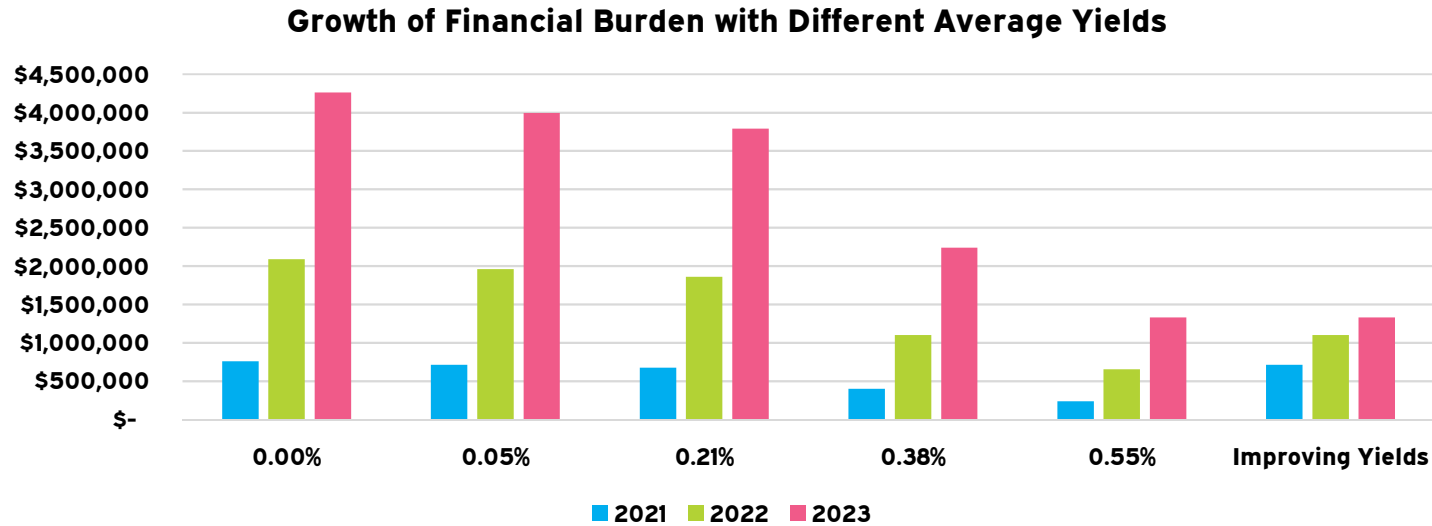


# CalSavers

October 15, 2020

## Money Market Financial Burden Analysis

Low Yields with Recovery<sup>1</sup>



2

- Under the current growth assumptions of the CalSavers program, if yields remain low over the next three years, the annual cost of supporting the Capital Preservation Option could grow to over \$1.5 million by 2022, even after factoring in the fee waiver from the Money Market Fund investment manager.<sup>3</sup>

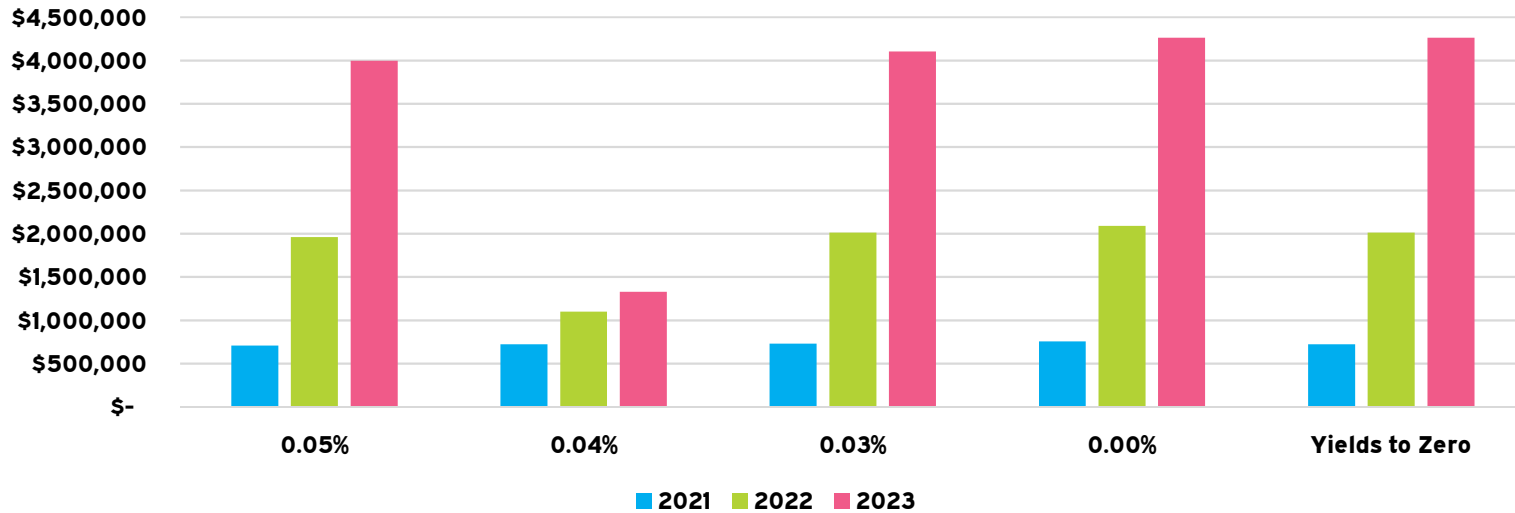
<sup>1</sup> 'Financial Burden' is the cost of covering State and Plan Administration fees on behalf of plan participants to maintain the value of an investment in the Capital Preservation Option.

