



STATE OF CONNECTICUT

# RETIREMENT SECURITY BOARD

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

Connecticut Retirement Security Board  
Meeting Minutes  
Wednesday, December, 3, 2014  
9:00 AM  
55 Elm Street 3<sup>rd</sup> Floor, Conference Room F

## Members Present:

Hon. Kevin Lembo, State Comptroller, Co-Chair  
Hon. Denise Nappier, State Treasurer, Co-Chair  
Michael Callahan (via phone)  
Ken Floryan  
George Kasper  
William Kosturko  
Brendan Maher  
Jamie Mills  
John Sayour  
James Russell  
Sharon Palmer

## Members Absent:

Thomas Barnes  
Sal Luciano

## Other Participants:

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

**The Meeting of the Retirement Security Board was called to order at 9:07 a.m.**

## A. Call to Order

Comptroller Lembo called the meeting to order.  
Comptroller Lembo bypassed adoption of the minutes until a quorum of members arrived.



## **B. State Overview**

Genevieve Ballinger briefed the Board on the progress of California, Massachusetts, Oregon, Maryland and Minnesota.

California has issued an RFP for the market feasibility study with a deadline of January 5, 2015 for responses. Massachusetts proposed a plan which unlike the Connecticut plan will be covered by ERISA. The plan is now pending approval from the IRS. Maryland had a meeting on November 19, 2014 and they heard presentations from small businesses that support the plan. Their report deadline is December 4, 2014. Minnesota issued an RFP for a consultant with a deadline of January 15, 2015 for responses.

## **C. Overview of the Request for Public Comment**

There was a discussion about what the Board gleaned from the public hearing. A concern was raised that the public does not understand the legislative mandate with which the Board was charged. Some of the Board members felt that it was too early in the process to have a public hearing for the purpose of explaining the legislative mandate. There was a consensus among Board members that the next time the Board holds a public hearing it would have a draft plan to present. Many of the Board members thought that the presenters spoke in a way that did not take into account the legislative framework and constraints within which the Board has to work. Other board members thought the hearing was helpful.

Treasurer Nappier brought up the concept of scale and how important it is to keep that in mind when the Market Feasibility Study is conducted. Her opinion is that scale needs to be addressed in order to make the retirement plan affordable and worthwhile for participants.

The discussion then lead to ideas of what the Board would like to see in a retirement plan.

John Sayour brought up the idea of basing the retirement plan model on the Teachers Supplemental Retirement Plan. His thought was if we pooled the assets then it would be better for the participants in the plan.

James Russell gave some insight into this teachers' plan stating that teachers are able to purchase an annuity when you retire.

Additional ideas discussed regarding plan design included: having an annuity option when you retire, having a default contribution level, having pooled accounts, mandating auto-enrollment with an opt-out provision, having automatic escalation. Ideas were also discussed around providing a menu of investment options but concerns were raised that this may become expensive because it may require financial advisors. Ideas were discussed surrounding the guaranteed rate of return such as having a principal plus interest option like one of the CHET investment options or having a rate of return of 3%. Ideas were also discussed surrounding



education offered to employees about menu options however it was suggested that this may be subject to ERISA.

Commissioner Palmer also suggested having a long-term care provision that would protect participants' payments if they were temporarily cared for at a long-term care facility.

The Board expressed concern about the possible effect a publicly-operated plan would have on employers' motivation to sponsor or contribute to employer-sponsored retirement plans.

#### **D. Adoption of Meeting Minutes**

Adoption of October 1, 2014 Meeting Minutes. Motion made by Jamie Mills; Seconded by Ken Floryan. Adopted Unanimously at 10:05 a.m.

#### **E. Consulting and Market Feasibility Study RFI & RFP**

In response to the Market Feasibility Study RFI, the Board received three responses: joint response by Mercer and Oliver Wyman, and responses from Deloitte Consulting and Buck Consultants. All the firms are willing and capable to provide the services described in the RFI.

Ms. Mills suggested that the firms would have a big overhead cost. Her suggestion was that the Board divides the market feasibility study into smaller parts and gets a non-profit or academic organization to complete parts of the study.

Ms. Ballinger stated that California will be receiving responses from Mercer and Buck Consultants to their RFP within the confines of their budget which is \$1 Million.

Treasurer Nappier suggested that the Board limit the scope of services and break it down into phases. She also suggested that the Board needs a general consultant as soon as possible.

#### **F. Fundraising**

Comptroller Lembo said that he and Treasurer Nappier are preparing fundraising letters that are aimed at labor and foundations that have expressed interest in the issue of retirement security and letters for the financial industry. There was a discussion of donors and contribution amounts. There was a discussion of donor recognition.

#### **F. Public Comment**

Mark Goldberg, Gateway Financial Partners, Glastonbury, Connecticut

Mr. Goldberg stated that his company, Gateway Financial Partners, offers 401K plans as well as Roth plans that are ERISA approved to low income workers that do not have any start up fees



and offers financial education and cherry picked mutual funds. There are no costs to employers and participating employee fees are small.

Jared White Compass Capital Management, Southbury, Connecticut

Compass Capital Management focuses on teachers' retirement security. Mr. White raised several concerns with the design of the plan as called for by the legislation. In particular, he was concerned about the guaranteed rate of return, asking who would bear the risk if investments do not perform as anticipated.

#### **G. New Business**

Comptroller Lembo indicated that January 7<sup>th</sup> is not a good date for the next meeting and suggested moving it. An email will be sent to members regarding a new date within that same week.

Brian Graff will speak to the Board at the next meeting regarding ERISA and other legal issues.

#### **G. Adjournment**

The meeting adjourned at 10:57 AM.