



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

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

Staff Report to CRSB

Re: Summaries of Public Comments

December 3, 2014 CRSB Meeting

BRIEF EMAILED RESPONSES

Of the 16 brief emailed responses, five were for the plan and eleven were against the plan.

Reasons for the plan included the hope that the plan would offer small businesses a lower cost retirement plan option than what currently exists in the marketplace and that the plan potentially would offer a more secure retirement plan option similar to that for public employees. Those for the plan included a small business owner, who would like to see a state plan that has lower fees and costs than what exists in the private sector, an employee of a small non-profit, who would like to see a retirement savings vehicle that would not burden her employer, and an executive director of a small non-profit, who provides assistance to needy families and has been seeing a lot of elderly citizens who have become impoverished due to lack of savings.

Reasons against the plan included concerns that the plan would follow the path of the currently underfunded public employee pension system, that there would be a lack of participation by eligible employees, and that the plan would be a waste of state resources due to the existence of retirement plan options in the marketplace. Some of the responses encouraged the state to look into investing in financial education for the public instead. You can find these responses [here](#). The response against the plan was from an employer who employs five employees, who does not think the plan will work because employees do not want to use plans even if they are currently available to them.

SMALL BUSINESS RESPONSES

The 57 small business responses forwarded by the CBIA are all against the plan and each include general concerns about imposing mandates on businesses and specific concerns of the burden this plan could place on them. Some of the responses are from small businesses already offering an employer-sponsored retirement program as indicated in their letter, so they would not be subject to the Board's mandated plan if implemented. In addition, some of the responses are from small businesses that employ less than five employees, and therefore they would not be subject to this plan either.



FULL DOCUMENT RESPONSES

For the plan:

American Society of Pension Professionals and Actuaries – for the plan. Encourages auto-IRA due to greater simplicity and not covered by ERISA so no liability on employers, encourages private sector participation in administration of the plan to facilitate pooling of investments, and provides detailed guidance on legal requirements and demonstrates how to ensure the employer does not place itself within ERISA liability. Even if plan not created, still encourages the state to mandate that employers offer access to payroll deduction IRA if not offering employer-sponsored plan.

Connecticut Association for Human Services – for the plan. Discusses current retirement crisis, encourages Board to create plan that has transparent administration and is user-friendly, encourages eliminating barriers to employer or employee participation, encourages passive management and low-risk investment, and encourages using Social Security as a model.

Permanent Commission on the Status of Women – for the plan. Addresses the retirement crisis with particular details on the gender divide in retirement savings.

Prudential Retirement – for the plan. Suggests a target date fund with guaranteed lifetime withdrawal benefit, suggests combining the best practices from defined contribution plans and defined benefit plans, provides a lot of detail on investment options with a default tier and two additional optional tiers, suggests guaranteeing income rather than principal return, and encourages imposing the same disclosure requirements that are required of ERISA covered plans.

The Online 401(k) – for the plan. Encourages the use of omnibus IRAs, offers detailed information on investment options, encourages target date styled funds, provides details on its payroll deduction plan and low costs for small employers, and encourages use of online communications and a cloud-based website for the retirement plan vendors website.

The New School – for the plan. Encourages the Board to require every employer to offer the plan as a choice and to leave the choice of the state plan or a private sector plan to each employee, encourages the use of a retirement clearinghouse for listing private registered vendors and requiring registered vendors to have minimum protective features, recommends using a not-for-profit quasi-governmental agency for administering the plan, encourages pooling and conversion to annuities, encourages the Board to take on



fiduciary duties and to delegate investment management and administration to third party administrators, encourages eliminating early withdrawals, and encourages the use of private insurers.

TIAA-CREF – for the plan. Encourages offering a guaranteed rate of return fund in addition to other investment options with varying levels of risk, and encourages streamlining and automating the administration of the plan and using systems already in place like collecting contributions through the tax collection system in order to alleviate the burden on employers.

Against the plan:

American Council of Life Insurers – against the plan. Points to sufficient access to retirement plans currently in the private sector, believes it is impossible to provide such a plan without adding liability to the state, is concerned that a guaranteed rate of return is not possible, encourages the Board to seek out an official DOL opinion on ERISA issues, encourages the Board to look into offering tax credits to incentivize savings, is concerned about the costs associated with the plan, and attached to the comment fiscal impact statements for CA and MD and a white paper by Milliman on the anticipated costs of such a plan.

