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SEPTEMBER 23, 2019

AGENDA ITEM 2  
INFORMATION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

*Executive Director's Report*

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**Board Meeting Calendar for 2020**

For 2020, staff propose continuing the past practice of holding Board meetings on the fourth Monday of every other month. The proposed meeting schedule is included below:

January 27, 2020  
March 23, 2020  
May 18, 2020 (adjusted for holiday)  
July 27, 2020  
September 28, 2020  
November 16, 2020 (adjusted for holiday)

**Budget**

The July and August budget reports are not available at this time due to delay in year-end data reporting from the implementation of FISCAL. As of June 30, 2019, the most recent available reporting, the program had spent \$1.66 million in loan funding in fiscal year 2018-2019 and a total of \$3.68 million since inception. A detailed budget summary is included as Attachment 1.

**Staffing**

Ruth Holton-Hodson, the Program's retired annuitant serving as outreach and engagement consultant, will complete her transition to retirement on October 3, 2019. With deep gratitude for her many years of service to the development of the Program, staff congratulate Ms. Holton-Hodson on an exceptional career in public interest work.

**Contracts Executed Under Delegated Authority and Upcoming Contracts/Renewals**

*External Auditor Contract—Gilbert Associates*

CalSavers staff executed agreement CSCRSIB01-19 on August 5, 2019 for external auditing services with Gilbert Associates, Inc. (Gilbert), the same firm that conducted the first two annual audits. The maximum cost of the contract is \$39,100 and the term of the agreement will conclude June 30, 2021.

Gilbert will conduct two audits, for fiscal years 2018-19 and 2019-20, of the financial and operational status of the California Secure Choice Retirement Savings Trust in accordance with generally accepted accounting principles. The audits are required to fulfill the requirements set

forth in Government Code §100038, which requires the Board to submit an annual audit report to the Governor, the Controller, the State Auditor, and the Legislature by August 1 of each year.

*Investment Consultant Contract—Meketa Investment Group*

The Board's contract with Meketa Investment Group, Inc. (Meketa) for investment consulting services expires January 9, 2020 and contains an optional one year extension at the pleasure of the Board. Staff has been exceptionally satisfied with Meketa's work and will bring an action item to the Board at the November meeting, recommending the Board exercise the one-year contract extension with Meketa.

*Legal Services Contract—K&L Gates*

The Board's contract with K&L Gates LLP for legal services expires March 31, 2020. To ensure there is no time during which the Board does not have a legal firm under contract for these legal services, staff propose to begin a procurement effort later this year. At the November 18, 2019 Board meeting, staff will propose a procurement document for the Board's approval and, if the Board approves, begin the procurement effort soon after. Staff would then present their recommendation for the contract at the January 27, 2019 Board meeting.

**Due Diligence Visit**

Staff will conduct their second due diligence visit to the headquarter offices for the program administrator, Ascensus, on September 25-26, 2019. Staff will report on the results of the visit during the November Board meeting.

**Legislation and Policy Update**

*State Legislation*

AB & SB 112, the legislation containing the deletion Government Code Sections 100002(e)(2)(B) and 100006 regarding the Gain/Loss Reserve Fund, was expected to achieve final legislative passage on September 13 and be sent to the Governor for signature.

*Federal Legislation and Rulemaking*

In July, the U.S. Department of Labor finalized a regulation that expands the abilities of employers to join a multiple employer plan (MEPs). MEPs are a retirement plan in which multiple related employers participate in the same pooled 401(k) plan. Federal law limits the ability of unrelated employers to join a MEP. The rule clarifies employer associations or professional employment organizations to serve as the sponsor of a MEP. The SECURE Act, passed by the House this year and currently with the Senate, would significantly expand rules regarding MEP sponsorship by removing the requirement for there to be a common relation between members of a MEP.

Also in July, the U.S. Department of the Treasury begin rulemaking that would alter what is known as the "One Bad Apple" rule for MEPs, under which an entire MEP's tax status is disqualified if one member of the MEP violates MEP rules.