<sup>2</sup> 'Improving Yields' throughout this document reflects average yields improving from 0.05% to 0.38% to 0.55% over three consecutive years.

<sup>3</sup> The Money Market Fund investment manager fee waiver is assumed constant throughout this presentation.

Sustained Low Yields

Growth of Financial Burden with Declining Yields



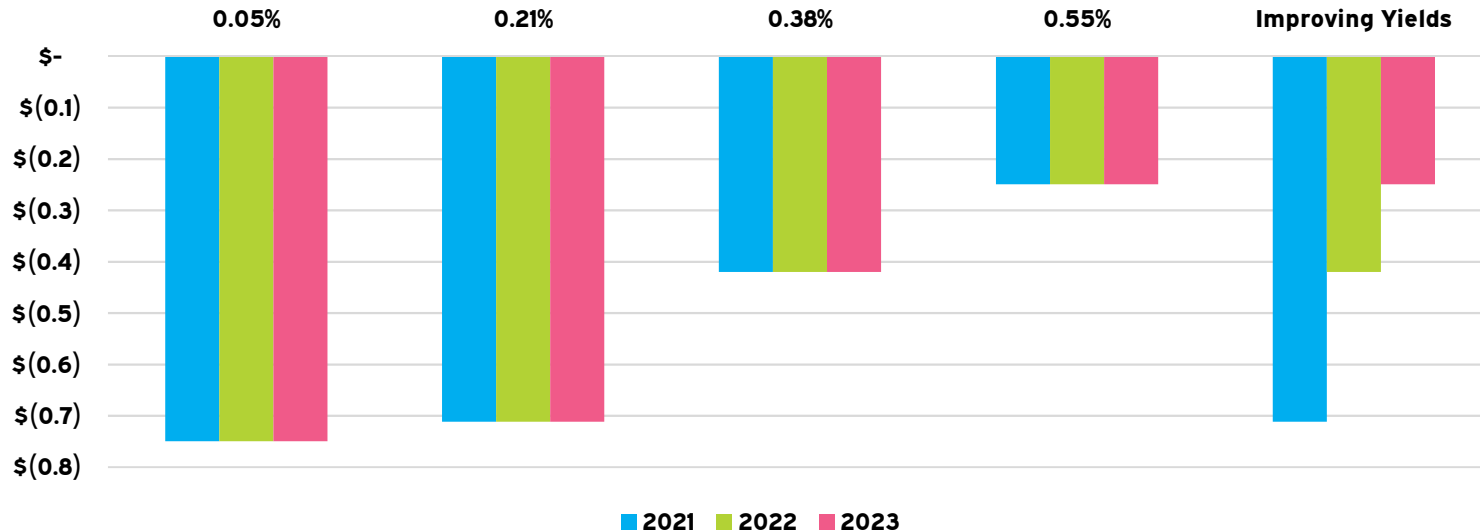
1

- If yields stay at, or near zero, for a prolonged period, the annual cost could exceed \$4 million.

<sup>1</sup> 'Yields to Zero' throughout this document reflects a decline in average yields from 0.04% to 0.03% to 0% over three consecutive years.

