
OCTOBER 3, 2022

AGENDA ITEM 1
ACTION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

Meeting Minutes for the August 22, 2022, CalSavers Retirement Savings Board Meeting

Board members present:

State Treasurer Fiona Ma
Karen Greene Ross for State Controller Betty T. Yee
Gayle Miller for Director of Finance Joe Stephenshaw
Michelle Gastelum
Heather Hooper
Nam Le
David Low
Stephen Prough
William Sokol

Staff present:

Kathleen Selenski, Executive Director
Alyssa Delacruz
Angela Duvane
Sandy Guan
Carolina Hernandez
Jonathan Herrera
Eric Lawyer
Eric Lei
Ariel Pickett
Jacob Schafer

Others present:

Theodore Ballmer, Counsel, State Treasurer's Office
Audrey Noda, State Treasurer's Office

Contractors present:

Andrea Feirstein, AKF Consulting Group ("AKF")

Nick Glynn, State Street Global Advisors (“SSGA”)
 Aspen Cloud Hall, Gilbert CPAs (“Gilbert”)
 John Paul LeChevallier, CliftonLarsonAllen (“CLA”)
 Mika Malone, Meketa Investment Group (“Meketa”)
 Troy Montigney, Ascensus College Savings Recordkeeping Services, LLC (“Ascensus”)
 Martha Nemecek, Ascensus
 Sonya Park, SSGA
 John Scott, The Pew Charitable Trusts (“Pew”)

CalSavers Retirement Savings Board (“Board”) Chair Fiona Ma called the meeting to order at 1:02 PM.

Agenda Item 1 - Approval of the Minutes of the May 24, 2022, Meeting of the CalSavers Retirement Savings Board (ACTION ITEM)

Public Comment

None

Board Action

Approval of the minutes of the May 24, 2022, meeting of the CalSavers Retirement Savings Board.

MOTION:	Karen Greene Ross	SECOND:	Gayle Miller
AYES:	Michelle Gastelum, Heather Hooper, Nam Le, Fiona Ma, Gayle Miller, Stephen Prough, Karen Greene Ross, William Sokol		
NOES:	None		
NOT PRESENT	None		
ABSTAIN:	Dave Low		
ACTION:	Motion Passed		

Agenda Item 2 – Executive Director’s Report (INFORMATION ITEM)

Executive director Kathleen Selenski provided the CalSavers Retirement Savings Board (“Board”) an update on significant items.

Ms. Selenski discussed the June 30, 2022, registration deadline for employers with five or more employees. Ms. Selenski discussed the surge of employer registrations, discussed improvements in employer response rates compared to prior years, and noted some of the causes for success, which included frequent webinars, outreach efforts, advertising efforts, and changes to the

employer platform. Ms. Selenski also discussed some of the challenges faced during the surge, including significant increases in call center volume, a data error made by CalSavers staff in May, and concentrated call volume. Ms. Selenski discussed the impacts to internal staff due to a surge in employer eligibility case referrals, with more than 2,700 in June alone. Ms. Selenski noted staff had anticipated the growth and had received approval to hire three additional positions through a budget act.

Ms. Selenski also presented a highlight of participation statistics. Board member Heather Hooper asked whether the Program had data on new retirement plan formation due to the existence of the mandate. Ms. Selenski noted that staff were still working to determine how to measure it and mentioned an item listed later in the agenda that would cover the topic.

Board chair Fiona Ma asked if staff knew how much time it takes employers to complete each step. Ms. Selenski noted staff did not have any data immediately available, but mentioned that registration is easy, and that the other items, like employee roster uploads and payroll contributions, can vary depending on the employer type and the payroll system used by the employer, if any.

Board member William Sokol asked about projections of assets. Ms. Selenski noted internal projections shared with the Board at the February 2022 meeting anticipated \$2.5 to \$5 billion in assets accumulated over the next four to five years and mentioned she had planned to present an item on projections to the Board once each year.

Board member Michelle Gastelum asked how to get more to registered employers to facilitate payroll contributions. Ms. Selenski noted the delays or lack of facilitation by registered employers can be attributed to a variety of factors, including employers not reading notifications or not attending a webinar, noting that most employers who attend the webinars proceed to full facilitation.

Ms. Selenski discussed enforcement efforts and compliance statistics, including a description of the high degree of effectiveness that enforcement efforts appear to have on employer compliance rates. In addition, she discussed, staffing, efforts to work with the Department of Aging for metrics to include on dashboard to measure success for the Governor's Master Plan on Aging, the program budget, audits, and risk monitoring.

