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**Financial Literacy and Education Commission Public Meeting
February 13, 2013
10:00 am – 12:00 pm
U.S. Department of the Treasury – Cash Room**

MEETING MINUTES

Committee Members Present

Department of Defense	Brenda McDaniel
Department of Education	David Soo
Department of Health and Human Services	Mark Greenberg
Department of Labor	Phyllis Borzi
Department of the Treasury	Mary Miller
Department of the Treasury	Melissa Koide
Consumer Financial Protection Bureau	Camille Busette
Consumer Financial Protection Bureau	Richard Cordray
Department of Veterans Affairs	Julie Schroeder
Federal Deposit Insurance Corporation	Luke Reynolds
Federal Reserve Board	Anna Alvarez-Boyd
Federal Trade Commission	Colleen Tressler
National Credit Union Administration	Gail Laster
Office of Personnel Management	Raymond Kirk
Office of the Comptroller of the Currency	Barry Wides
Securities and Exchange Commission	Lori Schock
Small Business Administration	Nathaniel Bishop
Social Security Administration	Jim Courtney
Commodity Futures Trading Commission	Michael Herdon
Department of Agriculture	Susan Shockey

Introduction

Melissa Koide, Deputy Assistant Secretary for Consumer Policy, U.S. Department of the Treasury

Melissa Koide opened the meeting by thanking everyone for their attendance. She outlined the agenda for the meeting, noting the focus on starting early for preparing for retirement, and reminding everyone of the Commission's commitment and recent hard work on improving the financial capability of young Americans. Koide introduced Under Secretary for Domestic Finance, Mary Miller.

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Welcome and Opening Remarks

Mary Miller, Under Secretary for Domestic Finance, U.S. Department of the Treasury

Under Secretary Miller opened her remarks referencing the Commission's October meeting. That meeting saw the launch of the strategic focus to help empower young Americans with the tools, information, and resources for financial success. Ms. Miller noted the great need for work in this area that can help to change the course of young Americans' financial futures and benefit the nation in the long run. She underlined the importance of retirement security, mentioning that many Americans nearing retirement face significant shortfalls in their savings and that according to a 2011 survey, 60 percent of respondents aged 18 to 27 noted that they have saved nothing for retirement. Ms. Miller then introduced Richard Cordray, the Director of the Consumer Financial Protection Bureau, and Vice Chair of the Commission.

Richard Cordray, Director of the Consumer Financial Protection Bureau, Vice Chair of the Commission.

Richard Cordray thanked the Commission for their work and noted how closely aligned the work of the CFPB and the FLEC Commission are. He also spoke about the CFPB's plans to incorporate workplace financial education programs.

Melissa Koide thanked Director Cordray and the Consumer Financial Protection Bureau for their support in this work. She then moved the meeting to progress reports from the Starting Early for Financial Success committees.

Starting Early for Financial Success Committee Progress Reports

Post-Secondary Education Committee

David Soo, Office of the Under Secretary for Higher Education, U.S. Department of Education

Dr. Soo outlined the areas of focus in the Post-Secondary Education Committee, namely making available high-quality information for post-secondary planning, as well as the development of a community of practice for practitioners. These potential communities would consist of primary and/or high school educators, postsecondary educators and policymakers, and would encourage these educators to collaborate, identify, and share best practices in order to produce financial education tools and resources. Dr. Soo noted that their guiding principles are to produce and use research in order to assist vulnerable students.

Research & Evaluation Committee

Susan Shockey – National Program Leader, Division of Family and Consumer Sciences, U.S. Department of Agriculture

Max Schmeiser – Consumer Research, Consumer and Community Affairs, Federal Reserve Board

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Susan Shockey and Max Schmeiser informed the Commission that the Research and Evaluation Committee is now adapting previous research to the theme of “starting early.” There are currently 14 government agencies gathering in person and through conference calls to meet and discuss how to achieve that goal. They mentioned the need for liaisons between the various committees and the Research and Evaluation Committee. The FLEC Research and Data Clearinghouse, which will be housed on MyMoney.gov is set to be released in April of 2013, and the committee hopes to have a FLEC-sponsored journal completed by winter of 2014. The Committee has created an eleven-page work plan that encourages integration in order to facilitate their goals.

