
FEBRUARY 28, 2022

AGENDA ITEM 3
INFORMATION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

Program Growth & Budget Projections

Summary

The executive director will present high level projections of key metrics, as well as program expenditures and revenues.

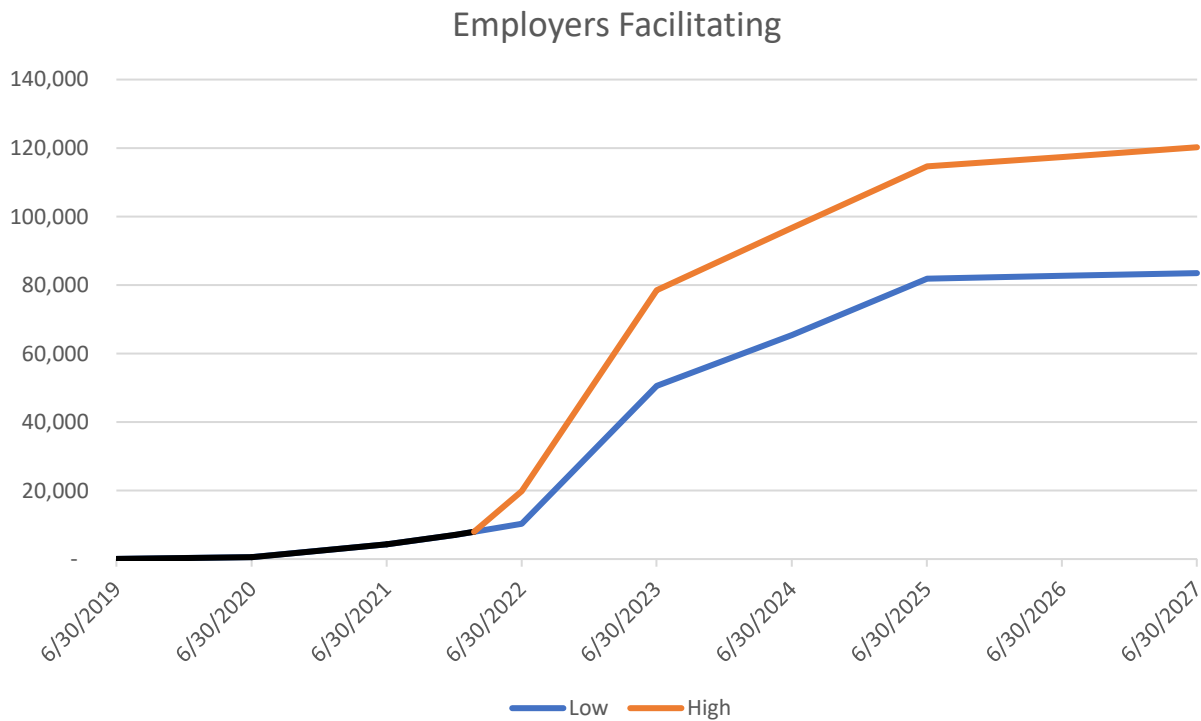
Assumptions and Methodology

These projections are intended to provide the board and public a high-level, near-term outlook of key program metrics and the budget. While every attempt was made to identify a range of reasonable assumptions, given the early stage of the program's development and several uncertainties, readers should understand that these projections are subject to change. Staff monitor and revise projections frequently and will report updates to the board upon request.

Wherever possible, real data from the rollout thus far was used to inform assumptions about future patterns. Detailed assumptions and notes are provided below for each category.

