS: STATE COMPTROLLER KEVIN LEMBO & STATE TREASURER DENISE NAPPIER

Connecticut Retirement Security Board
Meeting Minutes
Wednesday, July 1, 2015
9:00 A.M.
55 Elm Street, Hartford, 7th Floor Treasurer's Conference Room

Members Present:

Hon. Kevin Lembo, State Comptroller, Co-Chair
Hon. Denise Nappier, State Treasurer, Co-Chair
Deputy Commissioner Dennis Murphy (on behalf of Sharon Palmer)
Thomas Barnes (via phone)
Michael Callahan
Ken Floryan
Sal Luciano
Brendan Maher (via phone)
Jamie Mills
James Russell
John Sayour

Members Absent:

George Kasper
William Kosturko

Special Guests:

Anek Belbase, Center for Retirement Research at Boston College
Zach Koutsky, Senior Advisor to Illinois State Treasurer (via phone)
Julian Federle, Chief Policy and Programs Officer to Illinois State Treasurer (via phone)

Other Participants:

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

A. Call to Order

Comptroller Lembo called the meeting to order at 9:07 a.m.

B. Adoption of Meeting Minutes

A motion was made by Michael Callahan to adopt the Meeting Minutes of June 3, 2015. Sal Luciano seconded the motion. The minutes were unanimously adopted at 9:08 a.m.

C. Review of U.S. Department of Labor Conversation

Genevieve N. Ballinger briefed the Board on the conversation that retirement security staff had with the U.S. Department of Labor (DOL) staff. The topics that the DOL discussed with staff dealt with preemption and next steps, potential solutions, the regulatory system, and mandatory ERISA covered plans. DOL has been advising states that are taking on such initiatives that ERISA preemption is an issue that needs to be decided by the courts. Any DOL guidance is not going to provide certainty to states. DOL will issue a decision in the coming weeks in terms of the best approach of how to support states initiatives either by formal guidance, regulation making, or proposing a legislative change. The DOL may be able to offer more help if the President's pilot waiver proposal is passed. DOL could then grant waivers by statute, with funding, to evaluate different kinds of plans. Another solution could be for the DOL to offer additional safe harbor guidance. DOL is concerned that IRAs are not very regulated now. The DOL is interested in a regulatory system that provides greater consumer protections and possibly imitates portions of ERISA. Lastly, DOL realizes that states are concerned with trying to offer plans that are mandatory ERISA covered plans since they would be preempted, making it so that the plans would only be voluntary. The DOL is looking into both federal and state solutions.

D. Market Feasibility Study Update

Anek Belbase from the Center for Retirement Research at Boston College presented the employer focus group results to the Board. The focus groups consisted of small business executives. Two of the groups totaled nine participants and represented companies with no retirement plan. One group had seven participants and it represented companies that offer a retirement plan. The focus groups consisted of Connecticut small employers, most with 5-20 employees but all under 200 employees, representing different industries. The focus groups showed that it depended on how the plan was communicated whether or not the focus groups welcomed the plan. The word "choice" was favorably looked at while the words "mandate" and "regulation" were looked at negatively. In all of the focus groups they recognized the importance of retirement savings, but were concerned with the liability and paperwork that they as employers would have. Employers felt a responsibility to guide their employees into a well-structured plan. State involvement was viewed positively in terms of offering tax incentives or an inexpensive plan to small employers. A concern was raised by the employers when they learned that the program would not be funded by taxpayers, fearing that the cost would be passed onto themselves and their employees. The idea of opting out received mixed reactions; some believed that this was positive and participation should be voluntary while others felt that having an opt out provision would reduce the value of the program. The focus groups also raised questions regarding which employees would actually be covered, implementation of the plan, and investment options. The employers also wondered why their employees could not just be

educated about already existing IRAs. Employers that did not offer a retirement plan were skeptical of this plan. One focus group opposed the program while the other took a neutral stance. The employers that did already offer a plan were supportive of the program.
There was discussion among the Board of whether a Roth or an IRA option would be more desirable. Treasurer Nappier brought up the 529 plan and the need for an outside vendor to administer the assets of the program because the State does not have the infrastructure to do so.

