

**CONNECTICUT
RETIREMENT SECURITY
AUTHORITY**



**CRSA BOARD OF DIRECTORS
FRIDAY, OCTOBER 16, 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.; Christine Shaw, Office of the State Treasurer

ALSO, IN ATTENDANCE: Natalie Braswell, Office of the State Comptroller; Manisha Srivastava, Office of Policy and Management; Jessica Muirhead; 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 10:00 a.m. and took a roll call of the members in attendance and a quorum was declared.
- b. Chairman Lembo introduced a new executive assistant at the Comptroller's office, Jessica Muirhead, who will be assisting with CRSA issues.

2. APPROVAL OF MINUTES

- a. A motion was made by Alex Knopp and seconded by Christine Shaw to approve the August 21st, 2020 meeting minutes.
- b. Chairman Lembo asked if there was any discussion. Joseph Fazzino had an edit to Section VI, Part (d) of the August 21st, 2020 minutes, to delete "the more assets the state holds, the more revenues." Cesar Garcia added that in Section III there was a misspelling of "Comley," in Section II, Part (a) to add the word "minutes" after "April 17th, 2020," and in section VI, part (i), to draft new sentence for clarity.
- c. Chairman Lembo asked if the motion should be withdrawn due to substantial changes to the minutes. Mr. Knopp withdrew his motion to approve the minutes. Natalie Braswell noted that because meetings are recorded, much of the minutes reflect a transcript of what was said rather than a summary, but she could rephrase certain sentences for clarity.
- d. Chairman Lembo noted that the motion was withdrawn and the minutes would be corrected and presented for reapproval at the next meeting. Board members were asked to reach out with further corrections via email to Attorney Braswell.

3. GOVERNING DOCUMENTS

- a. Chairman Lembo reviewed the history of the Board's governing documents. The documents were once reviewed and discussed by the Board, but not voted upon according to the existing

- minutes. In order to perfect the record, Chairman Lembo suggested that governing documents should be formally adopted, and asked for discussion from the Board.
- b. Ms. Shaw recalled that the Board did approve the governing documents and asked whether this was reflected in the minutes. Chairman Lembo acknowledged that the Board may have approved the governing documents, but the minutes at that time do not reflect it. Chairman Lembo further clarified that there were edits to the governing documents, but they did not come back before the Board for final adoption.
 - c. Ms. Palmer recalled that the documents were reviewed by the Board, edits were made to the documents, but the documents were not presented before the Board again after edits.
 - d. Chairman Lembo requested input from the Board on whether the governing documents presented were the edited or unedited version.
 - e. Mr. Knopp asked whether the policy on page 12, "Making Modifications to the Program," is necessary because the Board already has the authority to make modifications. Ms. Palmer noted that policies were based on another Authority's policy and tailored to the CRSA, but did not recall that this policy was a part of the original discussion. Ms. Palmer agreed with Mr. Knopp that the "Making Modifications" policy did not seem like a necessary policy. Attorney Jeffers offered clarification that since the Board is a quasi-public agency, the Board's statute requires it to state in advance how it will conduct itself, including policies for operations.
 - f. Ms. Shaw provided context for the drafting of the governing documents. In 2018 there were concerns at another quasi-public authority which dominated the Board's discussions around accounting procedures. She recalled that the Board had expressed a need for rigor and transparency around how the Board conducts its business in response to these concerns. She noted that if these rules are not formally enforced, they should be, and underscored the need for good meeting minutes.
 - g. Chairman Lembo asked Attorney Jeffers whether any changes in the documents would restart the approval process. Attorney Jeffers informed the Board that the policies were presented for public comment and no public comments were received, but if the Board were to substantively change the policies, they would need to be re-published for another thirty-day public comment period and then presented again to the Board for formal adoption after public comment. Chairman Lembo asked whether the governing documents previously posted for public comment were the documents previously edited and approved by the Board. Attorney Jeffers answered that they were, noting that although the minutes do not reflect approval, emails from the former Executive Director indicate that the Board had approved the documents. Attorney Jeffers added that there were several changes incorporated between presentation to the Board and publication to the public.
 - h. Mr. Knopp asked whether the governing documents are *de facto* regulations, and whether they should be called "regulations" instead of "policies." Ms. Palmer noted that quasi-public agencies do not have regulations, and the Board's statute refers to the requirement to have published "policies and procedures" rather than "regulations." Attorney Jeffers agreed that because the Board is a quasi-public agency, it cannot have regulations per the Quasi-Public Agency Act. The Act refers to such governing documents as "procedures," which she said are the equivalent of a regulation in a state agency.
 - i. Attorney Braswell asked whether the governing documents should be rediscussed in a subcommittee, then presented to the Board at the next meeting. Ms. Palmer agreed that the documents should return to the subcommittee for comment.
 - j. Chairman Lembo noted that the Ethics policy was an exception and had not been previously presented to the Board. Attorney Braswell confirmed that the Ethics policy was a draft which had not been previously presented to the Board and which had also never been posted for public comment. Attorney Jeffers also confirmed that the Ethics policy had never been presented to the Board.