Employers

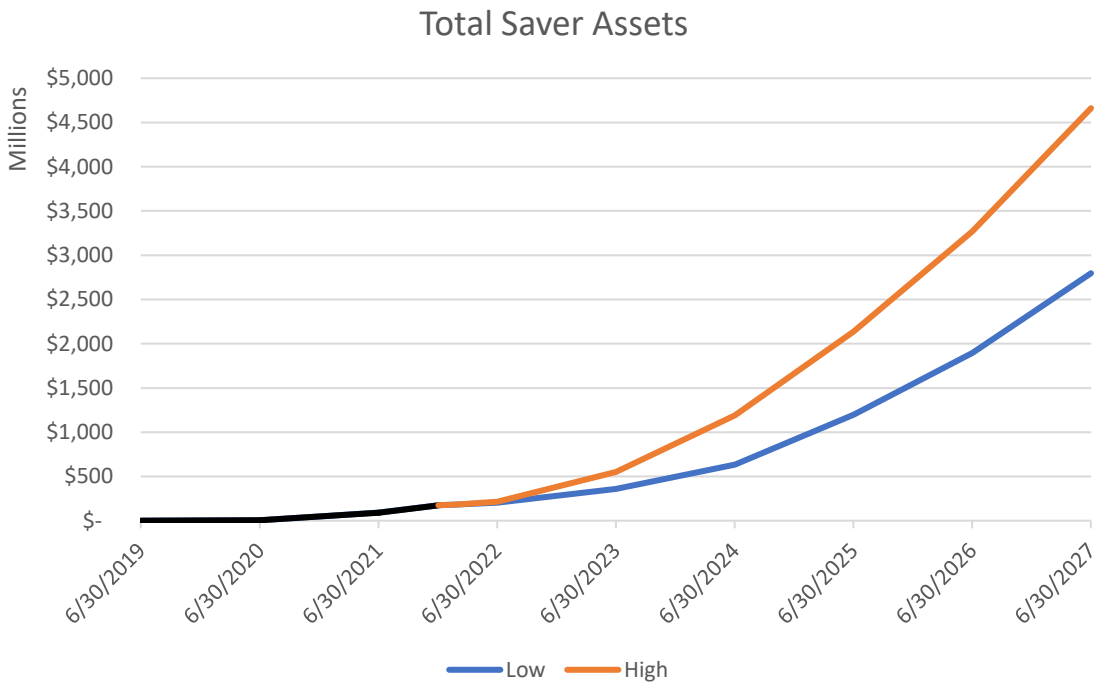
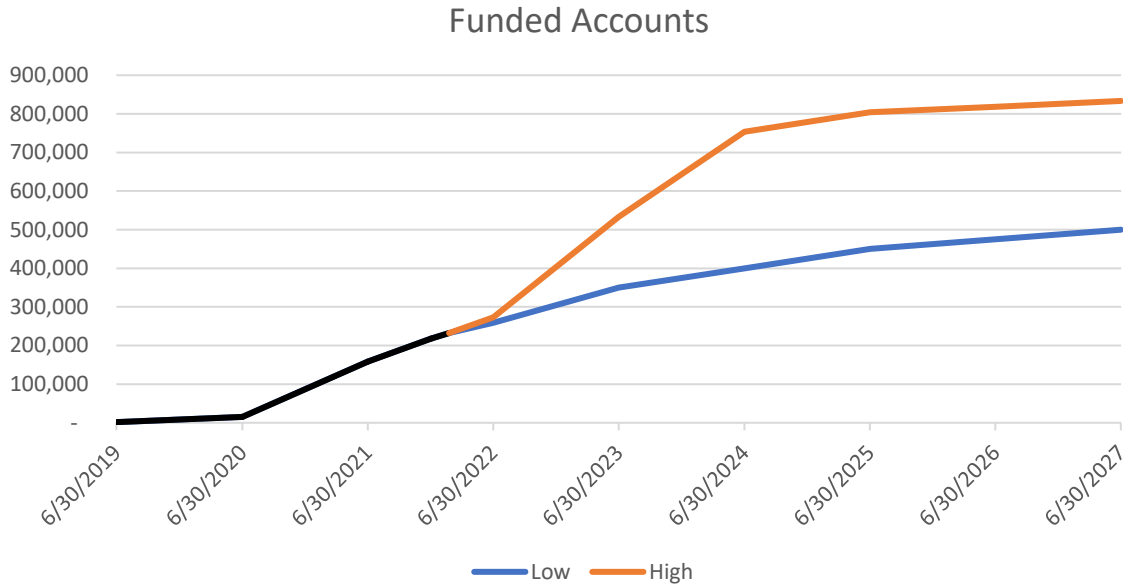
- Employer behavior patterns from the first two waves were analyzed to form the base assumptions about wave 3 employer behavior at various points in time around the registration deadline. However, since it is well documented¹ that the small employers that fall into wave 3 exhibit lower rates of exempting plan sponsorship, the base assumed rates of employer registration were adjusted generally upward for this group compared to the first two waves. It is also assumed that the exceptionally high volume of wave 3 employers may result in a temporary slowdown in customer service which may lead to a lag in full employer compliance.
- “Employers Facilitating” means employers that have facilitated payroll deductions in the last 90 days.
- The impact of enforcement is unknown at this time, but the projections assume a significant positive effect on compliance concentrated in the 2022 to 2025 period, followed by relatively sustained levels of compliance.
- The legislative proposal currently under consideration to expand employer eligibility for CalSavers is not considered in these projections. (See agenda item 6 regarding Senate Bill 1126.)



