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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

GREEN MOUNTAIN SECURE RETIREMENT PLAN
Minutes

January 20, 2021 – Board Meeting
Virtual Meeting via Microsoft Teams

Green Mountain Secure Retirement Board Members Present:

Beth Pearce
Sivan Cotel
Dave Reville
Bob Hooper
Paul Dame
Dan Boardman
Margi Swett

Others Present:

Ashlynn Doyon (Vermont State Treasurer's Office)
Dylan Giambatista (Vermont State Treasurer's Office)
Tim Duggan (Vermont State Treasurer's Office)
Kenneth Coulter, (TAG Resources)
Troy Tissue, (TAG Resources)

CALL TO ORDER

Ms. Pearce called the meeting to order at 10:31a.m.

Item 1: Agenda approval and announcements

Mr. Cotel moved to approve the agenda. Ms. Swett seconded the motion. The agenda was approved by a unanimous vote.

Item 2: Approve the minutes of August 31, 2020

Mr. Boardman moved adoption of the August 31, 2020 meeting minutes. Mr. Reville seconded the motion. The meeting minutes were approved on a unanimous vote.

Item 3: Status update

Ms. Pearce reviewed the history of the Green Mountain Secure Retirement Plan (GMSR) and shared an overview of steps the Treasurer's Office has taken since the Board last met in August. She reviewed the agenda and gave an overview of the implementation plan development and launch.

Mr. Duggan noted that the Office had been working closely with its vendor, TAG Resources, to develop GMSR. He stated that the January meeting agenda was set to present and gather information, with a goal to address actionable items at the Board's next meeting.

Item 4: Overview of ERISA 3(38) Fiduciary Plan

Mr. Duggan directed the Board to the "Overview of 3(38) Investment Fiduciary" presentation found within the Board materials. He provided an overview of the role of a 3(38) investment fiduciary.

Mr. Duggan explained the governance structure of the GMSR Board relative to TAG Resources, and the delegation of general fiduciary responsibilities to TAG Resources, and the further delegation of investment fiduciary obligations through the recommended 3(38) construct. Ms. Pearce noted that the delegation of authority to TAG Resources conveyed a delegation of liability.

Mr. Duggan indicated that TAG Resources had recommended the selection of Mesirow Financial Holdings. He reviewed a series of documents about Mesirow's management style and a sample fund lineup. He then introduced representatives from TAG Resources who were in attendance, whereupon Mr. Tisue explained the rationale for selecting Mesirow.

Mr. Cotel expressed a desire to see low-cost investment options made available to plan participants. He asked TAG Resources to stress this approach with Mesirow. Mr. Tisue agreed and stated that Mesirow would prioritize affordability.

Mr. Boardman said that he thought the 3(38) structure would suit the goals of GMSR. He requested that TAG Resources provide the Board with the basis for their selection of Mesirow, including data exhibits to substantiate their lineup recommendations. Mr. Tisue said he would provide that information and would work with Treasury staff to set regular updates at whatever frequency the Board preferred.

Ms. Pearce reminded the Board that the contract that the Treasurer's Office entered into with TAG Resources authorized the vendor to enter into agreements with subcontractors. Mr. Duggan confirmed this relationship and stated that that Treasurer's Office staff will provide additional information for action at the February meeting.

Mr. Dame asked TAG Resources for an explanation of how Mesirow would be compensated. Mr. Tisue confirmed Mesirow would be compensated based on their standard 0.05 percent fee. Mr. Boardman stated that the rate was competitive based on his experience in the financial

services industry.

Mr. Duggan proceeded to review the fiduciary obligations of the board. He noted that GMSR Board members act as appointed officers, and therefore fall within the definition of a State employee for purposes of defense and indemnification. He noted that there would be additional safeguards for the plan, including an ERISA bond to be maintained by TAG Resources. Ms. Pearce indicated the Treasurer's Office was reviewing fiduciary liability insurance options, with an eye toward providing additional security while achieving economies of scale and affordability.

Item 5: Optionality and participation agreement

Mr. Duggan led a review of plan design considerations. He began by reviewing the GMSR's guiding principles, highlighting simplicity, affordability, ease of access, and sufficient savings.

In surveying the principles, Ms. Pearce reminded the Board that GMSR was enacted to be additive, and not supplant or replace private plans. She noted this was a key design consideration.

Mr. Boardman and Ms. Swett provided examples of private plans available to small Vermont businesses and echoed the importance of this provision. Mr. Boardman noted the GMSR plan is only being made available to companies who don't already offer a plan. He stated this would meet unmet needs in the state without competing against currently established plans.