## Low Yields with Recovery- Loss to Participants

Loss on \$100 per year per participant if unsupported

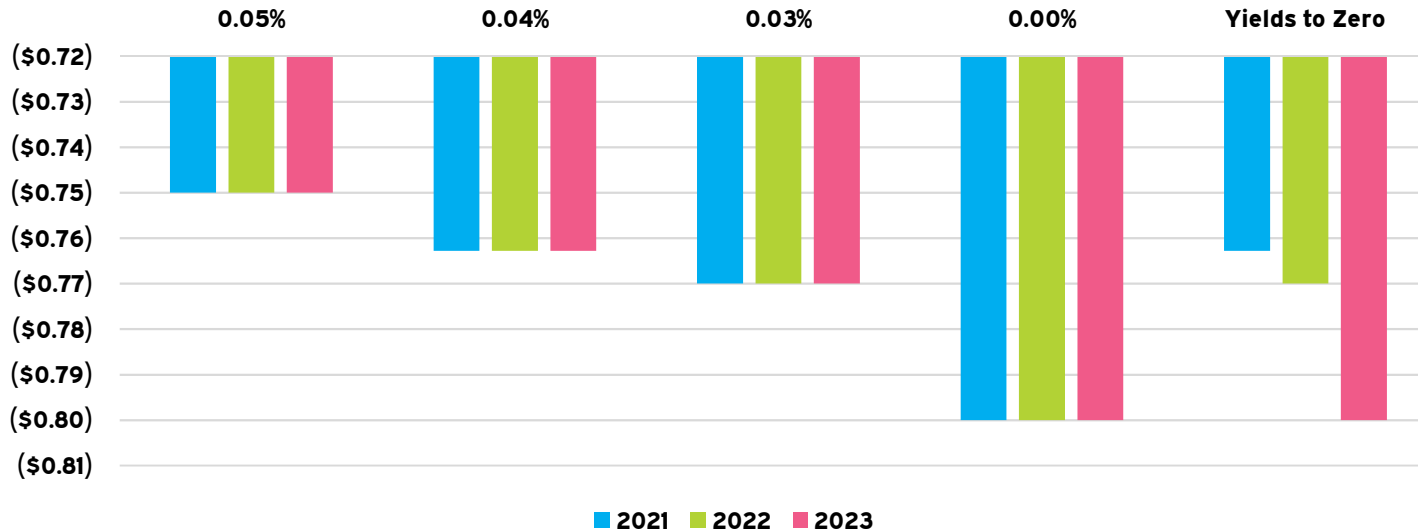


Yield	0.00%	0.05%	0.21%	0.38%	0.55%	Improving Yields
2021	\$ (0.8)	\$ (0.8)	\$ (0.7)	\$ (0.4)	\$ (0.2)	(0.7)
2022	\$ (0.8)	\$ (0.8)	\$ (0.7)	\$ (0.4)	\$ (0.2)	(0.4)
2023	\$ (0.8)	\$ (0.8)	\$ (0.7)	\$ (0.4)	\$ (0.2)	(0.2)

- If the Capital Preservation Option were not supported, in the current low rate environment, participants could lose up to \$0.8 per \$100 invested.

Sustained Low Yields- Loss to Participants

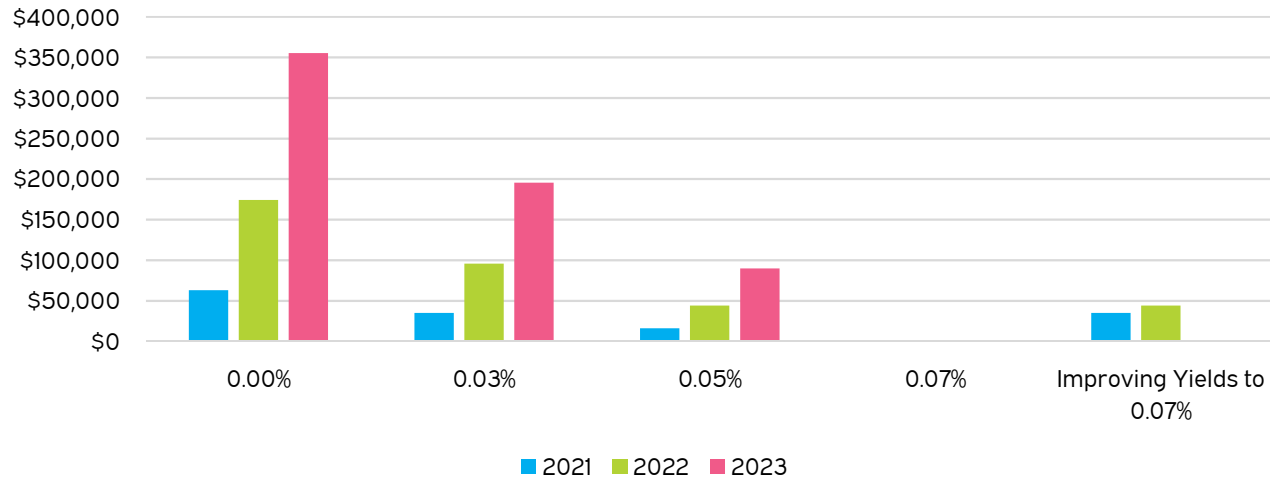
Loss to participants per year per \$100 if unsupported with declining yields