Connecticut Bankers Association – against the plan. Believes that there exists a robust retirement plan industry, believes the financial services industry is marketing to everyone regardless of income, believes the industry currently can meet the diverse needs of the state's population, and encourages the Board to come up with incentives to encourage people to take advantage of the plans that currently exist.

Connecticut Business and Industry Association – against the plan. Concerned about the administrative and implementation burden that would be placed on small businesses, concerned about the state entering competition with the private sector financial services marketplace, and concerns about the guaranteed rate of return and resulting high costs of insurance.

Connecticut Insurance and Financial Services Cluster – against the plan. Concerned about the state entering into competition with the current financial services marketplace, concerned about the burden on small businesses and unrealistic expectations with regard to low administrative costs, encourages the Board to view the federal myRA program as an appropriate alternative and encourages the Board to invest in education and financial literacy.

House Republican Caucus – against the plan. Does not believe the state should be in the private retirement savings business, concerned about the underfunded state pension liabilities, concerned about ERISA liability



and other burdens on employers, encourages the state to invest in education and tax incentives for saving, encourages the Board to mandate employers use a plan currently in the marketplace as an alternative to the state-sponsored plan, and encourages the state to focus on creating a job-friendly environment.

Insurance Association of Connecticut – against the plan. Believes that the marketplace is already full and competitive and offers even low cost options for small employers, concerned that Board will not receive favorable opinion from DOL, encourages the Board to view the federal myRA program as an appropriate alternative, and encourages the state to invest in savings awareness.

Investment Company Institute – against the plan. Believes the gap in retirement coverage is more perceived than real, concerned about financial and administrative burdens to state and taxpayers, provides detailed analysis on legal requirements, does not believe the plan as defined in the statute will meet legal requirements for IRAs, concerned that automatic enrollment would trigger ERISA coverage, concerned that the state's control of the investments would trigger ERISA coverage, concerns that not only would ERISA liability apply to employers but that state would become ERISA fiduciary, and also provides detailed analysis on the legal implications of being covered by the federal Investment Company and Investment Advisers Acts.

Mark E. Ferris (Certified Financial Planner) – against the plan. Believes this project is a waste of time and resources, suggests instead that the Board create a business climate in the state that requires full-time workers with skills that demand a competitive wage and focus on reducing how expensive it is to live in this state, and is concerned that low-wage workers will pay small amounts into the plan and will only turn around and try to get their money back out of it soon after.

National Federation of Independent Business – against the plan. Concerned about the costs, concerned that it would be an intrusion on the employer-employee relationship, believes that the federal MyRA and Legg Mason's EZ-IRA programs are sufficient alternatives to the proposed state program, concerned about additional administrative requirements on employers like educational and record-keeping requirements, and encourages a focus on financial education and retirement planning awareness.

Professor Edward Zelinsky – against the plan. Encourages the Board to not style the plan around California's plan, because CA's plan does not meet the legal requirements of IRAs, encourages the Board to subcontract with private sector established IRA providers, and expresses concerns about the burden on small businesses.

Securities Industry and Financial Markets Association – against the plan. Encourages the Board to view the federal myRA program as an appropriate alternative, encourages the state to provide education and tax incentives for retirement savings, states that ThinkAdvisor rated Connecticut as #1 in the country for



management and performance of 401(k)s, concerned that the Board would not receive a favorable ruling from the DOL regarding ERISA coverage, and concerned about costs.

State Representative Richard Smith – against the plan. Concerns about the burdens on small businesses, concerns about entering the competitive private retirement plan provider marketplace, concerns about the state’s record with the state employee pension plan, concerns about ERISA coverage, and encourages the Board to focus on education instead.

Thomas E. Brown (Financial Advisor) – against the plan. Believes the Board should be taking on a different focus, encourages the Board to look at incentives for both those in need of saving and for plan advisors, states that the underserved population is like pro bono work to advisors currently because of the low fees on low dollar amounts, encourages the Board to not jeopardize the fees as their revenue source, and encourages the Board to look into creating tax credits and deductions.

