



## CONNECTICUT RETIREMENT SECURITY PROGRAM BOARD OF DIRECTORS MEETING

FRIDAY, MARCH 21, 2025

### Approved at the June 20, 2025 Meeting of the Board

**Board Meeting Board Members in Attendance:** Sean Scanlon; Melissa Pescetelli; Bing Carbone; Sean Thomas; Jennifer Putetti; Thomas Sennett; Cesar Garcia; Manisha Srivastava; Patrick Flaherty; Jon Wu; Edward Zelinsky; Ryan Leichsenring; Alex Knopp; Sherry Coelho;

**Others in Attendance:** Jessica Muirhead, OSC; Lisa Kidder, OSC; Lily Smith, OSC; Vanessa Vargas, Segal Marco Advisors; Julia Zuckerman, Segal Marco Advisors; Andrea Feirstein, AKF Consulting; Michael Smolinsky, BNY Mellon Advisors; Andrew Armstrong, BNY Mellon Advisors; Russell Anderson, Pullman & Comley; Erin Whitman, Vestwell State Savings; Michael Terdeman, Vestwell State Savings; Matthew Golden, Vestwell State Savings; Angela Antonelli, Georgetown University CRI; Courtney Zinter;

1. CALL TO ORDER

- a. A quorum was declared and the meeting called to order at 10:01 AM.

2. MEETING MINUTES

- a. Thomas Sennett made a motion to approve the minutes of December 20, 2024, seconded by Patrick Flaherty. There was no further discussion and the motion passed unanimously by voice vote.

3. PUBLIC COMMENT

- a. There was no public comment.

4. CHAIR'S REPORT

- a. Comptroller Scanlon reported the partnership between Connecticut and Rhode Island continued to move forward and was finalizing the interstate agreement. Connecticut's contract had an immediate drop in basis point fees from 20 basis points to 17 basis points. Comptroller Scanlon emphasized that the partnership was beneficial for other states, but also for the participants of Connecticut's program.

- b. Comptroller Scanlon reported that the legislative bill for technical changes to the MyCTSA savings program was passed out of the Labor and Public Employees Committee and would move to the House and Senate next.

#### 5. FOURTH QUARTER INVESTMENT

- a. Andrew Armstrong from BNY Mellon Advisors gave an overview of the market performance from the end of calendar year 2024. Mr. Armstrong explained that the fourth quarter was negative due to a relatively poor December market performance. Mr. Armstrong also addressed the Board's question from the December 2024 meeting of why the investment performance is consistently slightly negative relative to benchmarks. Mr. Armstrong explained the benchmark reports were calculated on the BNY Advisor's investment strategy and philosophy, using passive vehicles for most of the underlying funds. As a result, the benchmarks are tracked before fees, but the returns are shown in net of all fees, including both the underlying product fees and state administration fees. The inclusion of the state administration fees measured against the benchmark, which does not include the state administration fees, resulted in the slightly negative difference. He added that as the basis point fees decrease, the returns relative to the benchmarks will increase.
- b. Mr. Armstrong gave an updated outlook for the remainder of the 2025 calendar year. Mr. Armstrong explained that market outcome probabilities had shifted since the last outlook, with an increased chance of a shallow recession up to 50%. The outlook was discussed.
- c. Manisha Srivastava asked how long the potential shallow recession might last. Mr. Armstrong responded that it was still expected to be relatively shallow. Jon Wu asked about the forecast of quarter two for 2025. Mr. Armstrong responded that current trends were pointing in a negative direction but there was not currently enough information to make a solid prediction.
- d. Vanessa Vargas from Segal Marco Advisors provided an overview of the fourth quarter 2024 investment advisory report and the February monthly report from Segal Marco Advisors. Ms. Vargas explained there was market uncertainty around tariffs, spending, taxes, employment growth, and depreciation of the U.S. Dollar. Fixed income accounts may perform better in the short term than growth-oriented markets due to these factors.

#### 6. ANNUAL BENCHMARKS REVIEW

- a. Mr. Armstrong from BNYMA provided an overview of the annual benchmark report including an overview of the portfolios and recommended changes.

Mr. Armstrong explained BNYMA believes that AI could still have positive benefits on the markets over the long term of investments. He added that the program's portfolios were in line with the needs of the program's participants.