Yield	0.05%	0.04%	0.03%	0.00%	Yields to Zero
2021	(\$0.75)	(\$0.76)	(\$0.77)	(\$0.80)	(\$0.76)
2022	(\$0.75)	(\$0.76)	(\$0.77)	(\$0.80)	(\$0.77)
2023	(\$0.75)	(\$0.76)	(\$0.77)	(\$0.80)	(\$0.80)

Low Yields - Support Cost of 30 Day Sweep

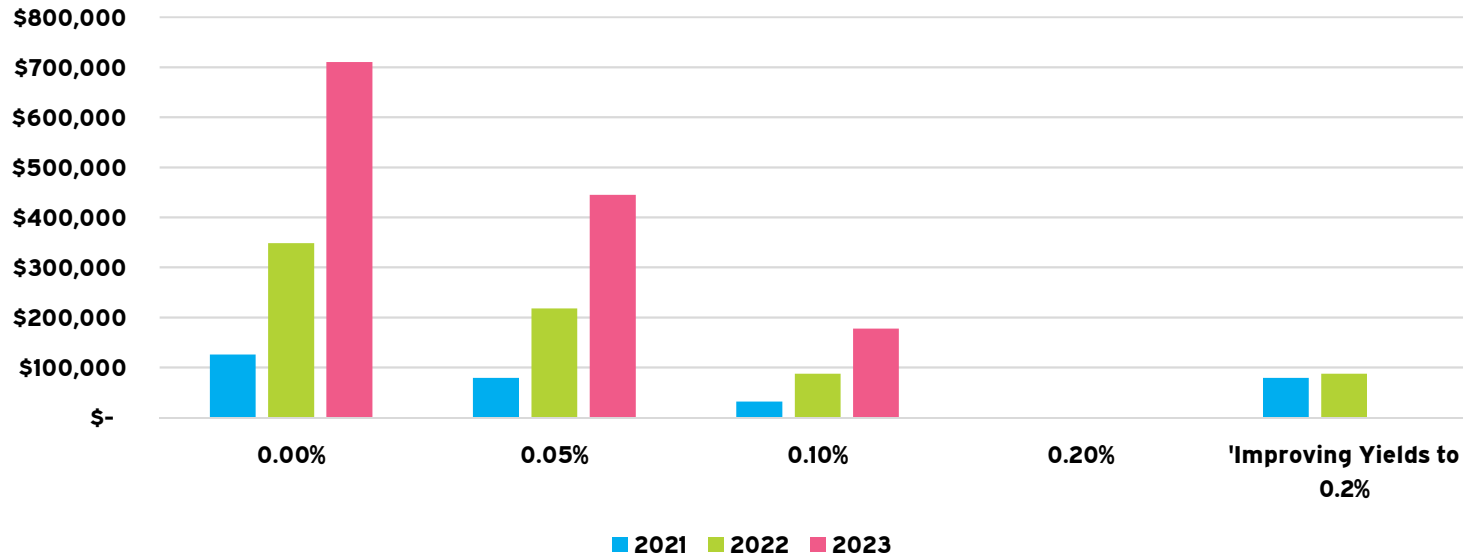
**Growth of Financial Burden with 30-day cash sweep into TD Funds**



- Sweeping participant contributions into Target Date funds on a 30-day schedule would greatly reduce the cost of supporting the Capital Preservation Option, at even lower yields. This benefit reduces as longer schedules are used, as shown in the slides that follow.