Yankee Institute for Public Policy – against the plan. Concerned about burden to small businesses, concerned about the state’s record with the underfunded pension liabilities, encourages the Board to suggest legislatively other incentives for saving for retirement, encourages the Board to provide guidance to small employers on how to access a retirement savings plan for its workers, encourages the Board to look at Canada’s tax incentive program for retirement savings, and expresses concerns about the guaranteed rate of return.

Neither for nor against:

MassMutual – response limited to information on small plans. Discusses its expertise in managing small plan assets, its offerings of an enhanced 401(k) program for plans with less than \$15 million in assets, its program Aviator with multiple features designed to help small businesses with investment selections and retirement planning education, and its analytical tool Planalytics for assessing the effectiveness of retirement plans. Describes retirement plan success as stemming from effective design and proactive outreach, describes effective design as including automatic enrollment and escalation of contributions, and emphasizes importance of plan advisors.



COMMENTS FROM PUBLIC HEARING

Mark Ferris (Certified Financial Planner)- against the plan

Please see written comments above.

Bennett Kleinberg (Vice President- Innovation Prudential Financial, Inc.)

Wanted to correct what Aaron Friedman said with respect to Stable Value Products. Stable Value Products are available within all IRA plans. Stable Value Products offer the returns like bonds without the volatility.

Matthew Brokman (Political/Legislative Affairs Advocate AFSCME Council 4)-for the plan

AFSCME would like to see this plan set up similar to CHET as a trust to hold plan assets that is transparent and available to the public. Having a public trust will make sure that assets can be pooled together. By piggybacking on other state programs the plan's bookkeeping will be less expensive. Experts and the board would oversee the trust to make sure the plan meets all the necessary requirements and the fiduciary responsibility will be on the board and they will be able to advise funds.

This plan is not about putting the financial service industry out of business. A small group will be participating. The vendor website is important. If this state sponsored plan is not the right fit, participants should be able to shop for plans in an easy marketplace. By keeping all this information transparent employers and employees will be able to know information about vendors such as how many investments options each one has, performance, rates of returns, administrative costs and how it will affect their tax status.

Lindsay Farrell (State Director- Connecticut Working Families Party)- for the plan

Connecticut Working Families Party offered suggestions on how to create the plan. Being able to manage the plan should be very easy. Employees need to know where their money is going; what they are putting in to the plan and getting out. Employees should know how to access their funds once they reach retirement age and they should get a lifelong stream of funds. Investments into the plan should be steady and not rely on the volatility of Wall Street. Employers should be immediately vested in the plan and the plan should be mobile and go with an employee when they change jobs. The plan needs to have payroll deductions and employer contributions.

Timothy Lane (Managing Director- TIAA CREF)- for the plan

TIAA-CREF manages CHET program. TIAA-CREF supports long term savings efforts. They would like to see more Americans have access to savings. They see the Board's task as a balancing act. Risk vs. Return,



Broad Access vs. Realistic plan economics, and Regulations that affect employers vs. Broad employer appeal. First, the State needs to determine what success looks like. There needs to be an auto enroll and an opt-out feature. The plan needs to be flexible. He suggested we look at the Center for Retirement Initiatives at Georgetown.

Also see written comments above.

Suzanne Bates (Policy Director-Yankee Institute for Public Policy)- against the plan

The Yankee Institute is philosophically opposed to a public retirement plan. They are concerned that the State is going to compete with the private industry. They are concerned that this is another mandate put on small businesses. They feel that the private industry is providing great products with tax incentive plans. This will make Connecticut look even more unfriendly to businesses and hurt residents. If the State does go through with this plan they ask that we do not guarantee a rate of return.

Also see written comments above.

Brian Pryor (State Chair Young Americans for Liberty- Central Ct State University)-against the plan

Brian echoed the comments of Suzanne Bates. As a college student, his main priority is finding a job when he graduates. However, jobs are leaving Connecticut and he already has a large amount of college debt that is affecting his job search. By guarantee a rate of return this plan is going to make the State bankrupt or bankrupt an insurance company that is based in this State. This will be detrimental to his and future generations.