

**CONNECTICUT
RETIREMENT SECURITY
AUTHORITY**



**CRSA BOARD OF DIRECTORS
FRIDAY, AUGUST 21, 2020 TELECONFERENCE MEETING
10:00 AM**

Approved by the Board December 18, 2020

BOARD MEMBERS IN ATTENDANCE: Chairman, Kevin Lembo, Comptroller; Vice-Chairman, Thomas Sennett; State Treasurer Shawn T. Wooden; Michael Walsh, Designee for OPM Secretary Melissa McCaw; Cesar Garcia, Designee for Commissioner, Dept. of Banking, Jorge Perez; Patrick Flaherty, Designee for Commissioner, Dept. of Labor, Kurt Westby; Alex Knopp, Esq.; Edward Zelinsky; Joseph Fazzino; Douglas McIntosh, Jr.

ALSO, IN ATTENDANCE: Natalie Braswell, Office of the State Comptroller; Manisha Srivastava, Office of Policy and Management; Christine Shaw, Office of the State Treasurer; Andrea Feirstein, AKF Consulting Group; Lisa Messina; Tim Ryan, AARP; John Erlingheuser, AARP; Angela Antonelli, Georgetown University Center for Retirement Initiatives; Karen Jeffers, Pullman & Comley

1. CALL TO ORDER

- a. Chairman Kevin Lembo called the meeting to order at 10:09 a.m. and took a roll call of the members in attendance and a quorum was declared.

2. APPROVAL OF MINUTES

- a. A motion was made by Thomas Sennett and seconded by Alex Knopp to approve the April 17, 2020 minutes.
- b. Chairman Lembo asked if there was any discussion and Joseph Fazzino had an edit to Section V, subsection (b) of the April 17, 2020 Minutes noting that there was a typo in the second sentence where there was a "g" erroneously placed before the word "Board" and should be deleted.
- c. Chairman Lembo noted that the correction would be made and asked for any further comment/discussion.
- d. Seeing no further discussion Chairman Lembo called for a vote on the motion to approve the minutes as amended.
- e. The motion as amended passed unanimously.

3. LEGAL CONSULTING AGREEMENT EXTENSION

- a. Comptroller Lembo informed the Board that the current Legal Services Contract with Pullman and Comley was set to expire on August 30, 2020 and that there was a one year option to extend the agreement if the Board chose to do so and offered that it seemed to make sense to extend the contract for a final year given the matters before the Board.
- b. Alex Knopp moved, seconded by Tom Sennett, to extend the Pullman & Comley legal services agreement for one year.
- c. Chairman Lembo asked if there was any discussion. Seeing no further discussion Chairman Lembo called for a vote on the motion to extend the legal services contract.
- d. The motion passed unanimously.

4. SWEARING IN OF BOARD MEMBER EDWARD ZELINSKY

- a. Board Member Edward Zelinsky joined the meeting and Chairman Lembo indicated that Mr. Zelinsky's appointment to the Board was renewed by Senate Majority Leader Bob Duff and that his new term will expire on June 30, 2024. Comptroller Lembo proceeded to swear Mr. Zelinsky in with the oath of affirmation prescribed by statute. Mr. Zelinsky acknowledged the oath and was duly sworn in as a Board member.

5. FREEDOM OF INFORMATION REQUEST

- a. Chairman Lembo reminded Board members to provide all records related to the July 10, 2020 Freedom of Information request that was received by the Board. Attorney Karen Jeffers from Pullman and Comley gave an update as to the status of the request for records and indicated that most Board members had responded, but they were still a couple that had not. Pullman has followed up with an email to everyone reminding them to provide responsive records. Any questions regarding the FOI should be referred directly to Attorney Mark Sommaruga or Attorney Jeffers.
- b. Chairman Lembo asked Attorney Jeffers if the FOI request extended to former Board members and Attorney Jeffers indicated that it did, that the request extended to all Board members former and present and that former Board members have been included on all emails regarding the FOI and that she has heard from former Board members.

