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DECEMBER 7, 2020

AGENDA ITEM 2  
INFORMATION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

*Executive Director's Report*

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**Update on COVID-19 Response**

There have been no changes to business continuity operations since the last Board meeting.

**Tentative 2021 Board Meeting Schedule**

The tentative schedule of 2021 Board meetings is provided below. Additional meetings may be scheduled as needed.

Wednesday, March 17

Tuesday, June 22

Monday, September 13

Monday, December 13

Meetings will begin at 1pm. The Board will continue to allow for remote member participation until further notice, in accordance with all applicable open meetings requirements and at the direction of the State Treasurer.

**Review of Program Participation and Funding**

The Summary of Program Participation and Funding for the month ending November 30, 2020 is included as Attachment 2A. Highlights include:

- The number of funded saver accounts grew by 55.4% during the month, from 43,367 to 67,409, marking the second month in a row of greater than 55% growth. (Snapshot Row 5 and Chart 1)
- Savers contributed more than \$5.4 million in the month of November, up 45.9% from \$3.7 million in the month of October. (Snapshot Row 14 and Chart 7)
- The number of employers that had started payroll deductions increased by 43.9% during the month and the number of employer registrations increased by 22.4%. (Snapshot Rows 1-3 and Chart 3)
- The rate of full withdrawals measured as a percent of all payroll contributing accounts continued to decline, from 7.5% as of October 31 to 6.8% as of November 30. (Chart 8)

The Wave 1 employer response rate was 57.4% as of November 30, including registrations and exemptions. Targeted follow-up notifications will continue to be distributed in the coming months as part of enforcement and leading to the application of penalties for noncompliance.

## **Budget**

As of this writing, new accounting information was not yet available beyond that provided during the Board's October meeting. As of June 30, 2020, the most recent available reporting, the program spent \$1.4 million in loan funding in fiscal year 2019-20 and a total of \$5.0 million since inception in November 2016. A detailed budget summary is included as Attachment 2B.

## **Annual Due Diligence Meeting**

Staff conducted their third annual due diligence meeting with leadership of the program administrator, Ascensus, on November 4, 2020. In this truncated virtual session, staff and Ascensus leadership reviewed progress of the program to date and discussed upcoming product, marketing, and customer service enhancements.

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

### *Program Fund Audit*

As described in detail in materials for the Board's meeting on October 19, 2020, staff selected CliftonLarsonAllen, LLP, to provide external auditing services as delineated in Request for Proposals (RFP) No.CRSB01-20. The agreement with CliftonLarsonAllen, LLC took effect on November 4, 2020, upon final approval from the Department of General Services (DGS). The term of the agreement is November 4, 2020 through June 30, 2022, with an option to extend one additional year. The maximum value of the agreement is \$134,524 for two years, or \$204,162 if the extension is exercised.

## **Legislation and Policy Update**

### **"SECURE Act 2.0"**

Staff are monitoring the Securing a Strong Retirement Act of 2020, often referred to as the SECURE Act 2.0. The act would make a number of changes to federal retirement policy aimed at improving retirement security, including:

- Requirements for 401(k), 403(b), and SIMPLE IRA plans to incorporate automatic enrollment;
- Increases to the tax credit for small employer plan startup costs;
- Simplification and expansion of eligibility for the Saver's Credit;
- Allow for additional "catch up contributions" starting at \$10,000 and indexed to inflation for individuals age 60 and older;
- Increasing the minimum age for taking required minimum distributions from 72 to 75; and
- A variety of other changes, including options for employers to make "matching" retirement plan contributions for employees making student loan payments, and allowing non-profit employers to join a Pooled Employer Plan.

At the time this item was written, the act had not yet been heard for a vote.

### **DOL on the Inclusion of ESG in ERISA Plans**

In June, the U.S. Department of Labor (DOL) issued a proposed rulemaking that regarding factors plan sponsors may or may not consider in selecting in making investment decisions. The

regulation specifically referred to ESG investment options and would have required plan fiduciaries to document instances when it deems an alternative investment option like an ESG fund to be economically indistinguishable from an investment fund that does not consider ESG principles. The rule would have prohibited ESG investments to be set as the default investment in an ERISA plan.

In October, DOL issued a final rule that removed specific mentions of ESG funds in discussing factors plan sponsors may consider in making investment choices. The final rule is consistent with the proposed rule in requiring plan sponsors to consider only pecuniary factors (i.e., those related only to money) in making plan decisions. The final rule would only allow plan sponsors to consider non-pecuniary factors when there is no difference in apparent pecuniary factors between investment options.

### DOL Final Rule Regarding Pooled Employer Plans

The SECURE Act, passed in December 2019, allowed for unaffiliated employers to join a common multiple-employer retirement plan, referred to as a “Pooled Employer Plan” or a “PEP.” On November 16, 2020, the DOL finalized regulations for the registration of a PEP. PEPs can begin operations in January 2021.

### External Presentations

A summary of external presentations provided since the last Board meeting and upcoming external presentations is included below.