- b. Mr. Armstrong reminded the Board that there would be the annual glide path adjustment of the target retirement date portfolios. He also recommended two changes to the underlying funds in the investment portfolios. Mr. Armstrong proposed consolidating the Fidelity Total Market Index Fund and the Schwab Total Stock Market Index into only the Fidelity Total Market Index Fund and merging the Fidelity US Bond Index Fund and the Schwab US Aggregate Bond Index Fund into the Fidelity US Bond Index Fund. Mr. Armstrong explained that consolidating the funds would reduce fees for the participants of the program without an increase in risk to the participants.
- c. Ms. Vargas from Segal Marco provided their evaluation of Mr. Armstrong's recommended fund changes. Ms. Vargas explained that Segal Marco agreed with the proposed changes and recommended they be implemented.
- d. Sean Thomas made a motion to approve the recommended changes from BNYMA to the Comptroller, seconded by Sherry Coelho. There was additional discussion. Ms. Coelho asked if the funds to be consolidated were the same. Mr. Vargas explained that both funds track the same exact benchmarks for Schwab and Fidelity and are in line with each other, when comparing the two funds on equity and the two funds in fixed income. Manisha Srivastava asked why the program had two different funds originally. Mr. Armstrong explained that when the portfolios were originally created, BNYMA had an investment guideline to not have more than 30% of a portfolio invested in a single fund for concentration risks. However, upon review, BNYMA found the concentration risks for these funds were minimal and savings to the investor would be improved. The motion passed unanimously by voice vote.
- e. Ms. Vargas from Segal Marco Advisors also provided an overview of the annual benchmark report including an overview of the portfolio benchmarks and performance and how the program's performance compares to other state programs. The program assets continued to grow, with the new partnership that will help increase assets faster. The average contribution rate is lower for participants which is likely due to the lower default rate and not having auto escalation, and that the funds are held in the capital preservation account for 60 days before moving into a target date. The biggest difference between the program and peers were the customized investment lineup and how many investments are offered. The program was more conservative compared to other programs but had less risk in the investments. Ms. Vargas explained that three years of data is a very short time and is hard to compare and as the program grows there will be more information to compare.

- f. Ms. Coelho asked about the program fee rates. Ms. Vargas explained that the fees were originally created without any assets and without knowing what the assets were going to be, as the assets increase the fees can be re-negotiated. Ms. Coelho asked when should the program re-negotiate fees. Ms. Vargas replied that the program already negotiated a lower fee with the partnership and should look at lower fees when issuing its next request for proposals.
- g. Ms. Srivastava asked if the program should be less conservative in its investment strategy. Ms. Vargas answered that being conservative is not necessarily a bad thing, especially when the market is fluctuating. Being conservative with a new plan was to be expected and should be revisited when the program has more participants and assets to add additional options.

## 7. PROGRAM UPDATES

- a. Updates on Program Progress
  - i. Erin Whitman of Vestwell State Savings gave a presentation on the status of the MyCT Savings program, which included the progress of the program, the upcoming annual wave, webinars, target communications, program enhancements, and upcoming marketing strategies.
  - ii. Alex Knopp asked what the percentage is of employers who need to take an action. Jessica Muirhead responded that she would follow up with more information as the numbers needed to be calculated.
  - iii. Mr. Thomas asked who the third party for the payroll integrations for ADP and Paychex was. Ms. Whitman explained the company is called Payroll Integrations.
  - iv. Ms. Srivastava asked how Connecticut is compared to other state programs in the difference between registered employers and employers who are submitting payroll. Ms. Whitman answered that was common amongst most programs; there were many reasons an employer may not be submitting payroll. Ms. Whitman explained that cleaning the data and further outreach will help address the gap.
  - v. Bing Carbone asked for a copy of the marketing materials and stressed the importance of utilizing the small chambers of commerce. Lisa Kidder added that the program continues to reach to such organizations for events and additional outreach opportunities. The Comptroller also added that formal compliance will help drive action. Ms. Coelho followed up with how the program compares in compliance rates. Ms. Whitman explained since the

program does not have formal compliance the compliance rate is lower, but once compliance is adopted that would increase significantly.

b. Marketing & Outreach

- i. Lisa Kidder from the Office of the State Comptroller reported on the program's outreach efforts. Ms. Kidder has been focused on the industries with the highest rates of registered and non-compliant businesses, including restaurants, healthcare at home, childcare, and landscaping industries and has been attending industry-specific organization events in these areas. Ms. Kidder added that the program will focus on a new marketing campaign during the annual wave of outreach in summer 2025 with digital and broadcasting advertising.

8. FIDUCIARY TRAINING

- a. Julia Zuckerman of Segal Marco Advisors presented training on fiduciary duty to the Board.

9. ADJOURNMENT

- a. Mr. Sennett made a motion to adjourn, seconded by Ms. Coelho. The motion passed by unanimous voice vote. The meeting adjourned at 11:47 AM.