Low Yields - Support Cost of 60 Day Sweep

**Growth of Financial Burden with 60-day cash sweep into TD Funds**

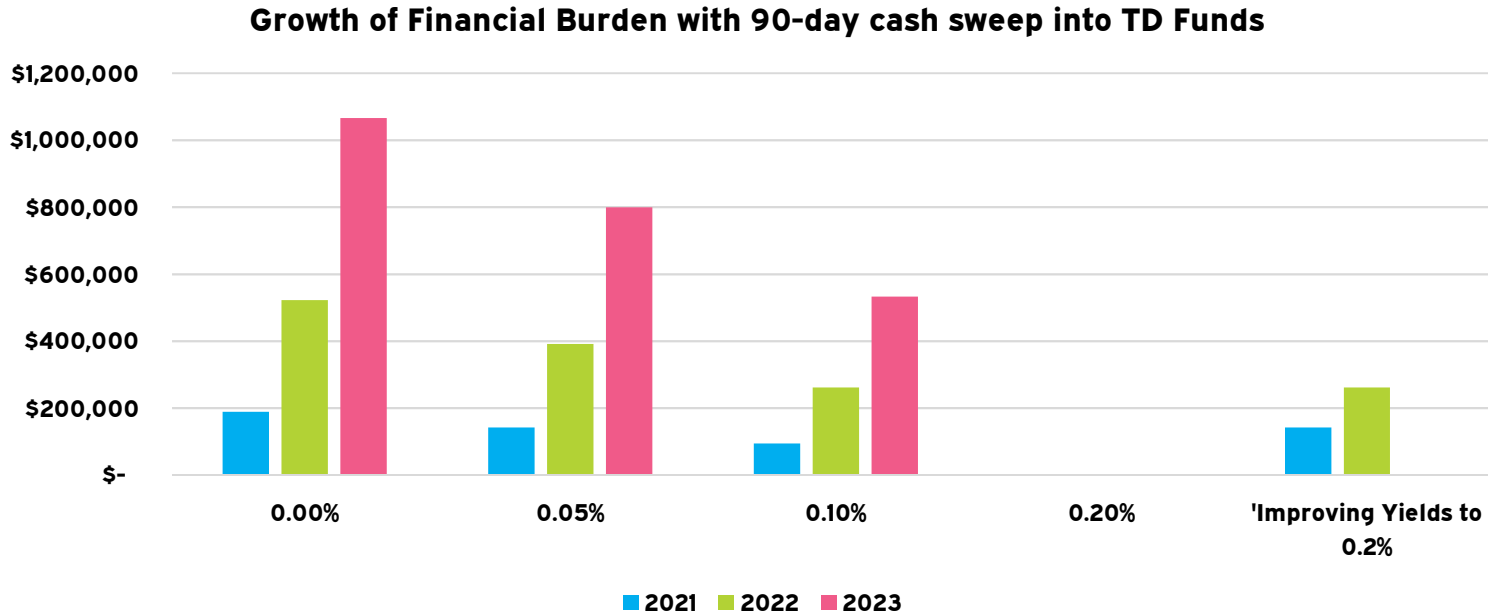


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- Sweeping participants' contributions into Target Date funds on a 60-day schedule, would allow the Capital Preservation Option to endure the current low yields environment better with much lower fees and 'breaking even' at a much lower yield than the current set up.

<sup>1</sup> 'Improving Yields to 0.2%' throughout this document reflects average yields recovering from .05% to 0.10% to 0.20% over three consecutive years.