Mr. Duggan gave a high-level overview of options set at the plan level. He noted that the Board has authority to determine and set parameters for the options employers can exercise.

Mr. Duggan presented two documents provided by TAG Resources, a sample agreement, and a summary of QACA and EACA plans. He noted that GMSR is an auto-enroll plan. He reviewed the pricing difference between a safe harbor plan (\$600 annual employer fee) and non-safe harbor plan (\$850 annual employer fee).

Mr. Duggan described the differences in flexibility between QACA and EACA Plans. He explained that Treasury staff, in consultation with TAG Resources, was recommending maximum employee eligibility at the plan level, and maximum employer flexibility provided there be no impact to pricing.

Mr. Tisue explained TAG Resources' thinking on how to proceed and recommended that criteria be set at the plan level. He indicated this would reduce the complexity and streamline administration.

Ms. Pearce provided information about hardship withdrawals and loans, and shared relevant examples of other plans that utilize these types of transactions. Mr. Boardman noted that many Vermonters may view loans as an incentive to save. Ms. Swett shared similar examples and stressed the need to provide flexibility without losing potential savers or deterring them from participating in the plan. Mr. Hooper stated a preference for allowing loans, provided that

participants had clear guidance and knowledge about the rules.

Mr. Cotel said he supported offering hardship withdrawals, provided they have clear restrictions that encourage responsible withdrawal behavior

Mr. Dame indicated that restrictions could inadvertently preclude the loan worthiness of a particular need. He stated that a loan could create better savings behavior by creating the expectation that a plan participant should repay the loan to replenish their savings.

The Board discussed if and how the number of loan transactions should be limited. Mr. Boardman stated that federal law governs the maximum amount of money a plan participant can receive through a loan is 50 percent of their vested account balance. He further recommended a participant only be allowed to have one loan at a time.

Ms. Pearce summarized the discussion to clarify the intent of the Board. The Board agreed that loans be permitted consistent with federal law, and that hardship withdrawals be based on the common criteria allowed for under law. Mr. Duggan indicated that TAG Resources will reflect those parameters in the adoption agreement that the Board will consider at its February meeting.

Mr. Duggan asked TAG Resources if there was an industry standard for contributions upon auto-enrollment. Mr. Coulter indicated that a 3 percent contribution was the most common standard. Ms. Pearce asked if there was data on what other State-sponsored retirement plans utilize. Mr. Coulter said he would investigate and provide the Treasurer's Office with data from other State plans.

Ms. Pearce asked if the Board agreed that the minimum should be 3 percent. Mr. Boardman indicated that 3 percent was common and that any contribution level above that amount could deter a small business from participating. The Board agreed that 3 percent was appropriate, with the option for employers to make extra contributions if desired, consistent with law.

The Board considered the how employer contributions should be made. Mr. Coulter gave an overview of the design considerations employers prefer. He noted that employers want flexibility based upon the needs of their workforce, which may vary from business to business. Mr. Boardman echoed Mr. Coulter's comments and noted that safe harbor matches are 100 percent vested.

The Board agreed that the plan should provide maximum flexibility for vesting and contributions, including matching contributions during the course of the year and end of year distributions to employees. The representatives from TAG Resources indicated they would prepare a plan draft for review by the Board at its February meeting.

Item 6: Marketing update

Mr. Giambatista gave an update describing marketing and outreach design. He said that a logo and brand was being developed, and that the Treasurer's Office was meeting regularly with the plan's vendors in preparation for branding assets. He also stated that the Treasurer's Office was

working directly with AARP and its Vermont-based affiliate, AARP Vermont, to leverage their public retirement expertise. He noted that the Treasurer's Office was working to refine its plan and that it will provide a more detailed overview at the Board's February meeting.

Surveying Vermont's small business environment, Mr. Cotel asked if non-profits can participate in GMSR. Mr. Tisue confirmed that they can. Ms. Pearce stated that Mr. Giambatista was developing an outreach strategy to meet the needs of eligible Vermont businesses.

Item 7: Technical update

Mr. Duggan reviewed the GMSRP policy and Standards of Conduct Disclosure. He asked Board members to review the entire policy document, complete the disclosure, and return it for the Board's records.

Item 8: Public Comment

No public comment was provided.

Item 9: Adjourn

Mr. Cotel made a motion to adjourn. Mr. Hooper seconded the motion, and the vote was approved unanimously. The Board adjourned at 12:02 P.M.