¹ Informed by research from The Bureau of Labor Statistics, the Social Security Administration, and The Pew Charitable Trusts.

Savers and Assets

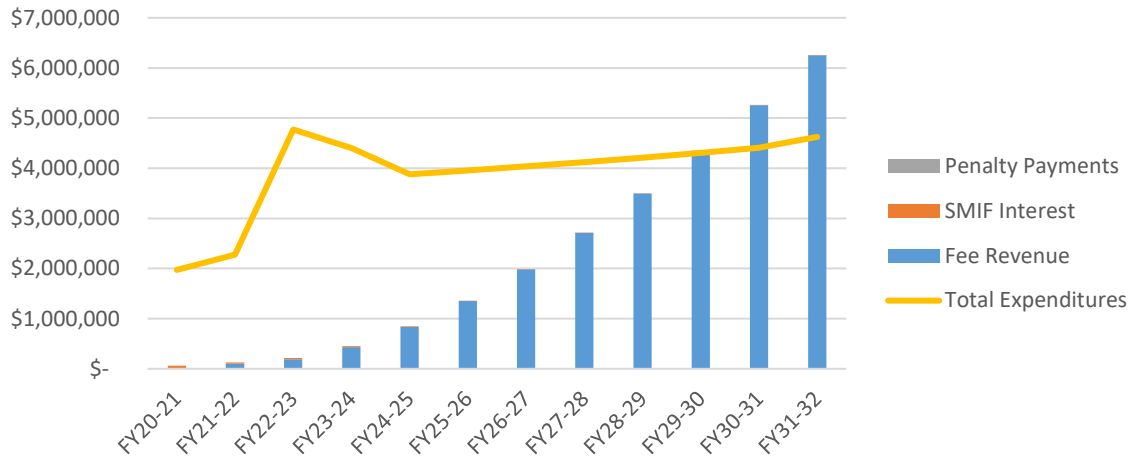
- 40% of all roster employees' identity check unresolved or failed (actual)
- 25% opt-out rate among eligible employees during initial 30-day window (actual)
- 6% opt-out rate following initial 30-day window (actual)
- 0.4% annual employee count growth rate (informed by Bureau of Labor Statistics projections through 2030)
- 5% annual investment return for the target date fund suite, net of fees
- Stable annual growth in average funded account balance by FY 2026-27



