



March 4, 2015

State Treasurer John Chiang and CA Secure Choice Board Members
915 Capitol Mall, Suite 110
Sacramento, CA 95814

RE: Comments on the Final Report to the Secure Choice Savings Investment Board

Dear Treasurer Chiang and fellow Secure Choice Board Members,

I would like to thank you for your work on behalf of the California Secure Choice Retirement Savings Program. Both in my role as San Francisco Treasurer and as founder of the San Francisco Office of Financial Empowerment, I know how important retirement savings are for our residents. I also know that we are dealing with a coming crisis of retirement insecurity in San Francisco and around our state.

As you are well aware, three out of ten California seniors do not have enough income to cover their basic needs. Seniors of color are much more likely to live in poverty in California, and as we look ahead to the retirement of the baby boomer generation, and to shifting demographics that will have people of color making up a majority of California's senior population by 2035, the issue of retirement security will only become more pressing. This is why it is so important that the Secure Choice Program provides access to a retirement savings plan for the 7.5 million working Californians who do not have access to a retirement plan through their employer.

I will keep my comments fairly brief, and overall I wish to commend the work that has been done by all of those responsible for guiding Secure Choice to this point, including Treasurer Chiang and his staff and the Secure Choice Board. I strongly support Secure Choice, and look forward to legislation that will implement this Program soon. On behalf of my Office of Financial Empowerment (OFE), I would like to offer comments that deal with: 1) program simplicity and setting defaults for broad or even universal participation; 2) ensuring low plan costs and avoiding expenses that would eat into savings for participants; and 3) working with municipalities and municipal agencies as part of the Program's outreach and education strategies.

First, I commend the simple program design envisioned by Secure Choice. In order to make this program workable for employers and to ensure broad participation, I strongly support the elimination of barriers to entry. This includes emphasizing an opt-out rather than opt-in for employees, reducing or eliminating the need for signatures or other forms, and ensuring that employers do not bear a heavy administrative burden to participate and enroll their employees. I largely concur with the recommendations of the Report in this regard, and urge that the final Program design maintains this simple and universal/automatic enrollment structure.

I also believe that the Report does a good job in identifying the Roth IRA investment vehicle that is most efficient and beneficial for California workers. In the experience of the OFE in its work around savings and guiding consumers toward safe and affordable financial products and services, it is important to reduce complexity and guide people through a very small set of choices, again with a goal of eliminating barriers to



entry and participation. This aligns with a Secure Choice design that minimizes investment choices (for example by offering only conservative, moderate, or higher-risk options). I also support the recommendation to set a 5% default rate, and to auto-escalate the savings rate up to 10% (with an opt-out), although I do urge further study of affordability at this higher rate for low-income employees who may be living paycheck to paycheck.

I do urge the Board to look very carefully at any proposed management fees associated with the final investment vehicle(s). For this Program it will be important to keep these fees as low as possible so that residents may maximize their savings. It would seem prudent, therefore, to select lower-cost investment options, such as target date index funds, and to be wary of higher-cost options such as variable annuities. I am sure that most Californians will share this recommendation to minimize the fee burden for participating – and often low-income – employees.

Lastly, I am glad to see that the Report does emphasize not only the need for outreach, but the low levels of financial literacy that can make it more difficult to educate targeted employees about the Secure Choice. I note that partnership with city and county governments was not one of the outreach strategies recommended within the Report, and I encourage the Board to strongly consider municipal partnerships. Cities, and city agencies, are on the ground working with employers and employees directly, and have strong local knowledge that can make outreach more effective.

Further, many municipal agencies are very much focused on helping residents achieve financial success, including retirement security. Here in San Francisco, our Office of Financial Empowerment has developed and implemented a range of programs and resources to support financial wellbeing for our residents. The OFE has established employer engagement strategies and partnerships which offer a great platform for Secured Choice outreach. We also are delivering one-on-one financial coaching in the workplace, and can help to address the issues of financial literacy raised in the Report, to help employees better understand their retirement savings options and the benefits of Secure Choice participation.

We would be glad to discuss this further with members of the Board, and hope that you may consider the need for municipal funding for financial education and outreach. Again, thank you for your leadership and your commitment to such an important issue in California. I would be pleased to continue this discussion and answer any questions you may have.

Sincerely,

José Cisneros