Children and Youth Committee

Jeannie Chaffin, Director, Office of Community Services, Department of Health and Human Services

Luke Reynolds, Chief, Outreach & Program Development Section, Federal Deposit Insurance Corporation

Luke Reynolds of the FDIC discussed the progress of the committee, mentioning that a purpose statement had been developed in pursuit of their goals. The committee is focused on a broad range of strategies: fostering collaboration between programs that promote savings for youth for both known and unknown needs; precautionary savings, identifying effective school bank partnerships; school based service programs; and learning what opportunities may exist regarding jobs programs. The committee also hopes to develop a plan to help facilitate better financial education for children and youth. Mr. Reynolds described the tasks as broad, with two subgroups. In their efforts, the committee will collaborate closely with the research and evaluation subgroup, as their goal of improving financial literacy among young people is hard to show causally. Ms. Chaffin reiterated that they are committed to looking at evidence and building a quality plan.

Ms. Koide asked Mr. Reynolds to share any work relevant to the topic at hand, in advance of more comprehensive future updates. Mr. Reynolds thanked the committee and agencies involved, and noted that the name of the committee has been changed from “Youth” to “Children and Youth.”

Ms. Koide solicited questions on the Committee work plans.

Ms. Koide then introduced Financial Literacy and Education Commission member Phyllis Borzi, Assistant Secretary of Labor for the Employee Benefits Security Administration (EBSA).

Early Career and Retirement Committee Report

Phyllis Borzi, Assistant Secretary of Labor, Employee Benefits Security Administration

Ms. Borzi began by saying “It’s never too early, and it’s never too late [to plan for retirement].” Ms. Borzi shared an anecdote about speaking with a school assembly. Ms. Borzi inquired about with children got allowances, and then followed up by asking how many were saving, and how many spent every penny. A pleasantly surprising number of

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the children were in fact saving, but many were not and Ms. Borzi went on to speak about the importance of saving.

Committee Project: Pilot Program

Ms. Borzi provided an update on the Committee's work plan. Because most of the organizations present have workplace financial education initiatives, the Committee hopes to survey what everyone is doing and use that information to inform the development of a pilot. The aspirational outcome is for better educated early career federal employees. Ms. Borzi gave an overview of key tasks for the pilot program: Webcasts are useful tools that can be used to help small-businesses that do not have retirement plans, and to help those who do to comply with the law. During America Saves Week they will have two webcasts – one for businesses without retirement plans, one for businesses with retirement plans. www.dol.gov/ebsa

Ms. Koide then thanked Borzi for her comments, noting that the plan will be an important step forward to understanding what has an impact on workers starting their careers. Koide then introduced Robin Diamonte, the Chief Investment Officer of the United Technologies Corporation where she oversees \$16.5 billion in defined benefit and \$14.8 billion in defined contribution assets.

Starting Early in the Workplace for Retirement Preparedness Remarks

Robin Diamonte the Chief Investment Officer of the United Technologies Corporation (UTC)

Diamonte began with an anecdote about her two daughters, aged 6 and 9, who get \$3 per week in allowance. They have three jars – one for saving, one for charity, and one for spending. Diamonte's daughter asked her sister "when do you think we will actually get to spend what's in the saving jar?" The reply was "when we are old like Mommy."

Diamonte began her presentation by explaining that companies care about employee savings. It is good business sense to have employees save money, and it is very important for employees and employers to be able to retire when they want to. Particularly in the aftermath of the recent recession, some individuals who were scheduled to retire could no longer afford to, so they continued working, but unproductively, because mentally they were already retired. Diamonte mentioned that UTC utilizes financial advice tools, and that they hired the firm HelloWallet to come and speak on debt management and spending. In doing so, their employees were better able to assess superfluous spending and identify areas to trim down their spending. They also discussed retirement questions like: How much do you need to live off of when you retire? If you make \$100,000 and you want to live off of \$80,000 then you need to replace 80 percent of that income you are making. What is the difference between an annuity and a lump sum payoff? Often retired individuals face two realities: either they live in fear of outliving their money and spend frugally, or they do not plan and spend everything before they die. UTC is trying to get younger employees to get in a high

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growth income portfolio. When employees retire, they turn the lump sum into an annuity-like payment, but if they prefer, they can have the lump sum.

UTC developed the Lifetime Income Strategy which has a flexible design that adjusts, depending on age. It starts by investing in a portfolio of stocks and bonds (similar to the UTC Savings Plan's current Target Retirement Funds). At age 48, a portion of assets will protect the insured Income Benefit. This feature gradually increases over time. By age 60, the entire Lifetime Income Strategy balance is used to secure the insured Income Benefit and becomes available after the employee terminates employment from UTC.

Diamonte posited that the flexibility of the Lifetime Income Strategy is what makes it most successful. She noted that there are three behaviors that work. Auto-enrolling works really well, but one problem was that people are contributing 6 percent to their retirement, but maxed out their credit card at 12 percent interest. They therefore took a step back and realized the need to teach better debt management and financial education.