Mercer Staff Change

Per the contract with Mercer, the Board is required to approve any staff changes. Janet Rubenstein, Plan Design and Administration, needs to take a step back from the project but will still be involved. Mercer Consulting would like to bring in Bill McClain, ASA. Comptroller Lembo posed the question to the Board. A motion was made by Mr. Luciano to allow Bill McClain to work on this project. The motion was seconded by Mr. Callahan. The motion passed unanimously at 10 a.m.

E. Update on other States

Ms. Ballinger provided an update on the status of the Oregon Bill HB 2960. HB 2960 was passed by the legislature and sent to the Governor's office on June 19, 2015. The bill creates the Oregon Retirement Savings Plan and charges the Oregon Retirement Savings Board with establishing, implementing and maintaining the plan. The Oregon plan is similar to the Connecticut plan in terms of being mandatory for employers that do not offer a retirement plan, auto-enrollment and payroll deduction. There would also be no EIRSA liability on employers. The major difference between their plan and our plan is that their plan, their board, each of their board members and the State of Oregon may not guarantee any rate of return or any interest rate on any contribution.

Zach Koutsky, the Senior Advisor to the Illinois State Treasurer, and Julian Federle, the Chief Policy and Programs Officer to the Illinois State Treasurer, provided a status update on the Illinois Secure Choice Savings Program. The Secure Choice program establishes a retirement savings program in the form of an automatic enrollment payroll deduction IRA with the intent of promoting greater retirement savings for private-sector employees in an affordable, low-cost, and portable manner. The program is designed for employers that have operated in Illinois for at least two years and will be required to be offered by those employers with 25 or more employees. The Secure Choice Board will be working with the business community to determine how to deal with full time versus part time employees. The Board consists of appointments from the Office of the Comptroller, Treasurer and the Governor. They initially requested $2 million for startup costs, and to hire additional staff if needed and have greater outreach. Julian Federle offered that they were planning on retaining ERISA attorneys soon and, unlike California that mandated that their plan had to be exempt from ERISA, they just need an opinion from the DOL on ERISA. Mr. Koutsky and Mr. Federle did not want to get into specifics of the plan since they are in the process of figuring that out. They have retained the services of an outside consulting firm to perform data analytics.

Mr. Callahan asked about the type of enforcement procedures. Mr. Koutsky said that there will be a 2 year window for implementation to begin, and within 18 months of the implementation date, once the Board is established, employers must comply with the plan. If they don't, there will be a yearly fine of $250 per employee. The fine will be enforced by the Department of Insurance.

Mr. Sayour asked about if the funds would be monitored by a 3rd party vendor. Mr. Federle responded that like the 529 plan, a 3rd party vendor would provide the investment options. Mr. Sayour also asked about the cost of the plan. Mr. Federle responded that the implementation of the plan was through administrative fees. The startup costs will be through the state general revenue fund and will need to be paid back in full after two years. The plan will need to be self-sustaining.

The phone call ended 10:38.

The Board discussed their thoughts on the phone call. The Board was surprised that the Illinois plan would only apply to employers with 25 or more employees. There was also discussion about Illinois just having to obtain an ERISA opinion, rather than having to have the plan exempt from ERISA.

F. Financial Report

Comptroller Lembo stated that there is $250,000 in the budget for each of the two years.

G. New Business

Comptroller Lembo asked the Board if they wanted an RFP drafted to request legal services, pending available funding. Mr. Luciano stated that one of the reasons we had been waiting so long for legal services was to see what other states were doing. Mr. Callahan made a motion to draft an RFP for legal services, subject to available funds. Treasurer Nappier seconded that motion. The motion passed unanimously.

Mr. Callahan also asked the Board if they wanted someone to speak to them regarding what to do with abandoned funds. This was agreed to be brought up at another time.

H. Public Comment

There was no public comment.

I. Adjournment

A motion was made by Jamie Mills to adjourn. Mr. Callahan seconded the motion. The meeting adjourned at 10:55 a.m.