6. BUDGET

- a. Chairman Lembo asked Andrea Feirstein of AKF to walk the Board through the budget developed by the Budget Subcommittee with assistance from AKF consulting.
- b. Ms. Feirstein indicated that what was before the Board included the CRSA budget history and expenditures starting with the monies allocated up to this year and the drawdowns from those funds, and what is left which is about \$1000. Ms. Feirstein further explained that there are two scenarios: a base case and a reduced case. The difference between the two scenarios is the degree to which it is projected that employees will opt out of the program, the difference in annual salary increase, a different assumption on market return on investments, and how the assets will grow. Under the base case, what is shown is four years of loan withdrawals for a total amount of about \$580,000. The Authority is taking a loan in each year that the expenses are exceeding the revenues. Revenues are projected to exceed expenses in year five or Calendar year 2024 – when the Authority no longer needs loans. The first loan repayment would be in year seven in the base case. This is where the cumulative balance starts to turn positive in the calendar year of 2028. The difference between the base case scenario and the reduced case is that in the reduced case, we assume that we need loans of about \$665,000 and we actually do not begin that repayment until further out in year eight. The budget reflects operating expenses such as the cost of surety bonds, insurance, ongoing cost of consultants, legal fees and marketing. We have been very conservative in the estimate of expenses and fees.
- c. Chairman Lembo asked if there were any questions.
- d. Board member Mike Walsh stated that it was a safe assumption to represent that the State of Connecticut will not pay anything to BNY Mellon and asked how BNY Mellon will get their fees. Ms. Feirstein responded that BNY gets its fees from asset based and dollar-based fees that will be charged to the account holders. Mr. Walsh asked a follow up question about the revenue stream for the state being assets under management – the more assets the state holds the more revenues– is it also safe to say that the State will get a portion of the administrative fees? Ms. Feirstein responded that there is an asset-based fee collected in the program and paid to the State by the program custodian.

- e. Christine Shaw asked whether OPM has opined on the repayment schedule that is contemplated in the budget as it relates to the line of credit. Mike Walsh responded that OPM would be supportive with some modifications to the reporting requirements. Andrea Feirstein added that the assumptions contemplate a 1% rate on the line of credit.
- f. Chairman Lembo asked if there were other questions about the budget. Seeing none, Comptroller Lembo asked for a motion to adopt the budget as drafted.
- g. Tom Sennett moved to adopt the budget as drafted, seconded by Joe Fazzino.
- h. Chairman Lembo asked if there was any discussion.
- i. Mike Walsh asked to offer a few, friendly amendments to strengthen the motion from OPM's perspective. OPM would like to see a few things:
 - i. The Board must review quarterly, the actual participants onboarded against the budgeted participants. If the actual participants that entered the program is less than 75% of budget in any quarter, this becomes a concern because our revenues are tied to participants and AUM impacting the ability of the CRSA to timely repay the State advance on the LOC. In this event, the Board shall notify BNY in writing seeking corrective action which could include participant fee modifications.
 - ii. The Board must review the actual program revenues at the end of every year and re-project the repayment date of the LOC to the State. If the repayment date exceeds 8 years, the Secretary of OPM must reevaluate the program and make a recommendation to the Comptroller on its continuance.
 - iii. The Board must evaluate the program continuously. To the extent that the onboarding of both participants and AUM lags expectations, the Board must reevaluate the program's future.
- j. Natalie Braswell asked Mike Walsh to clarify that these were terms to be negotiated as a part of the contract and not items that needed to become a part of the budget. Mike Walsh responded in the affirmative, that these were conditions for the contract negotiations and that approval of the budget by the Secretary would be contingent on those items being a part of the contract.
- k. Alex Knopp asked whether the Board was voting on the base projections or the reduced projections. Mike Walsh responded that we would be adopting both projections depending on which projection occurs.
- l. Chairman Lembo further clarified that what we are adopting are the projections – the base case and the reduced case.
- m. Tom Sennett and Joe Fazzino withdrew the original motion and Mike Walsh renewed the motion based on the discussion and his proposed amendments.
- n. Mike Walsh made a motion, seconded by Alex Knopp, to adopt the budget projections as presented with the following three conditions: (1) The Board must review quarterly, the actual participants onboarded against the budgeted participants. If the actual participants that entered the program is less than 75% of budget in any quarter, this raises a concern because our revenues are tied to participants and AUM impacting the ability of the CRSA to timely repay the State advance on the LOC. In this event, the Board shall notify BNY in writing seeking corrective action which could include participant fee modifications; (2) The Board must review the actual program revenues at the end of every year and re-project the repayment date of the LOC to the State. If the repayment date exceeds 8 years, the Secretary of OPM must reevaluate the program and make a recommendation to the Comptroller on its continuance; and (3) The Board must evaluate the program continuously. To the extent that the onboarding of both participants and AUM lags expectations, the Board must reevaluate the program's future.
- o. Chairman Lembo asked if there was any discussion. Tom Sennett wanted to confirm that the State did have a way to identify subject the employers who were to the auto-IRA mandate – this is crucial for BNY Mellon to be able to do the onboarding.