	<b>Date</b>	<b>Organization</b>	<b>Event</b>	<b>Location</b>	<b>Audience</b>
1.	10/20/20	CalSavers	Employer Educational Webinar	Webinar	Employers
2.	10/21/20	CalSavers	Employer Educational Webinar	Webinar	Employers
3.	10/22/20	Western Pension & Benefits Council, Orange County	Retirement Plan Alternatives Small Plan Sponsors: CalSavers or PEPs?	Webinar	Industry
4.	10/23/20	CalSavers	Employer Educational Webinar	Webinar	Employers
5.	10/23/20	World Pension Summit, The Hague	Whose Pension Is It Anyway?	Webinar	Policy/Industry
6.	10/26/20	CalSavers	Employer Educational Webinar	Webinar	Employers
7.	10/26/20	Pensions & Investments DC West	Lessons Learned in the Pandemic	Webinar	Policy/Industry
8.	10/28/20	CalSavers	Employer Educational Webinar (Spanish)	Webinar	Employers
9.	10/29/20	Colorado Secure Savings Board	Board Education Session on Status of State Programs	Webinar	Policy
10.	10/29/20	CalSavers	Employer Educational Webinar	Webinar	Employers
11.	10/30/20	CalSavers	Employer Educational Webinar	Webinar	Employers
12.	11/3/20	CalSavers	Employer Educational Webinar	Webinar	Employers
13.	11/4/20	CalSavers	Employer Educational Webinar	Webinar	Employers
14.	11/5/20	Hispanas Organized for Political Equality (HOPE)	Latina Empowerment Day	Webinar	Community
15.	11/6/20	CalSavers	Employer Educational Webinar	Webinar	Employers
16.	11/9/20	CalSavers	Employer Educational Webinar	Webinar	Employers
17.	11/10/20	Monrovia Chamber of Commerce w/ Asm Rubio and Treasurer Ma	Employer Educational Webinar	Webinar	Employers
18.	11/12/20	Mission Asset Fund & Mexican Consulate in SF	Financial Week (Spanish)	Webinar	Community

	<b>Date</b>	<b>Organization</b>	<b>Event</b>	<b>Location</b>	<b>Audience</b>
19.	11/12/20	CalSavers	Employer Educational Webinar	Webinar	Employers
20.	11/13/20	Treasurer Fiona Ma w/ Yuba-Sutter Chamber of Commerce	Yuba/Sutter County COVID-19 Relief for Small Business	Webinar	Employers
21.	11/13/20	CalSavers	Employer Educational Webinar	Webinar	Employers
22.	11/17/20	CalSavers	Employer Educational Webinar	Webinar	Employers
23.	11/18/20	Young Invincibles	State of Young California	Webinar	Community
24.	11/18/20	Virginia Study Commission on SFPRPs	Public Listening Session on Status of State Programs	Webinar	Policy
25.	11/18/20	CalSavers	Employer Educational Webinar	Webinar	Employers
26.	11/20/20	Treasurer Fiona Ma w/ Sacramento Hispanic Chamber of Commerce	Planificación, permisos y recursos / Planning, Permitting & Resources	Webinar	Employers
27.	11/20/20	CalSavers	Employer Educational Webinar	Webinar	Employers
28.	11/23/20	Treasurer Fiona Ma w/ San Diego EDC	San Diego County COVID-19 Relief for Small Business	Webinar	Employers
29.	12/1/20	Gateway Chambers Alliance	Business Symposium	Webinar	Employers
30.	12/1/20	CalSavers	Employer Educational Webinar	Webinar	Employers
31.	12/2/20	CalSavers	Employer Educational Webinar	Webinar	Employers
32.	12/4/20	Treasurer Fiona Ma w/ Cupertino Chamber of Commerce	Cupertino County COVID-19 Relief for Small Business	Webinar	Employers
33.	12/4/20	CalSavers	Employer Educational Webinar	Webinar	Employers
34.	12/7/20	CalSavers	Employer Educational Webinar	Webinar	Employers