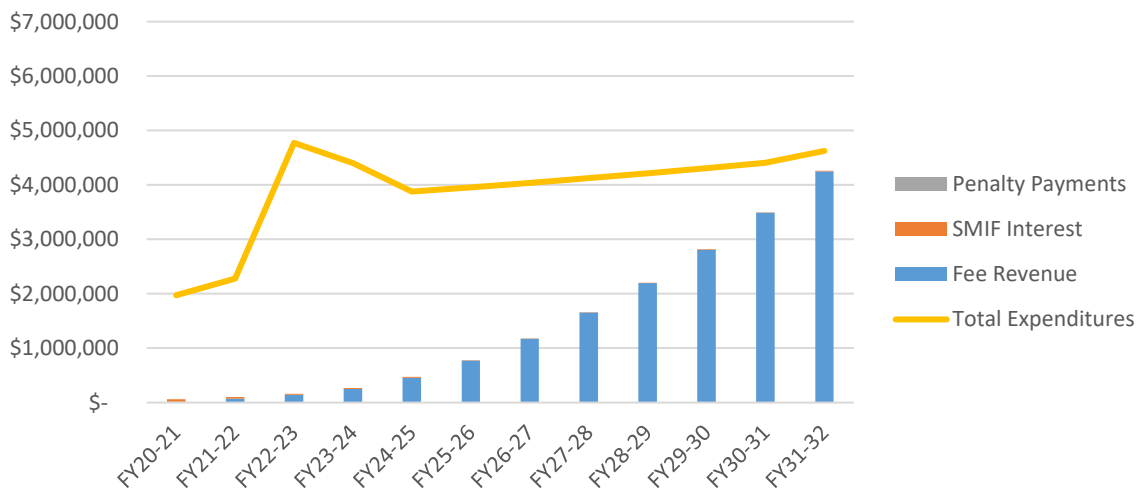
Budget

- State Administrative Fee: 0.05% (set at the discretion of the Board)
- 13 full-time employees beginning FY 2022-23 (likely more required in projection period)
- \$1 million annual non-digital advertising beginning FY 2022-23
- Spike in expenditures for enforcement by the Franchise Tax Board in FY 2022-23
- No penalty revenue collected
- Surplus Money Investment Fund (SMIF) interest, the interest earned on cash reserves, is assumed to remain low 0.277% during the projection period.
- General Fund loans would be required to support operations while participant fee revenue grows to meet expenditures. The faster growth scenario would require an estimated \$29 million in total loans, including the \$16.9 million already drawn down, and the slower growth scenario would require an estimated total \$37 million.
- For reference, the 2016 [feasibility study](#) upon which legislative passage was based recommended \$134 million in loans to operate the program until self-sustainability.

Budget Scenario - Faster Asset Growth



Budget Scenario - Slower Asset Growth



Fees Reference Information

- Current All-in Fee Composition:

0.75%: Ascensus Program Administration Fee
 0.09%: State Street Investment Management Fee (target date series/default)
0.05%: State Administrative Fee
 0.89% Total

- Ascensus Breakpoint Schedule (by contract):

Assets		Fee
From	To	
\$0	4,999,999,999	0.75%
5,000,000,000	9,999,999,999	0.60%
10,000,000,000	14,999,999,999	0.45%
15,000,000,000	19,999,999,999	0.35%
20,000,000,000	24,999,999,999	0.25%
25,000,000,000	29,999,999,999	0.23%
30,000,000,000	34,999,999,999	0.18%
35,000,000,000		0.15%

- Full Menu of Investment Management Fees:

Investment Option	Underlying Investment	Total Annual Fee
CalSavers Money Market Fund (default for first 30 days)	State Street Institutional U.S. Government Money Market Fund (GVMXX)	0.12%
Target Date Fund (default after first 30 days)	State Street Target Retirement Funds (multiple)	0.09%
Global Equity Fund	Combination of: State Street Equity 500 Index Fund (SSSYX), and; State Street Global Equity ex-US Index Fund (SSGLX)	0.02% 0.065%
High Quality Bond Fund	State Street Aggregate Bond Index Fund (SSFEX)	0.025%
Sustainable Balanced Fund (Environmental, Social, Governance Factors)	Newton Sustainable Global Equity Fund (60%) + Bloomberg Barclays MSCI US Agg ESG Weighted Index (40%)	0.15%