- k. Chairman Lembo asked which subcommittee previously reviewed these documents. Ms. Palmer recalled that she had submitted comment previously but was unsure whether it was for a subcommittee or the Board generally. Attorney Braswell asked whether a subcommittee should be convened specifically for reviewing the policies. Ms. Palmer suggested that these should go to the Governance Subcommittee. Chairman Lembo confirmed that the governing documents would be sent to the Governance Subcommittee for a recommendation, and presented to the Board at the next meeting.

4. SURETY BOND

- a. Chairman Lembo informed the Board that it is required to have a surety bond and requested that Attorney Jeffers explain in greater detail. Attorney Jeffers explained that the Board's statute requires a surety bond which covers at least the persons who are authorized to handle funds. Because the Board has no staff, an appropriate policy should cover the Comptroller, who is currently the person authorized to approve expenditures.
- b. Chairman Lembo asked what the process to obtain a quote for a surety bond would be. Attorney Jeffers recommended a consultant who is knowledgeable in obtaining surety bonds for similar organizations and offered to reach out to the consultant for recommendations on insurance companies who offer appropriate policies for this agency type. Chairman Lembo agreed this was a prudent course of action. Attorney Jeffers will present further information on a quote to the Board at a future meeting.

5. UPDATE ON FREEDOM OF INFORMATION REQUEST

- a. Attorney Jeffers from Pullman and Comley provided an update on the Freedom of Information Act request from July 10th, 2020. She acknowledged that most information has been received from Board Members but there were a few left who still needed to submit materials. Attorney Mark Sommaruga has followed up a few times with the outstanding requests. Pullman and Comley has not heard back from the FOI requestor yet. Any questions regarding the FOI should be referred directly to Attorney Sommaruga or Attorney Jeffers. Ms. Shaw asked if any documents have been submitted to the requestor. Attorney Jeffers indicated that no documents have been released yet and that Pullman and Comley is waiting for all documents to be submitted before release. Ms. Shaw asked whether keeping documents until FOI documents were collected was standard protocol, noting that when the Treasurer's Office has had similar voluminous requests, it will turn over documents on a rolling basis. Attorney Jeffers indicated that Pullman and Comley had written to the requestor noting that the request was broad, which would take time to fill unless it could be narrowed. The requestor has not yet responded to that communication. Attorney Jeffers noted that they could make a rolling disclosure if desired by the Board. Chairman Lembo added that if the requestor prioritized or narrowed the scope of the request, it would have been easier and faster to collect the information and that it is important to be as complete as possible to provide full context.
- b. Mr. Garcia asked Attorney Jeffers about the difference between finders fees and other third party fees in the "Affidavit of Disclosure of Third Party Fees" on page 10 of the governing documents. Attorney Jeffers explained that the policy is meant to disclose fees that a vendor pays in order to obtain a contract. Ms. Shaw explained that the genesis of this policy is the Treasury Reform Act. Fees paid by a vendor for an introduction are finders fees and are impermissible. However, other third party fees like marketing services are permissible, but must be publicly reported on the Affidavit form.
- c. Ms. Palmer asked about the status of the annual and quarterly reports that the Board is required to file, and whether Pullman and Comley have assisted with those reports. Attorney Jeffers indicated that she was not involved in the creation of those reports but advised the former Executive Director when those reports were required. Attorney Jeffers recalled that the

Board had adopted a fiscal year although it was not reflected in the minutes, and recommended that a fiscal year be formally adopted. She also noted that the reports are due on a calendar year basis, in December/January. Chairman Lembo recalled that last year the Comptroller's office submitted the annual report at the end of the year. Natalie Braswell notified the Board that the annual report was submitted at the end of last year as required. The quarterly reports requirements are not known and will have to come to the Board along with the adoption of a fiscal year.

- d. Chairman Lembo acknowledged and apologized for revisiting these items, but emphasized that the Board must have a clear record of actions. Further cleanup will be presented to the Board as needed.

6. CONTRACTING UPDATE

- a. Chairman Lembo notified the Board that he had a meeting with the Treasurer and OPM Secretary to discuss some of the challenges facing the Board. He noted that the Board will continue to focus on the negotiation of the contract so that it is ready to execute when authorization is received.
- b. Attorney Braswell informed the Board that a draft of the contract will be ready to send to the Contractor ("Sumday") shortly.
- c. Chairman Lembo thanked Andrea Feirstein and Attorney Braswell for their work on the contract.

