



CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS PROGRAM

GOAL:

Promote greater retirement savings for California's approximately 6.3 million private-sector employees who currently lack access to employer-sponsored retirement plans by providing access to a voluntary, low-risk, low-cost, portable retirement savings plan that encourages participation through automatic enrollment—with the option of opting out—and facilitates contributions through payroll deductions.

IN CALIFORNIA TODAY:

- Less than half (45%) of private-sector workers age 25-64 work for an employer who sponsors a retirement plan—even less than the US average of 53%.
- Nearly half (47%) of California workers—public and private—are currently on track to retire with incomes below 200% of federal poverty level (i.e., about \$22,000 a year).
- A large majority (64%) of workers without access to a workplace retirement plan are people of color, with Latinos making up the largest share (46%) of that total.

BACKGROUND:

The California Secure Choice Retirement Savings Program ("Program") was established through legislation enacted in 2012 (Senate Bill ("SB") 1234, Chapter 734). SB 1234 created the California Secure Choice Retirement Savings Trust ("Trust") to receive, invest and payout the retirement contributions of participating employees. The Trust will be administered

by the nine-member California Secure Choice Retirement Savings Investment Board ("Board"). The nine-member Board is chaired by the State Treasurer and includes the Director of Finance, the State Controller, an individual with retirement savings and investment expertise appointed by the Senate Committee on Rules, an employee representative appointed by the Speaker of the Assembly, a small business representative appointed by the Governor, and three additional members appointed by the Governor. (For Board member information go to www.treasurer.ca.gov/scib/members.asp) The Program is housed in the State Treasurer's Office.

The Program shall only be implemented if it is determined that it will:

- Receive the same favorable tax treatment as an individual retirement account or individual retirement annuity (IRA) plan.
- Be exempt from the Employee Retirement Income Security Act (ERISA).
- Be self-sustaining.

KEY PROGRAM ELEMENTS REQUIRED BY SB 1234:

- Employees of eligible employers that do not offer retirement plans shall be automatically enrolled in the Secure Choice Retirement Savings Program, unless they choose to opt-out.
- Once established, employers with five or more employees who do not offer an employer-sponsored retirement plan or automatic enrollment payroll de-

duction IRA shall have a payroll deposit arrangement that allows their employees to participate in the Secure Choice Retirement Savings Program.

- Provides important employer safeguards: employers shall not have any liability for an employee's decision to participate in, or opt out of, the Program; employers shall not have any liability for the investment decisions of participating employees; employers shall not be a fiduciary of the Program; employers shall not bear responsibility for the administration, investment, or investment performance of the Program; and employers shall not be liable with regard to Program design, investment returns, and benefits paid to participating employees.
- The Program must be designed to maximize participation, minimize costs and fees for participants, and provide a benefit that is portable.
- The Board shall establish an investment policy with the primary objective to preserve the safety of principal and provide a stable and low-risk rate of return.
- The State of California shall have no liability for the payment of benefits.

- The California Secure Choice Retirement Savings Trust must be self-sustaining and any contributions into the Trust shall be used exclusively for paying benefits, the cost of Program administration, and investments made for the benefit of the Program.

IMPLEMENTATION STATUS:

Before implementation, the Board must conduct a legal and market analysis, to be paid for with non-State funds, to determine whether the legal and practical conditions for implementation can be met. The market analysis will identify Program elements that would maximize participation, maximize the likelihood of private-sector financial providers offering product and services through the Program, and minimize administrative cost to employers. Overture Financial has been retained to conduct the market analysis; K&L Gates has been retained for the legal analysis. The Board has raised the necessary funds to cover the cost of the analyses. It is anticipated that they will be completed in late 2015. Upon completion, the Board will provide the results and its recommendations to the Legislature. Legislative authorization is required to implement the Program.

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS PROGRAM

915 Capitol Mall, Room 110
Sacramento, California 95814

p 916.651.7427

f 916.651.3125

www.treasurer.ca.gov/scib