



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

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

Connecticut Retirement Security Board

Meeting Minutes

Wednesday, August 5, 2015

9:00 A.M.

55 Elm Street, Hartford, 7th Floor Treasurer's Conference Room

Members Present:

Hon. Kevin Lembo, State Comptroller, Co-Chair

Deputy Treasurer Richard Gray (on behalf of Hon. Denise Nappier, State Treasurer, Co-Chair)

Deputy Commissioner Dennis Murphy (on behalf of Commissioner Sharon Palmer)

Thomas Barnes (via phone)

Michael Callahan

Ken Floryan

George Kasper

William Kosturko

Sal Luciano

Brendan Maher (via phone)

Jamie Mills

James Russell

Members Absent:

John Sayour

Special Guests:

Geoffrey Sanzenbacher, Center for Retirement Research at Boston College

Stacy Scapino, Mercer Consulting

Rich Nuzum, Mercer Consulting

Rashid Hassan, Mercer Consulting

Other Participants:

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



A. Call to Order

Comptroller Lembo called the meeting to order at 9:03 a.m. Comptroller Lembo asked for introductions.

B. Adoption of Meeting Minutes

A motion was made by Ken Floryan to adopt the Meeting Minutes of July 1, 2015. Michael Callahan seconded the motion. Richard Gray abstained from voting since he did not attend the last meeting. The minutes were adopted unanimously at 9:04 a.m.

C. Update on U.S. Department of Labor

Genevieve N. Ballinger briefed the Board that President Obama will direct the U.S. Department of Labor to issue a regulation by the end of this year regarding state plan initiatives. She will keep the Board abreast of any further updates.

D. Market Feasibility Study Update

Center for Retirement Research at Boston College (CRR)

Geoffrey Sanzenbacher from the Center for Retirement Research at Boston College (CRR) presented an update to the Board on their ongoing analysis consisting of the employee survey and the employer survey. The purpose of the employee survey was to determine the potential participants and how many participants would opt out under various program designs. The potential participants they looked at were those who work in the private sector and work for employers that do not offer a retirement plan. During the pretest, a total of 481 individuals participated and the results showed that participants whose employers did not offer a retirement plan were more likely to be younger, less likely to have families, and more likely to work in low wage jobs.

CRR ran into three problems within the scope of their research that they requested Board input on. The first problem that they encountered was that the majority of survey respondents indicated that they worked for an employer that offered retirement plans, which diverges from literature that indicates about 50% of employees have access to a retirement plan at work. CRR offered some possible explanations for this and determined that to solve this problem they would either have to reduce the sample size per test feature from 400 to 270; or to cut three features to be tested to maintain close to a 400 sample size per feature. The second problem is that there was a high non-response rate for three of the survey questions, so they decided to remove those questions. The third problem was that 12% of respondents provided annual income data that suggested an hourly or bi-weekly rate rather than an annual amount. To solve this, CRR will be adding a pop-up box asking respondents who enter less than \$1000 to provide an annual amount. The Board discussed these problems and decided that they would like to see the employee survey



population expanded and would cut two of the questions regarding guarantees and only ask one question on a guarantee.

The employer phone survey is moving along and the questions were updated by the CRSB subcommittee. Nielsen is now writing the phone survey script with the updated questions. At the next meeting, CRR hopes to present the phone survey results. However, the employee survey results may not be completed.

Mercer Consulting

Stacy Scapino and Rich Nuzum from Mercer Consulting presented to the Board regarding governance, contribution process, defining employers and employees, guarantees and investment options. There was some discussion surrounding what the deliverables and the feedback to the Legislature should look like and what the Legislature is asking of the Board. In terms of governance, Mercer briefed the Board on managing bodies versus operating bodies and their responsibilities. The Board has to make a decision on how they want to set up these bodies. They can either be part of an existing governmental program such as the 457 plan or a separate entity from government. Mr. Nuzum suggested that Mercer could put together a straw man proposal and the Board could build on that. Sal Luciano thought it would be a good idea to have a framework to work off of. Jamie Mills thought the configuration of the governing body should be presented to legal counsel. Comptroller Lembo thought the governing body would be better independent from state government. There was also discussion surrounding the idea of having participant protections and minimizing administrative fees. Ms. Mills believed the Board should defer to legal counsel the liability, immunity, and recourse issues.

Ms. Scapino presented to the Board about the contribution process in terms of defining payroll priorities and that it would be important to take into consideration any wage garnishments an employee may have. She felt that this was better kept in conformity with federal standards. Mr. Callahan agreed that this should be the same as federal standards so that vendors would not have to change their software to comply. Mr. Nuzum brought up the idea of fraud and how to ensure that the money gets into the correct account. He suggested that the plan would operate as an IRA plan and that it would be most practical to aggregate the investments. The record keepers would still keep records of the funds as individual accounts. The state would not be the record keepers and the investment management would also be outsourced.

In terms of defining a qualified employer for this study, Mercer is interpreting it as an employer that does not include the federal government, the state or any political subdivision or any municipality. In terms of defining employees, Mercer asked the Board to consider two aspects that make defining an employee more complicated such as turn-over rate, as well as what threshold should be used to mandate an employer auto-enroll since it is not possible to differentiate between full, part-time and seasonal workers on the payroll received by Connecticut Department of Labor. They asked if the Board would want to expand the scope of coverage and the auto-enrollment offered to the employees.

Mercer brought up to the Board some key considerations in offering a guarantee such as costs, operational complexity, impact on retirement readiness, participant communication, and



portability versus the Board's policy objectives and benefits. The legislative statute does not require that the Board make recommendations on investment option designs; however Mercer recommends that the Board provide an investment design to the Legislature.

E. Request for Proposals for Legal Services

A motion was made by Mr. Floryan to adopt the request for proposal for legal services. Mr. Callahan seconded the motion. The request for proposal for legal services was adopted unanimously at 11:06 a.m.

F. Financial Report

Comptroller Lembo alerted the Board that the Arnold Foundation has donated another \$250,000. Currently, \$238,000 is earmarked for legal services.

G. New Business

Comptroller Lembo suggested that in the early Fall, the Board look at what investment options are available. Mr. Callahan also told the Board about a company called EFT Solutions that provides real time exchanges on electric fund transfers with built in asset monitoring. He thought that this may be something that the Board would like to explore.

H. Public Comment

There was no public comment.

I. Adjournment

A motion was made by Mr. Callahan to adjourn. Mr. Russell seconded the motion. The meeting adjourned at 11:12 AM.