7. EMPLOYER DATA

- a. Manisha Srivastava gave an update on employer data for the program. She outlined two primary needs for employer data: (1) to have the employment data needed to send out marketing materials and enrollment for the program, and (2) employment data needed to enforce the mandate later.
- b. Patrick Flaherty informed the Board that the Department of Labor is ready to construct an MOU with the Comptroller's office for sharing employment data. He cautioned that data can only be disclosed to a public official in their official capacity. Therefore, the data cannot be shared directly with the CRSA, since it is not a State agency. The Department of Labor is ready with the data to transfer when the Comptroller's Office is ready to receive it.
- c. Mr. Flaherty noted that for mandate enforcement, the statute suggests that the Department of Labor would do enforcement, but contended that resources are limited, and questions of funding for additional enforcement will need to be included in future conversations.
- d. Attorney Braswell asked Mr. Flaherty for clarification on potential restrictions of providing the employer data to the third-party contractors who are carrying out administration of the program. Mr. Flaherty clarified that the State cannot disclose employer information to the third-party, but could contact employers and ask them to contact the third party. The Comptroller's office would then need to get the data back from signed-up employers from the third party and match it against the original data from the State.
- e. Manisha Srivastava commented that the statute allows for the CRSA to enter an MOU with the Department of Labor to fund enforcement mechanisms, in the future.
- f. Ms. Shaw suggested that the CRSA could coordinate with the Paid Family Leave Authority to lessen the burden on employers and find efficiencies in identifying and tracking employers who fall under the mandate.
- g. Mr. Flaherty commented that the Paid Family Leave Authority was able to get a designation as a U.S. Executive Branch Agency by the U.S. Department of Labor. This designation allows the Connecticut State Department of Labor to share data directly with the Authority and gives the Authority greater access to more data from other sources, including an agreement with the Department of Revenue Services. A limitation of the data from the Connecticut State Department of Labor is that they only have data on employers which are covered under the

unemployment system. Mr. Flaherty also noted that the Paid Family Medical Leave authority has a number of full time paid working staff.

- h. Manisha Srivastava noted that it would have been preferable to launch payroll changes with employers at the same time as the Paid Family Medical Leave authority, which is beginning in January 2021, but the CRSA will not launch until the middle of 2021.
- i. Chairman Lembo requested that Mr. Flaherty send Attorney Braswell a copy of other recent MOU's for data sharing so the Comptroller's office can review the overall MOU structure.
- j. Mr. Flaherty mentioned that an additional strategy to reach employers would be to reach out to third-party administrators of payroll services, such as ADP LLC, because a majority of employers in the State use them. Chairman Lembo asked Ms. Feirstein whether this is a strategy used by other states with retirement authorities. Ms. Feirstein said that payroll services companies are critical to raising awareness, outreach, and distribution. Chairman Lembo recalled that payroll services companies were part of early discussions of the programs. Ms. Feirstein commented that there will be a meeting with payroll service companies soon as a part of ongoing conversations.
- k. Chairman Lembo requested that Attorney Braswell and Ms. Muirhead engage the Paid Family Leave Authority to find synergies between the two programs.

8. MARKET REPORT ON STATE RUN RETIREMENT SECURITY PROGRAMS

- a. Ms. Feirstein gave a brief report on the market of state run retirement security programs. She emphasized three key findings: (1) the auto-IRA model dominates the policy actions taken by states, though the marketplace model has some traction in Washington and Massachusetts, most states have moved towards an auto-IRA model; (2) Most states have moved toward mandatory programs, which emphasized a need for complete employment data and enforceability; (3) Most plans have kept investment options simple and focused toward asset accumulation. Ms. Feirstein pointed out that under marketplace plans, there are some administrative and fiduciary rules which fall to the employers, versus an auto-IRA. Plan choices range from 3-5 for MEP plans and reflect a desire to not overwhelm customers. Massachusetts does offer the ability to choose additional investment options but for additional costs.
- b. Ms. Feirstein reported that most plans emphasize asset accumulation, but there has been increased interest in lifetime income funds. Conversion of part of the portfolio to lifetime income can help constituents increase their potential social security benefit by helping to put off the first social security draw as long as possible.
- c. Ms. Feirstein added that in addition to payroll service providers and the accountant's association for outreach, the benefit selection season may a good time to include the state plan in benefits package communications.
- d. Ms. Feirstein also commented that there may be opportunities to collaborate with smaller states and create coalitions to expand these programs.
- e. Edward Zelinsky asked Ms. Feirstein about the amicus brief for the litigation against the CalSavers program and other programs. Ms. Feirstein confirmed that the amicus brief was submitted. Angela Antonelli also confirmed that the amicus brief was submitted and others will be submitted soon as well. She informed the board that Georgetown is holding a conference next week on these issues if they would like to attend.

9. ADJOURNMENT

- a. Ms. Palmer made a motion to adjourn, seconded by Mr. Fazzino. The meeting was adjourned at 11:18 a.m.