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MAY 24, 2022

AGENDA ITEM 6  
ACTION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

*Resolution No. 2022-04: Treatment of Participants Holding Assets in Outgoing Investment Option*

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***Summary***

The CalSavers Retirement Savings Board (Board) will consider approving a plan to treat participants who hold assets in the outgoing investment option focused on environmental, social, and governance (ESG) factors.

***Change in ESG Investment Option***

If the Board approves Resolution 2022-03 in Item 5 of this meeting, the current ESG investment option managed by Newton Investment Management (Newton) will be replaced by the Calvert U.S. Large-Cap Core Responsible Index Fund (R6 shares, ticker: CSXRX), managed by Calvert Research and Management (Calvert).

This change will affect an estimated 1,200 to 1,400 participants. As of May 9, 2022, 1,185 participants held ESG assets.

***Action Required to Choose New Option & Default Option for Non-responsive Participants***

The proposed equity-only Calvert option differs structurally from the current Newton option, which is a balanced fund, composed of 60% active ESG equity and 40% passive ESG bond strategy. Because of these differences, the replacement product is not considered a like enough product to allow for an automatic direct conversion of participant assets from the Newton fund to the Calvert fund.

Participants wishing to remain invested in an ESG option will need to act to communicate their preference. In the summer and early fall, the Board will send participants holding Newton assets at least two notices informing them of the upcoming change in funds, their options, and steps required to convert to the new fund if they desire. If participants do not act to communicate their preference, staff recommend the Program invest any Newton ESG assets into the Program's default investment, the target date fund assigned based on the participant's age.

***Recommendation***

Staff recommend the Board approve resolution No. 2022-04 to authorize the movement of participants' Newton ESG assets into the Program's default investment option, the appropriate age-based target date fund, for any participants who do not respond to notices by specifying their investment election.

***Attachments:***

- Attachment 6A: Resolution 2022-04: Resolution of the CalSavers Retirement Savings Board to Assign the Default Investment Option for Non-Responsive Participants Holding Assets in the Outgoing Investment Option.