Low Yields - Support Cost of 90 Day Sweep

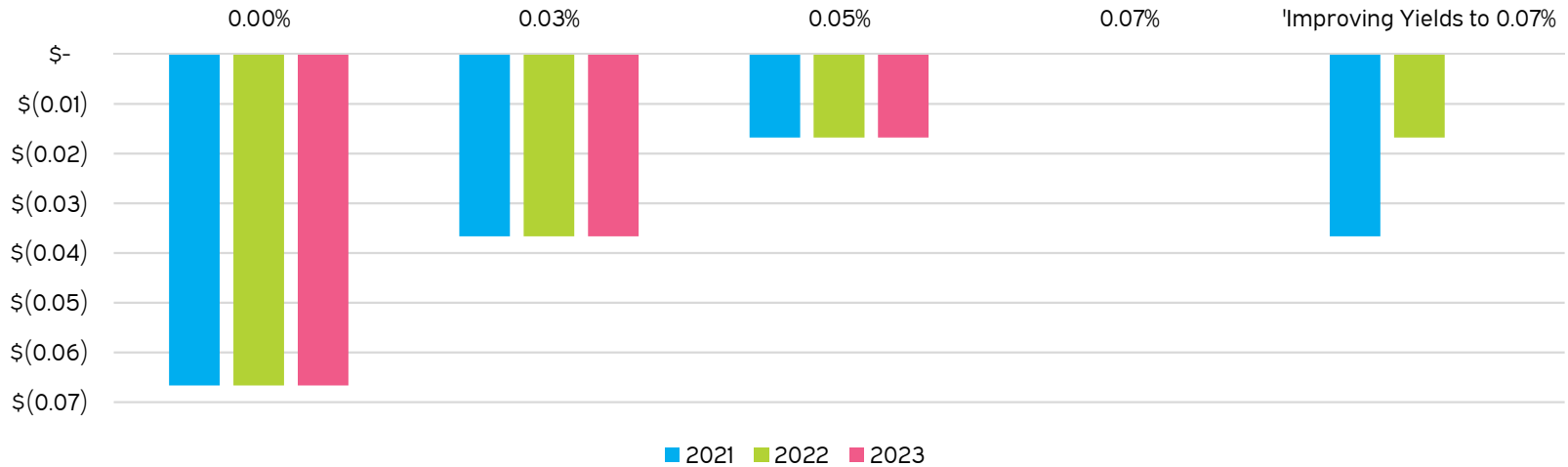


- A 90-day cash sweep into the Target Date funds would similarly mitigate the cost of support meaningfully, but would incur close to double the cost compared to the 60-day sweep.



Low Yields - Loss to Participants 30 Day Sweep

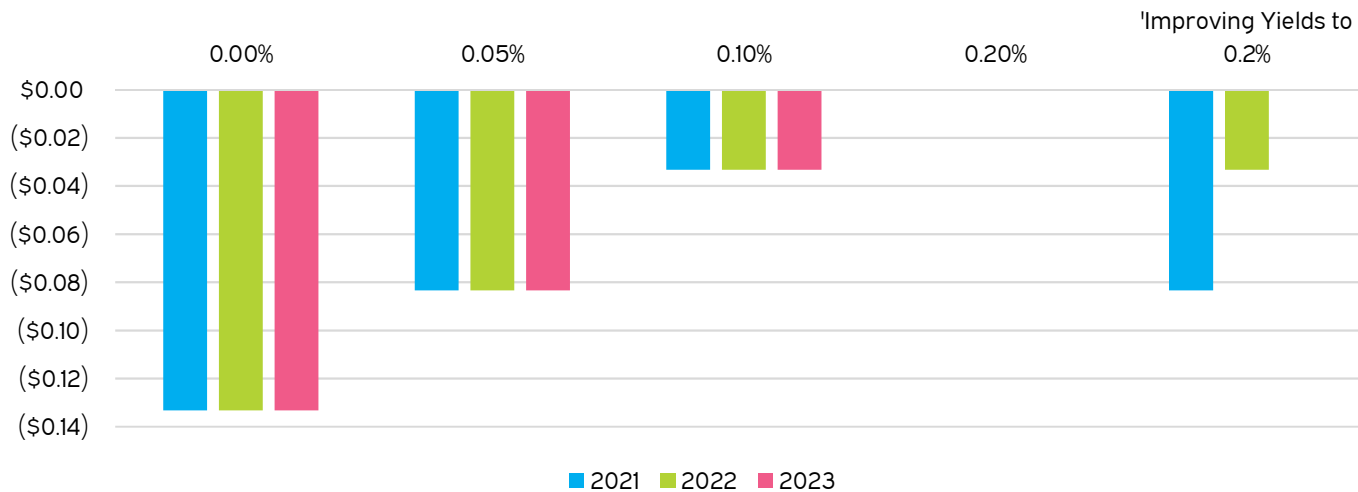
Loss to participants per year per \$100 if unsupported, with 30 day cash sweep into TD Funds



Yield	0.00%	0.03%	0.05%	0.07%	'Improving Yields to 0.07%
2021	\$(0.07)	\$(0.04)	\$(0.02)	\$0.00	\$(0.04)
2022	\$(0.07)	\$(0.04)	\$(0.02)	\$0.00	\$(0.02)
2023	\$(0.07)	\$(0.04)	\$(0.02)	\$0.00	\$0.00

Low Yields - Loss to Participants 60 Day Sweep

Loss to participants per year per \$100 if unsupported, with 60 day cash sweep into TD Funds

