



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

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

Connecticut Retirement Security Board
Meeting Minutes
Wednesday, October 1, 2014
9:00 AM
Legislative Office Building, Room 2B

Members Present:

Hon. Kevin Lembo, State Comptroller, Co-Chair
Hon. Denise Nappier, State Treasurer, Co-Chair
Thomas Barnes
Michael Callahan
Ken Floryan
George Kasper
William Kosturko
Sal Luciano
Brendan Maher
Jamie Mills
John Saylor
James Russell
Sharon Palmer (represented by: Andy Condon, DOL Director of Research)

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 and introduced Jim Russell to the board. Mr. Russell has been appointed by Senator Williams.



B. State Overview

Genevieve Ballinger briefed the Board on the progress of Oregon and California. Ms. Ballinger summarized Oregon's final recommendations and the responses that California received from its Request for Information at the end of 2013.

The Oregon Retirement Savings Task Force recommended that a state plan have voluntary participation, auto escalation of contribution levels, payroll deducted contributions, meet requirements for federal and state tax deductions, require employer contributions if possible with ERISA, individual accounts reported regularly to participants, accounts be portable, funds are pooled, accounts be professionally managed, and be self-sustaining. The only differences from the Connecticut statute are auto escalation and the requirement that the funds be pooled and professionally managed.

In California some of the RFI responses favored the plan while other responses had concerns about the plan. Most of the concerns came from changing the current financial market and others thought it would hurt small business. Some people recommended IRAs, others recommended pooling. Some of the responses that were particularly helpful were: Capital One (share builder) because they have experience with small business products. The Online 401K has experience with administrative aspects of small business products and legal information on payroll deduction IRAs that are not covered by ERISA. Prudential gave a lot of information on the investing side. The American Society of Pension Professional & Actuaries gave information on auto IRAs that were not covered by ERISA and legal requirements for IRAs. The California Chamber of Commerce had a lot of information on small businesses by providing the employer's perspective. California Secure Choice Retirement Savings Investment Board contracted with Crowell & Moring in an amount not to exceed \$235,000 for legal services. Crowell Moring will be subcontracting with the Groom Law Group in Washington D.C. for the IRS and DOL issues.

C. Legal Services

Comptroller Kevin Lembo shared with the board the Office of the Attorney General's response to the question of presenting to the board regarding the legal implications of ERISA. The Attorney General's Office did not feel that they have the expertise. Comptroller Lembo suggested that the board go ahead with the market study first. There was conversation about the legal timeframe. The board also requested information on the cost associated with the California contract.

In the last meeting the board decided to go with the Market Feasibility study and put information regarding the legal issues aside for now. Brendan Maher thought it would be useful to reach out to the Groom Law Group. Michael Callahan said that he spoke to Brian Graff, CEO of the American Society of Pension Professional & Actuaries, and he had offered guidance regarding the legal questions.

The board agreed that it would be very helpful to hear from Mr. Graff.



D. Adoption of Meeting Minutes

Adoption of September 3, 2014 Meeting Minutes. Motion made by Sal Luciano; Seconded by Brendan Maher. Adopted Unanimously at 9:22 a.m.

E. Public Hearing

Based on the doodle poll survey results, November 19, 2014 is the day that works for the majority of members. The public hearing will begin at 4:00 PM. There will be 2 hours for subject matter experts, and 1 hour for the public. Staff is looking for space in a local university to hold the hearing.

The board discussed the subject matter experts that should be invited to the hearing. Suggestions included inviting a record keeper to explain how a retirement plan is administered. Some examples given were ING, Prudential, Hartford Mass Mutual, ADP.

The board suggested that it may also be useful to hear from tax experts regarding the tax implications of the plan. It was also noted that the Federal Government provides tax credits to employers that initiate plan sponsorship to assist in covering initial administrative costs. Other names suggested to be guest speakers at the hearing included:

Theresa Ghilarducci

DEMOS

Professor Ian Ayres, Yale Law School.

Professor James Kwak, University of Connecticut

Professor Alicia Munell, Boston College

Professor Norman Stein, Drexel University and Pension Rights Center

Professor Jacob Hacker, Yale University

Mark Iwry, Federal Treasury and the Pension Rights Center

It was also suggested that the board reach out to brokers. Brokers represent a significant distribution network for retirement savings products.

Comptroller Lembo suggested a timeline for the release of a request for public comment and request for information (RFI). The board members will have time to make changes to the documents until Friday, October 3, 2014. The documents will be published and/or be distributed to potential respondents by October 8, 2014. People would have until November 3, 2014 to respond. The public hearing will take place on November 19, 2014.

There was discussion about the California request for proposal (RFP) process for a general consultant and a concern was raised about the lack of responses received. Ms. Ballinger stated that they received two responses but did not consider one to be a complete response. The other response was from Mercer Consulting, however they wanted to be able to later bid on the RFP for the market and feasibility study. Ms. Ballinger noted that the draft RFI in front of the board proposed combining the general consulting with the market feasibility study to avoid the issue California faced, in which top consulting firms would avoid bidding on a general consulting contract in anticipation of a bigger contract to perform the market



and feasibility study. There was concern raised that one consulting group would not be able to do everything, and a suggestion that the board break the RFI into pieces so that bidders could bid on the sections that best meet their expertise. Ms. Ballinger said that she would add language to the RFI indicating that the board would accept responses for portions of the scope as well as for the full scope of services. There was a question about whether a consultant was needed now. It was stated that putting out the RFI would get the board to a more perfect RFP.

It was proposed that the board examine household income and makeup rather than just examining individuals as a part of the market analysis and feasibility study. A suggestion was also made to look at other factors that may drive household decisions not to participate in a retirement plan, to survey employers about how they feel about promoting a plan to their employees, and to look at the trend for all the data points collected.

Comptroller Lembo stated that he had a conversation with the Ford Foundation, which is evaluating state activities to determine the level of resources the foundation will dedicate to state initiatives to improve retirement security. He will also inquire with the PEW Charitable Trust about their funding plans.

There was a question about how much money the board would need to raise through fundraising. Comptroller Lembo responded that we will look into how much other states have spent.

Comptroller Lembo stated that it was important for the board to get input and feedback from the small business community. He suggested the December meeting be dedicated to hearing from small businesses.

Ken Floryan and Treasurer Denise Nappier brought up the idea of having a focus group to hear from small businesses.

Thomas Barnes asked why the current marketplace plans are not solving the existing problem. Mr. Barnes suggested the problem could be solved by mandating a retirement plan but using the plans currently in the marketplace.

Mr. Russell made a point about distinguishing between providing retirement security and saving for retirement, suggesting the plan needs to actually provide retirement security.

Ms. Ballinger suggested separating the market feasibility from the rest of the RFI.

The board discussed legal enforcement of the plan's employer obligations. It was suggested legal enforcement should be a topic of the feasibility study.

F. Public Comment

There was no public comment provided.



G. Adjournment

The meeting adjourned at 10:10 AM. Motion made by Mr. Callahan; Seconded by Treasurer Nappier.