



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

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

Connecticut Retirement Security Board

Meeting Minutes

Wednesday, September 3, 2014

9:00 AM

Legislative Office Building, Room 2A

Members Present:

Hon. Kevin Lembo, State Comptroller, Co-Chair

Michael Callahan

Ken Floryan

George Kasper

William Kosturko

Brendan Maher

Jamie Mills

Sharon Palmer

John Sayour

Members Absent:

Hon. Denise Nappier, State Treasurer, Co-Chair

Thomas Barnes

Sal Luciano

Special Guest via Conference Call:

Richard “Dick” Schwarz, Vice Chair, Oregon Retirement Savings Task Force

Other Participants:

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

The Meeting of the Retirement Security Board was called to order at 9:11 a.m.

A. Call to Order



Comptroller Kevin Lembo called the meeting to order

1. Comptroller bypassed adoption of minutes until a quorum of members arrived.
2. Introduced Amanda B. Alfonso and Genevieve N. Ballinger who will be staffing the board.

B. State Overview

Ms. Ballinger briefed the Board on the progress of California, Massachusetts, Oregon and Maryland. California is looking at securing a contract to try to procure legal services. California was interested in hiring a consultant for developing the RFP but is no longer exploring that because the available vendor expressed interest in bidding on the RFP. Massachusetts created a program to offer a retirement program for non-profits of 20 employees or less. The Massachusetts plan would be structured as a 401K account and covered by ERISA. Maryland established a task force in May and has had one meeting so far. The taskforce did not receive any appropriations nor do they have the authority to enter into contracts. Vermont, Minnesota and Utah are each charged with conducting their own respective studies. However, all three of the states are in the preliminary stages. Oregon has written their draft recommendations and they expect their finalized recommendations to be made public around mid-September.

C. Oregon Overview

The board heard from Dick Schwarz regarding the efforts made in Oregon. The board was briefed on the charge that the Oregon taskforce received and their recommendations that will be finalized and presented to the appropriate legislative committees. Their objective is to address the lack of access to any type of employer retirement plan. The majority of people without access to a retirement plan in Oregon are small employers.

Michael Callahan asked a question regarding payroll and data submission that is reported. Mr. Schwarz responded that Oregon allows for people to make automatic deductions through payroll. The taskforce explored with the Oregon Department of Revenue Service if they can add a withholding for this plan and determined it does not seem like a difficult task. The taskforce did not explore what the interfaces would look like and how it would work with vendors. Mr. Schwarz suggested inviting a behavioral economist and noted that the best way to have a successful program is payroll deduction. If it is voluntary enrollment the participation is much lower than automatic enrollment.

Jamie Mills asked a question regarding the demographics of the population that they hoped to reach and how that data was collected. Mr. Schwarz responded that they invited speakers to speak on poverty, race and gender and their access to a retirement saving plan at work as well as looking at the Employment Statistics at the Department of Labor. Oregon has a large population



of part- time employees who have the least access and a large number of employers that have less than 5 or 10 employees; as a result they recommended all employers without a retirement option for employees be required to participate regardless of size. They are looking into other incentives because tax incentives do not work for tax exempt organizations. Mr. Schwarz will share their report; the rough draft was put on the Oregon Legislative Information System. Professor Shlomo Benartzi has done work in this area. His book Save More Tomorrow: Practical Behavioral Finance Solutions to Improve 401K Plans was of interest to the taskforce.

Brendan Maher asked who the other behavioral economic experts were that the taskforce heard from in addition to Professor Shlomo Benartzi. Mr. Schwarz responded that the taskforce heard from Glenn Dial, Managing Director and Head of US Retirement Security, Allianz Global Investors, Dr. John Chalmers, Associate Professor of Finance, University of Oregon, and Dr. Bill Harbaugh, Professor of Economics, University of Oregon. Mr. Schwarz suggested it would have been helpful to hear from them at the beginning of the work rather than towards the end because their presentations were most helpful in regards to learning why people don't save. All of the behavioral economists cited the importance of mandatory enrollment and payroll deduction.

Ken Floryan asked if their study looked into whether participants in the plan can track balances when they change jobs and employers. Mr. Schwarz responded that they did not look into that. The taskforce decided that administrative detail would be left to the board that would be created if the legislature adopts the taskforce recommendations. In general terms it was thought that employees would receive periodic statements. The program is independent from the employer; it is state sponsored not state owned. The participant would get their statement from a centralized point. Each individual person would manage their own plan and the program would report to them.