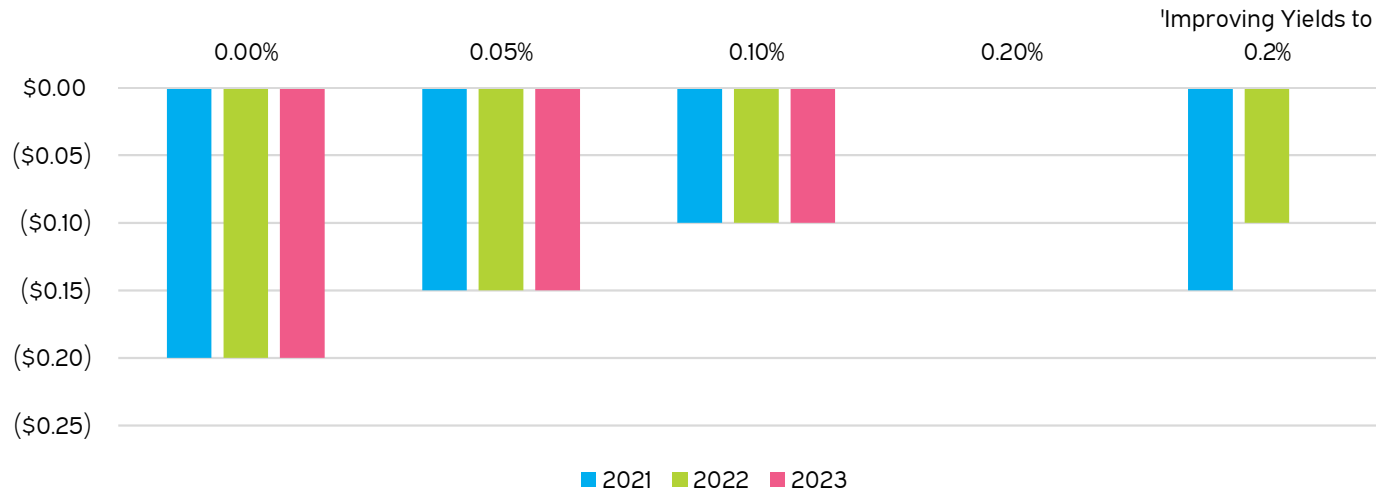


Yield	0.00%	0.05%	0.10%	0.20%	'Improving Yields to 0.2%
2021	(\$0.13)	(\$0.08)	(\$0.03)	\$0.00	(\$0.08)
2022	(\$0.13)	(\$0.08)	(\$0.03)	\$0.00	(\$0.03)
2023	(\$0.13)	(\$0.08)	(\$0.03)	\$0.00	\$0.00

- Sweeping participant contributions into the Target Date funds on a 60 or 90-day schedule would result in lower, or if yields improve over 0.20%, possibly no losses to participants that would require support.

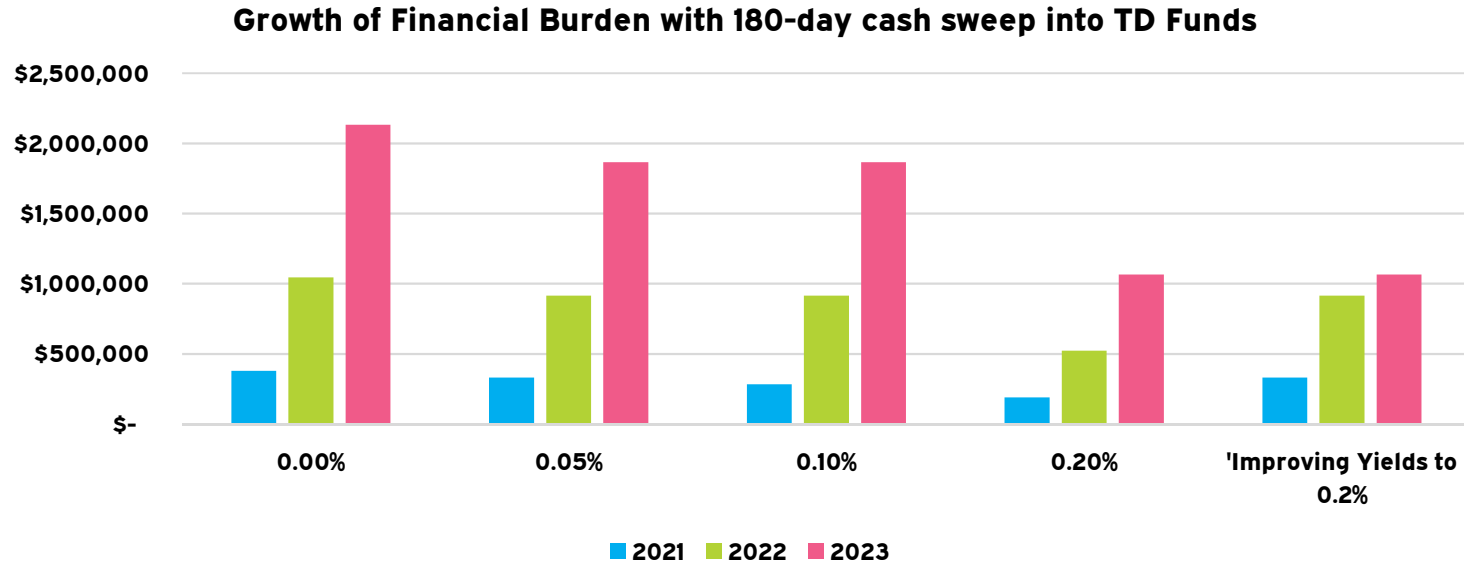
Low Yields - Loss to Participants 90 Day Sweep