**Upcoming External Presentations**

	<b>Date</b>	<b>Organization</b>	<b>Event</b>	<b>Location</b>	<b>Audience</b>
1.	12/9/20	CalSavers	Employer Educational Webinar (Spanish)	Webinar	Employers
2.	12/10/20	CalSavers	Employer Educational Webinar	Webinar	Employers
3.	12/11/20	CalSavers	Employer Educational Webinar	Webinar	Employers
4.	12/15/20	CalSavers	Employer Educational Webinar	Webinar	Employers
5.	12/16/20	CalSavers	Employer Educational Webinar	Webinar	Employers
6.	12/18/20	CalSavers	Employer Educational Webinar	Webinar	Employers
7.	1/4/21	CalSavers	Employer Educational Webinar	Webinar	Employers
8.	1/6/21	CalSavers	Employer Educational Webinar (Spanish)	Webinar	Employers
9.	1/7/21	CalSavers	Employer Educational Webinar	Webinar	Employers
10.	1/8/21	CalSavers	Employer Educational Webinar	Webinar	Employers
11.	1/12/21	CalSavers	Employer Educational Webinar	Webinar	Employers
12.	1/13/21	CalSavers	Employer Educational Webinar	Webinar	Employers
13.	1/15/21	CalSavers	Employer Educational Webinar	Webinar	Employers
14.	1/18/21	CalSavers	Employer Educational Webinar	Webinar	Employers
15.	1/20/21	CalSavers	Employer Educational Webinar (Spanish)	Webinar	Employers
16.	1/21/21	CalSavers	Employer Educational Webinar	Webinar	Employers
17.	1/22/21	CalSavers	Employer Educational Webinar	Webinar	Employers
18.	1/26/21	CalSavers	Employer Educational Webinar	Webinar	Employers
19.	1/27/21	CalSavers	Employer Educational Webinar	Webinar	Employers
20.	1/29/21	CalSavers	Employer Educational Webinar	Webinar	Employers
21.	2/1/21	CalSavers	Employer Educational Webinar	Webinar	Employers
22.	2/4/21	CalSavers	Employer Educational Webinar	Webinar	Employers
23.	2/5/21	CalSavers	Employer Educational Webinar	Webinar	Employers

	Date	Organization	Event	Location	Audience
24.	2/9/21	CalSavers	Employer Educational Webinar	Webinar	Employers
25.	2/10/21	CalSavers	Employer Educational Webinar (Spanish)	Webinar	Employers
26.	2/12/21	CalSavers	Employer Educational Webinar	Webinar	Employers
27.	2/15/21	CalSavers	Employer Educational Webinar	Webinar	Employers
28.	2/18/21	CalSavers	Employer Educational Webinar	Webinar	Employers
29.	2/19/21	CalSavers	Employer Educational Webinar	Webinar	Employers
30.	2/23/21	CalSavers	Employer Educational Webinar	Webinar	Employers
31.	2/24/21	CalSavers	Employer Educational Webinar (Spanish)	Webinar	Employers
32.	2/26/21	CalSavers	Employer Educational Webinar	Webinar	Employers
33.	3/1/21	CalSavers	Employer Educational Webinar	Webinar	Employers
34.	3/4/21	CalSavers	Employer Educational Webinar	Webinar	Employers
35.	3/5/21	CalSavers	Employer Educational Webinar	Webinar	Employers
36.	3/9/21	CalSavers	Employer Educational Webinar (Spanish)	Webinar	Employers
37.	3/10/21	CalSavers	Employer Educational Webinar	Webinar	Employers
38.	3/12/21	CalSavers	Employer Educational Webinar	Webinar	Employers
39.	3/15/21	CalSavers	Employer Educational Webinar	Webinar	Employers

### **Earned Media**

Media coverage, including articles, television and radio segments, and podcasts published since the previous Board report, is summarized below.

	Date	Publication	Headline/Link
1.	10/13/2020	BenefitsPro	<a href="#">Small businesses have better options to consider as alternatives to CalSavers</a>
2.	10/14/2020	Law360	<a href="#">ERISA Can't Trump Retirement Program, Calif. Tells 9th Circ.</a>
3.	10/15/2020	BRN AM	<a href="#">BRN AM for Thursday, October 15, 2020, Interview with Andrea Feirstein, AFK Consulting</a>
4.	10/21/2020	Bloomberg Law	<a href="#">Illinois, Oregon Back California Retirement Program in 9th Cir.</a>
5.	10/21/2020	Law360	<a href="#">Ore., Ill. Back CalSavers In 9th Circ. ERISA Battle</a>
6.	10/22/2020	BenefitsPro	<a href="#">Making retirement security a bipartisan reality</a>
7.	10/23/2020	InvestmentNews	<a href="#">Auto-IRA states, AARP blast CalSavers lawsuit claims</a>
8.	10/23/2020	Georgetown State of Retirement Podcast	<a href="#">Episode 18: Why Is CalSavers the Big, Bold Retirement Solution Needed by 7.5 Million Private Sector Workers?</a>
9.	11/3/2020	ASPPA Net	<a href="#">Growth in CalSavers in Month Since 1st Registration Deadline</a>
10.	11/4/2020	Pensions & Investments	<a href="#">CalSavers sticks with Meketa as investment consultant</a>
11.	11/5/2020	Forbes	<a href="#">Small Business Retirement Programs: A Report From California</a>
12.	11/6/2020	NAPA Net	<a href="#">READER POLL: Likes, Dislikes &amp; 'Eh' on SECURE 2.0?</a>
13.	11/18/2020	Pensions & Investments	<a href="#">Whose pension is it anyway?   HOOPP, CalSavers, IFM Investors   WorldPensionSummit 2020</a>
14.	11/30/20	Pensions & Investments	<a href="#">Low interest rates bedevil state plan default options</a>

### **Attachments**

- Attachment 2A: Summary of Program Participation & Funding as of November 30, 2020
- Attachment 2B: Summary of Monthly Budget Report through June 30, 2020