UTC has developed best practices based on their experiences, and Diamonte highlighted them. She mentioned that many plans get too confusing for individuals, financial education programs need to be segmented by age, one-on-one coaching is very important, tech savvy apps are helpful (for example, HelloWallet has an iPhone app), and sometimes making training mandatory can be helpful. She noted that in developing these plans, it is important to keep in mind that comprehensive financial education is new to many companies.

Melissa Koide thanked Diamonte for her presentation and then opened the floor for questions from the Commission. One issue which was raised was the task of quantifying the return on investment. Ms. Diamonte noted that it was too early to make quantifying statements like this. Diamonte was asked why UTC is focusing on more comprehensive approaches to employee financial education now as opposed to any other time. She replied that pensions are going away, and there was a need to find new ways to get employees to save without them. A Commission member then asked for clarification on auto-reenrolling. Diamonte informed her that auto-reenrolling can take on a number of formats. For example, an organization can find out the number of employees not enrolled in a savings plan and enroll them. They then send communications informing them that they have to opt out if they do not want to be enrolled. It can also take the shape of mapping them to a more diversified portfolio. On the federal level, Phyllis Borzi noted that auto-enrolling is mainly for health plans.

The discussion also covered the possibility for partnerships with schools in order to teach students about these principles, and to determine on a behavioral level what causes people to save. Though there has not yet been an opportunity to share these tools with small businesses. UTC would be open to that type of interaction. In terms of research and evaluation, there have been efforts made to do more, and there is a lot of data, but there are concerns about privacy. The main focus of their work has been identifying how to get people to save for retirement and diversify their portfolio. Diamonte then advised that the government provide guidance for companies focusing their attention and

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resources to large projects such as this. Other priorities are leveraging focus groups to hear more diverse opinions, but the work is just too new to identify priorities for troubleshooting, or determine what practices have made employees most successful.

Diamonte mentioned that employees often do not diversify out of company stock because they have invested so heavily in their own firms. It can be hard to change this behavior because people love their work and their firm. To combat this, corporations have been sending employees letters if their investments in company stock exceed a certain amount. UTC for example, will flag you electronically exceeded what they deem to be prudent levels of investment. The key to the success of this mechanism is repetition. Diamonte encouraged the use of professional financial advisors for those employees with limited understanding of investment strategy. She also mentioned that lower income employees tend to have less diversified stocks concentrated in the company, and that they do not often move money around.

Other Announcements/Comments

Melissa Koide then asked the Commission to provide updates from their organizations. Raymond Kirk mentioned that there is an Office of Personnel Management webinar as a part of African American History month talking about financial empowerment. Barry Wides noted that America Saves Week is coming up beginning February 25. The Office of the Comptroller of the Currency sent out an America Saves update to all financial institutions they regulate to encourage consumers to save, and the Treasury Department Federal Credit Union is offering to pay the \$10 fee to join during this week. Susan Shockley mentioned that USDA Cooperative Extension Service is also very involved in America Saves Week, and that they developed an America Saves Challenge which was sent out to the FLEC members. Anna Alvarez-Boyd from the Federal Reserve Board mentioned that that a professor from Harvard will be coming to talk about the effects of medical spending on retirement spending on March 7 at 3:30 PM for the GW Financial Literacy seminar series. FDIC is also supporting America Saves Week by holding a webinar for financial institutions and for young people to discuss saving for college, among other topics.

Brenda McDaniel followed up by flagging the 7th annual Military Saves Week during the same time (Feb 25 – March 2). This is co-sponsored by the Consumer Federation of America and the Department of Defense. This week represents a major part of the Department's financial literacy efforts. The theme of the week is: set a goal, make a plan, save automatically. The goal is to increase participation of military savers. She noted that according to the Consumer Federation of America, 340 organizations have signed up so far to participate, 215 installations, 61 financial institutions, 300 branch locations, 57 non-profit organizations. She also noted that for the first time, the Chairman of the Joint Chief of Staff has signed the memo for Military Saves Week and developed a public service announcement.

<http://www.youtube.com/watch?v=gQRsgmLTH64>

Several media events are being conducted by the Department of Defense.

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Jeanne Hogarth Recognition

Koide commended and thanked Jeanne Hogarth, who recently retired from the Federal Reserve Board of Governors for her years of dedication to the work of the Commission. Jeanne most recently led the Commission's Research and Evaluation Working Group in developing the 2012 Research Priorities and Research Questions, and shared with the group last spring, a presentation on mobile technology and financial capability.

Conclusion and Announcement

Melissa closed the meeting and reminded everyone that the next meeting will be on May 15. Before then will be Financial Literacy or Financial Capability Month in April, and Melissa mentioned that she looks forward hearing updates on these activities in May.

The meeting adjourned at 11:45 AM.