Staff continue to monitor the SECURE Act (H.R. 1994). At the time this item was written, the act remained in the Senate after passing the House on a vote of 417 to 3. If enacted, the bill would modify myriad rules regarding retirement plans and Individual Retirement Accounts,

including altering rules regarding multiple employer plans (“MEPs”), eligibility of part-time workers in employer sponsored plans, alter required minimum distribution rules, and encourage the use of automatic enrollment by creating a new tax credit. Additionally, the bill would classify certain income earned by in-home supportive service (IHSS) providers as “earned income,” which would have the effect of making such income eligible to be deposited into an individual retirement account.

Senator Sheldon Whitehouse introduced the “Automatic IRA Act” in July. The bill would establish a nationwide mandate for employers to either offer a qualified retirement plan or an automatic enrollment IRA, similar to CalSavers.

### **In-Home Supportive Services (IHSS) Update**

Staff continue to monitor the lawsuit regarding Center for Medicaid and Medicare Services (CMS) rulemaking that restricts IHSS provider payroll deductions for myriad purposes, including retirement savings. In 2018, Treasurer Chiang submitted a formal comment letter opposing this action. At the previous Board meeting, a member requested staff to evaluate ways in which the Board could support the lawsuit. After evaluating options and consulting with counsel staff recommend taking no action in the lawsuit due to high legal costs and limited ability to beneficially impact the proceedings.

Meanwhile, staff have shifted the focus of ongoing discussions with the unions representing IHSS providers toward outreach and education for the self-enrollment option to be launched this fall. This includes the development of materials specific to IHSS providers and planning for presentations at events and train-the-trainer sessions. While the groups and staff collectively see substantial opportunity for engagement, substantive questions remain regarding how to identify eligible individuals (those who receive earned income). As noted above, a provision in the pending SECURE Act would resolve this matter.

### **“Gig” Companies**

In advance of the launch of the self-enrollment option for individual participants this fall (discussed further in Item 3), staff resumed discussions with several tech platform companies who engage with large numbers of workers currently classified as contractors in order to identify ways the companies might raise awareness about CalSavers to the contractors. Simultaneously, staff continue monitor developments around Assembly Bill 5 which may dramatically change the classification of these individuals.

### **External Presentations since the Last Board Meeting**

1. July 30, 2019: Sonoma County Small Business Development Center: CalSavers: Leveling the Playing Field for Small Business Owners Sonoma, CA
2. August 1, 2019: Federal Deposition Insurance Corporation: Foro Desarrollo Financiero; San Jose, CA
3. August 3-4, 2019: UnidosUS Annual Conference; San Diego, CA
4. August 5, 2019: Gusto (payroll provider) Webinar; San Francisco, CA
5. August 7, 2019: Valley Industry and Commerce Association: CalSavers Presentation; Hollywood, CA

6. August 9, 2019: Treasurer's Small Business Seminar; Chino Hills, CA
7. August 9, 2019: ICON CDC CalSavers Train the Trainer; Los Angeles, CA
8. August 12, 2019: Bay Area SparkPoint Director's Meeting: CalSavers Train the Trainer; San Francisco, CA
9. August 14, 2019: Multicultural Institute of the Bay Area: Employer/Employee Presentation and Stakeholder Recruitment; Berkeley, CA
10. August 15, 2019: Universal Personnel Services: Introduction to CalSavers; San Bernardino, CA
11. August 20, 2019: Los Angeles County BizFed Board Meeting: Introduction to CalSavers; Los Angeles, CA
12. August 21, 2019: Coastal Growers Association Monthly Meeting: Introduction to CalSavers; Salinas, CA
13. August 21, 2019: Agricultural Employer Association and the Grower/Shipper Association Compliance Two-fer featuring CalSavers; Salinas, CA
14. August 22-23, 2019: California Hispanic Chamber of Commerce Annual Conference and Expo; Stockton, CA
15. August 23, 2019: United Way Greater Los Angeles: CalSavers Workgroup Meeting; Los Angeles, CA
16. August 27, 2019: Opportunity Junction: Partner Employer and Employee CalSavers Information Session; Berkeley, CA
17. August 28, 2019: United Way California Capital Region Our Promise Campaign Kick-Off; Sacramento, CA
18. August 29, 2019: Los Angeles Family Source Centers CalSavers Train the Trainer; Los Angeles, CA
19. September 5, 2019: Santa Maria Business Expo; Santa Maria, CA
20. September 7, 2019: Women's Business Expo CalSavers Presentation with Small Business Majority; Duarte, CA
21. September 9, 2019: United Ag: CalSavers Webinar for brokers and members; Web
22. September 9, 2019: United Ag: CalSavers Webinar for members; Web
23. September 10, 2019: United Way of Greater Los Angeles: Introduction to CalSavers for Small Business Owners (English); Los Angeles, CA
24. September 11, 2019: Small Business Majority: Webinar for CA employers (Spanish)
25. September 12, 2019: UnidosUs and Mission Economic Development Agency CalSavers Town Hall; San Francisco, CA
26. September 13, 2019: East Bay Regional Center, United Way Bay Area: Introduction to CalSavers; San Leandro, CA
27. September 20, 2019: Los Angeles County BizFed: BizFed Informs: CalSavers; Los Angeles, CA
28. September 20, 2019: United Way Greater Los Angeles Work Group Launch: Los Angeles, CA