John Sayour asked if the recommendations required small employers to use outside vendors for their payroll. Mr. Schwarz responded that the taskforce did not determine who would do the payroll, just that there would be a payroll deduction. Mr. Sayour asked a follow up question regarding the specific resource used to get the ERISA questions answered before they submitted the report to the Federal Department of Labor. Mr. Schwarz responded that they have not submitted a report to the Federal Department of Labor because they are waiting to see if the legislature adopts the recommendations. The recommendations asked for some funding to support the pursuit of those questions and the recommendation directs the Treasurer to coordinate with other states to ask common questions simultaneously. Once the recommendations are adopted by the legislature they will ask for input from ERISA.

George Kasper asked if the draft report took into consideration what employers may have in place already in terms of a retirement plan that may exempt them from a State plan. Mr. Schwarz responded that the taskforce approached it from the opposite direction looking at how many workers did not have a retirement savings account not what kind of plan they had.



Mr. Callahan asked if a defined benefit plan would be exempt and how would you verify who had a plan and who did not have a plan. Mr. Schwarz responded that the question of the taskforce was built around access to a retirement plan not quality or type of plan.

Mr. Sayour asked if there was any consideration to the possibility of recommending that the State require every employer to have a retirement program through the current market place, having the State specify the terms of the plan. Mr. Schwarz responded that the general view was that it didn't matter since a lot of workers still did not have access to plans at work.

Mr. Maher stated that based on Mr. Schwarz's last comments it did not sound like the board had the ability to allow people who have a plan now to opt-out and choose the State plan. Mr. Schwarz responded that they did not want to disrupt what was already in place and only considered the plan for people without access to a retirement plan.

Bill Kosturko asked if after reviewing the report they could have further conversations. Mr. Schwarz responded that he is working on the final edits and within 7-10 days the final report will be posted. He would be happy to help with future conversation.

Call ended at 9:56 AM.

D. Adoption of Meeting Minutes

Adoption of August 6, 2014 Meeting Minutes. Motion made by Mr. Sayour ; Seconded by Mr. Maher. Adopted Unanimously at 9:58 a.m.

E. Collaboration for Legal Services

There was a discussion at the last meeting regarding the possibility of collaborating with other states for legal services. Ms. Ballinger stated that we could jointly procure legal services with other states by sending out an RFP containing the same language for services. The vendor would then be required to service all participating states in the contract but enter into separate contracts with each state. Grant Boyken, Executive Director of the California Secure Choice Retirement Board in California did not think it would be feasible with their procurement statute. Oregon is waiting until the legislature reconvenes in February 2015; they may be interested in joining Connecticut. Maryland and Utah did not have any appropriations and they do not have authority to enter into contracts. Minnesota does have an appropriation and she would look into it.

Board members questioned whether a joint RFP for legal services with Oregon would be feasible even if they are a willing partner because of the time they will require for legislative approval of their plan. It was noted that a request for an advisory opinion from the Federal Department of



Labor can take from 1 to 2 years to receive a response. Given the board's tight statutory timeline it may not be possible to coordinate legal services with another state. Ms. Ballinger contacted Joe Canary at the Department of Labor to learn more about the process for receiving an advisory opinion from the department and is still waiting for a response. Some Board members thought that it would be helpful to get a blanket advisory statement. Some members did not think it would be helpful since it would not answer Connecticut specific questions or address a Connecticut plan.

The Board discussed the possibility of using existing state resources to guide the Board in mapping out a draft plan that would avoid ERISA coverage. It was noted that it would be important for the board to have ERISA concerns in mind while designing the plan rather than drafting a plan and submitting something that will be preempted by ERISA. It was expressed that ERISA does not cover governmental plans, it only covers employee plans. ERISA will get involved when there is employer involvement.

F. Future Items:

The board discussed:

Having the Office of the Attorney General provide the Board with information about ERISA. Preparing the RFP for the market feasibility study. This would include finding out the population the plan would serve with an overlay of behavioral economics. In addition it may be helpful to ask employers about their existing infrastructure and their attitudes about employees participating in the plan. The survey will be drafted and emailed to the Board.

Discussion around how the survey would be done possibly by classic polling. Some of the Board members felt that we should wait until we see the RFP; the data will drive other decisions that are made.

Concern was raised about taking the money out. Need to consider portability at the beginning of the process and keep it in mind as we move forward.

G. New Business

A new general email box will be created for CRSB. All correspondence will go to Amanda B. Alfonso

Work is being done to fill the two vacancies.

Ms. Ballinger reported that the Office of State Ethics had determined that the Board, Comptroller and Treasurer can solicit funds.



Statement of Financial Interest is a requirement of statute that cannot be modified for the Board.

Comptroller Lembo posed a question to the board whether the members felt a subcommittee structure would be helpful in completing the Boards work. The consensus of the Board was to continue working as a full body with staff support.

The Board gave consent for staff to begin compiling a list of donors and preliminary forms.

H. Public Comment

There was no public comment provided

I. Adjournment

The meeting adjourned at 10:42 a.m.