- p. Chairman Lembo asked Patrick Flaherty, as the representative for the Department of Labor, to respond to Mr. Sennett's inquiry regarding employer information. Mr. Flaherty indicated that the Department of Labor is committed to this program and will do their best to get this information while adhering to the laws and regulations regarding the data they hold. DOL is working on it and thinks that they can find a solution.
- q. Tom Sennett indicated that he would not expect for BNY to be able to meet the first condition as proposed by Mr. Walsh, if the state is unable to provide them with the necessary information for on-boarding.
- r. Patrick Flaherty indicated that he thinks overall expenses in the budget seems to be quite low especially when it comes to the work needed to set up the program. Mr. Flaherty asked whether those staff expenses/time would be absorbed by the Comptroller's office or if they needed to be identified specifically in the budget due to the need to have state employees involved with compiling the data.
- s. Chairman Lembo indicated that he will be using resources from the Comptroller's office, including staff time, to support this effort operationally and administratively and this is the way that expenses will be kept low. If that should change, we will then revisit.
- t. Chairman Lembo asked if there was any further discussion – seeing none – he called for a vote on the motion – the motion passed unanimously.

7. LINE OF CREDIT

- a. Joe Fazzino, seconded by Tom Sennett, made a motion to authorize the Chairman to make a written request to the Secretary of OPM for an advance to pay the expenses of the Authority, pursuant to C.G.S. Sec. 31-418a, in the amount of \$250,000.
- b. Chairman Lembo asked if there was any discussion.
- c. Mike Walsh proposed adding to the motion that this initial request to the Secretary of OPM will serve as the final step to launching the program and that any subsequent request be made annually, in January, based on actual revenue and expense amounts from the prior year.
- d. Chairman Lembo asked for further discussion and emphasized that the Line of Credit was crucial to paying for ongoing operations and consulting and legal costs.
- e. Mike Walsh further clarified that the Secretary, upon receipt of written request, would approve the request for the line of credit with the added language.
- f. Chairman Lembo – seeing no further discussion – called for a vote on the motion as amended and the motion passed unanimously.

8. EXECUTIVE SESSION

- a. Alex Knopp, seconded by Tom Sennett, moved to go into Executive Session for the purpose of discussing the bid proposal for Record Keeper RFP pursuant to 1-200(6)(E) and 1-210(b)(24) and invited Andrea Feirstein, Karen Jeffers, Natalie Braswell and Manisha Srivastava to join the Executive Session.
- b. Chairman Lembo called for a vote – the motion passed unanimously.
- c. Upon coming out of Executive Session a motion was made by Ed Zelinsky and seconded by Joe Fazzino, to adopt the term sheet as discussed in Executive Session.
- d. Chairman Lembo asked if there was any discussion and Ed Zelinsky said he wanted to amend the term sheet to add that the CRSA will negotiate in good faith to implement this term sheet and will execute an agreement only if all outstanding issues with the Treasurer of the State of Connecticut has been resolved to the satisfaction of said Treasurer.

- e. Alex Knopp pointed out that this was an amendment to the motion and not an amendment to the term sheet. Ed Zelinsky acknowledged that his proposed language was an amendment to the motion and not an amendment to the term sheet.
- f. Comptroller Lembo asked if there was any further discussion – seeing none, he called for a vote on the motion as amended – the motion passed unanimously.

9. ADJOURNMENT

- a. Joe Fazzino made a motion to adjourn, seconded by Alex Knopp. The meeting was adjourned at 12:13 p.m.