### **Upcoming External Presentations**

1. September 24, 2019: United Way of Greater Los Angeles: Introduction to CalSavers for Small Business Owners (Spanish); Los Angeles, CA

2. September 25, 2019: Harvard University, Kennedy School of Government: CalSavers Case Study Presentation to faculty and students of the Behavioral Insights Group and Mossavar-Rahmani Center for Business and Government; Cambridge, MA.
3. September 26, 2019: LA County Contracting Connections: CalSavers Workshop; Los Angeles, CA
4. September 27, 2019: Torrance Area Chamber of Commerce: CalSavers Seminar; Torrance, CA
5. September 27, 2019: City of Los Angeles Accessing LA; Los Angeles, CA
6. September 27, 2019: Building Skills Partnership Health Fair/Feria De Salud; Los Angeles, CA
7. September 28, 2019: Neighborhood Partner's 2<sup>nd</sup> Annual Financial Wellness Conference; Los Angeles, CA
8. October 3, 2019: South Los Angeles Chamber of Commerce Monthly Breakfast Meeting: Introduction to CalSavers; Los Angeles, CA
9. October 4, 2019: American Bar Association, Section on Taxation Annual Conference: Presentation to subcommittee on Employee Benefits Multiple Employers, PEOs and Controlled Groups; San Francisco, CA.
10. October 5, 2019: Los Angeles Financial Planning Day; Los Angeles, CA
11. October 8, 2019: National Association of State Treasurers Annual Conference: Panel Presentation Meeting Past Promises and Looking to the Future: The Transforming Role of State Treasurers in Retirement Policy; Naples, FL.
12. October 8, 2019: California Asset Building Coalition 2019 Asset Matter Symposium: Advancing Economic Equity for Californians Into Retirement (CalSavers Panel); Los Angeles, CA
13. October 8-9, 2019: Ascensus: States Ascend Conference; Seattle, WA
14. October 12, 2019: Women Veterans Alliance 2019 Unconference; Monterey, CA
15. October 14, 2019: AARP Celebrates California's CalSavers Program; Los Angeles, CA
16. October 15, 2019: San Diego County Farm Bureau: CalSavers Workshop; San Diego, CA
17. October 16, 2019: SEIU Council Meeting; Lincoln, CA
18. October 17, 2019: San Diego Association of Health Providers Regular Meeting: Introduction to CalSavers; San Diego, CA
19. October 19, 2019: Annual Asian Small Business Expo Montebello, CA
20. October 26, 2019: 10<sup>th</sup> Annual Financial Planning Day: Introduction to CalSavers; San Francisco, CA
21. November 4, 2019: Pensions & Investments' West Coast Defined Contribution Conference: Panel Presentation; San Diego, CA.
22. November 7-8, 2019: 2019 California Economic Summit; Fresno, CA

## **Media**

### *Earned Media*

Staff have continued efforts to garner earned media coverage about the program. Since the previous Board meeting, notable media coverage has included a video feature produced by CNBC, media coverage of our launch in trade outlets, and podcast interviews. Staff and representatives from the Program administrator will present on social media efforts in greater detail later in the agenda. Media coverage, including 64 articles, television and radio segments, and podcasts, is summarized in Attachment 2.

*Digital and Social Media*

Staff have continued digital and social media efforts, including some promoted campaigns. Staff and representatives from the Program administrator will present on social media efforts in greater detail later in the agenda.

***Attachments***

- Attachment 1: Summary of Monthly Budget Report (through June 30, 2019)
- Attachment 2: Media Coverage