

Dear Treasurer Chiang

Thank you for your leadership in chairing the California Secure Choice Investment Board. The recommendations of the board and the ultimate enactment and implementation of a Secure Choice retirement plan in California are critical to improving retirement security for millions of Californians.

I am responsible for the retirement team at Legg Mason, we are a global financial asset management firm, with more than \$650 billion of assets under management. We are committed to being a responsible global citizen and having a meaningful positive impact in the communities in which we operate. This commitment to our communities has resulted in my appointment to the Task Force to Ensure Retirement Security for All Marylanders under former governor Martin O'Malley, and the subsequent legislative task force created by presiding officers in Maryland's General Assembly. We considered the retirement crisis in Maryland and options for addressing it, in some ways following the lead of your Secure Choice Investment Board.

As you are well aware, the nation is in the midst of a retirement security crisis. Nearly 70 million workers have no access to a retirement plan at work, and relatively few of them are saving for retirement on their own. As a result, half of working age households do not own any retirement assets, whether a defined benefit pension, work-sponsored 401(k) or even an IRA.

For these workers, their only source of income will be Social Security benefits. Social Security alone will not provide an adequate income for meeting basic needs, particularly in high cost areas of California. Half of Social Security beneficiaries receive less than \$1,300 a month; for low-wage workers the monthly benefits will be much lower.

Therefore, new initiatives such as that being considered in California are critical for the well-being of workers and communities. In this process, it is important that the board consider the investment approaches and program structures that provide the best opportunity for retirement security. As a result, I encourage the board to recommend a pooled investment model with a reserve fund as part of the Secure Choice retirement saving plan. This approach offers both the best opportunity to protect workers who may retire during a stock market decline. The State of California has the opportunity to offer this unique protection to workers approaching retirement age. While deep market downturns are rare, as we saw in 2008 the impacts on the well-being of cohorts with the bad luck of retiring during one of these downturns is devastating.

I recognize that there might be some complexity in explaining this model to investors. Nonetheless, the potential benefits to workers are worth the challenge. Further, I point to Social Security. It is nearly universally supported; and it would be highly unusual to find a worker (or retirement policy expert) who understands the benefit formula.

The pooled investment model would be an important step in the evolution of these state-based retirement savings initiatives. I would also encourage the board to recommend to the legislature that the board be given the authority to implement other approaches to improving retirement security, such as an optional approach that would allow for employer contributions. As the state of the art of state-supported retirement savings plan evolves, California would want to be well-positioned to implement the best models available for workers and employers.

Thank you for your work leading the California Secure Choice Investment Board.

Sincerely,

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Cc: Governor Brown
President pro Tempore Kevin de León
California Secure Choice Investment Board members

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