Loss to participants per year per \$100 if unsupported, with 90 day cash sweep into TD Funds



Yield	0.00%	0.05%	0.10%	0.20%	'Improving Yields to 0.2%
2021	(\$0.20)	(\$0.15)	(\$0.10)	\$0.00	(\$0.15)
2022	(\$0.20)	(\$0.15)	(\$0.10)	\$0.00	(\$0.10)
2023	(\$0.20)	(\$0.15)	(\$0.10)	\$0.00	\$0.00

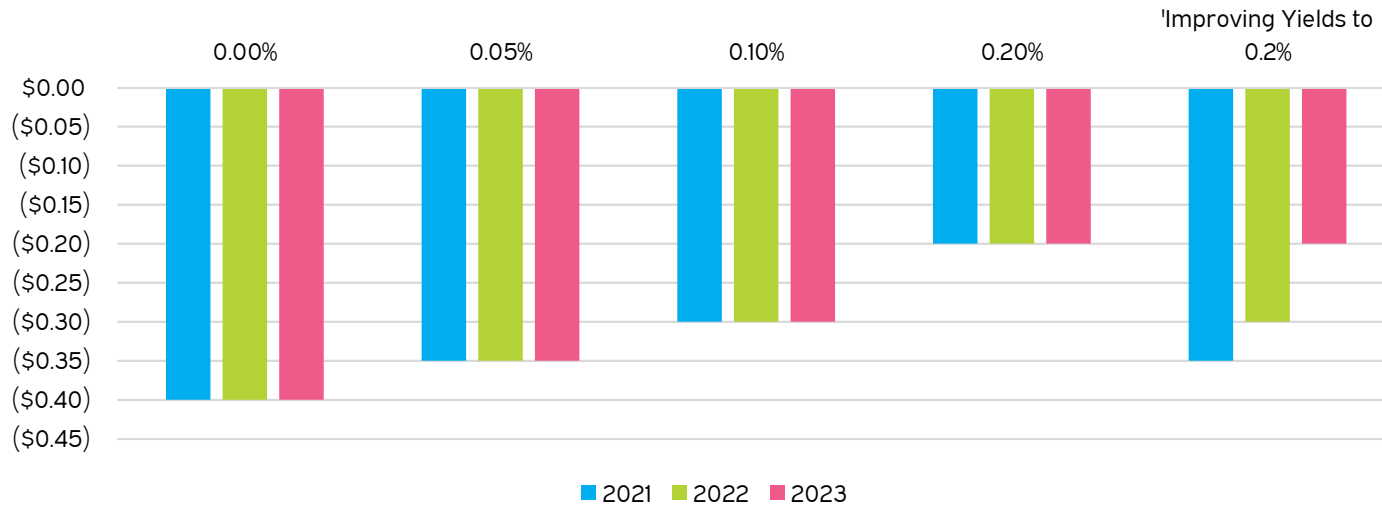
Low Yields - Support Cost of 180 Day Sweep



- Using a 180-day sweep would similarly mitigate the cost of support, but to a much smaller extent.

## Low Yields - Loss to Participants 180 Day Sweep

**Loss to participants per year per \$100 if unsupported, with 180 day cash sweep into TD Funds**



Yield	0.00%	0.05%	0.10%	0.20%	'Improving Yields to 0.2%
2021	(\$0.40)	(\$0.35)	(\$0.30)	(\$0.20)	(\$0.35)
2022	(\$0.40)	(\$0.35)	(\$0.30)	(\$0.20)	(\$0.30)
2023	(\$0.40)	(\$0.35)	(\$0.30)	(\$0.20)	(\$0.20)

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