Ms. Selenski also discussed contracts, noting the contract with Calvert Research and Management for the Program's investment option focused on environment, social, and governance factors had just been signed and was awaiting approval from the Department of General Services. Ms. Selenski noted the Board would review an item on legal services at the November 2022 meeting. Ms. Selenski also mentioned staff were using the Board's delegated

authority to execute an interagency agreement with the Office of State Publishing for printing and mailing services for a three-year term and an amount not to exceed \$290,000, suggesting the Board may once again use the Request for Qualifications process. Ms. Selenski also mentioned staff used the delegated authority to execute a new agreement with GilbertCPAs for external auditing services for \$50,000 for the first two years of the agreement and a total possible contract amount of \$75,000 if staff execute the optional one year extension. Ms. Selenski also discussed the renewal of an interagency agreement with the Employment Development Department for data transfer services.

Ms. Selenski informed the Board a budget act was passed that included \$3.4 million in funding for the California Department of Social Services for technological upgrades necessary to allow for payroll contributions for in-home supportive service (IHSS) providers to make to a CalSavers account. Ms. Selenski noted the technological change could take some time to implement.

Ms. Selenski also discussed state legislation, the budget act, and Assembly Bill 1601 (Weber), which would have impacted CalSavers before it was amended. Ms. Selenski gave an update on regulations, federal rulemaking, federal legislation, external presentations, site visits from the Treasurer to participating employers, and media coverage.

Board Chair Ma mentioned her preference to keep external auditor contracts to no more than five-year terms. Chair Ma also thanked staff members Jonathan Herrera and Sandy Guan for attending a small business day event and thanked all staff and board members for their contributions to the Program.

Public Comment

None

Agenda Item 3 – Research on Impact of Retirement Mandates (INFORMATION ITEM)

Ms. Selenski introduced John Scott, with The Pew Charitable Trusts. Mr. Scott presented research conducted by Pew that evaluated national plan sponsorship trends in states with retirement mandates and automatic enrollment IRA programs, like the CalSavers program and its laws. Mr. Scott noted California has always tended to have higher rates of retirement plan sponsorship than the national average and noted the gap between California and national plan sponsorship rates increased after the CalSavers program, and the associated employer mandate, were launched in 2019.

Board chair Fiona Ma discussed the range of awareness about the Program and the mandate among employers with whom she has met. Ms. Ma noted there is a lack of awareness with some employers and some who were aware of the mandate, among whom some have chosen to sponsor a retirement plan and some who chose to join CalSavers.

Mr. Scott spoke about the reasons for differences in projected participation by academic research and actual participation rates. Mr. Scott noted the differences could be attributed to a few factors, including initial overestimates of uncovered population, underestimates of the number of independent contractors statewide, employer noncompliance, and the portion of employers who choose to sponsor a retirement plan from the private market in lieu of participating in CalSavers. Board member Heather Hooper asked if staff track CalSavers participation by independent contractors. Ms. Selenski noted the Program tracks self-enrollments, which can be done by independent contractors. Ms. Selenski noted about 2,000 have enrolled through self-enrollment and 1,000 of those enrollments include funded accounts.

Public Comment

None

Agenda Item 4 – Program Administrator’s Report (INFORMATION ITEM)

Troy Montigney, with the program administrator Ascensus, updated the Board on Program activities, including employer-driven enhancements to the Program platform; efforts to respond to the July 30, 2022, employer registration deadline; and client service performance, among other topics. Martha Nemecek, with Ascensus, discussed field team activities.

Mr. Montigney noted more than 1,700 employers have connected to the Program through a payroll application programming interface (API) since the launch of the new employer platform. Board member Heather Hooper spoke about the difficulty in conducting payroll integration and asked about the experience implementing the integration with larger providers. Mr. Montigney briefly described the efforts, noting the importance to conduct periodic engagement. Ms. Hooper suggested Mr. Montigney meet with Human Interest, a 401(k) provider, due to their model of payroll integration.

Board member Stephen Prough asked about the performance of client services and asked whether a certain threshold of call volumes make meeting the service level agreements difficult. Mr. Montigney mentioned that call volumes tend to be concentrated in the first few days of the week, so the performance tends to be worse at the start of the week and improve toward the end.

Mr. Montigney discussed the effort to implement the replacement of the Program’s sustainable balanced fund with the new fund from Calvert Research and Management that considers environmental, social, governance factors. Ms. Hooper asked about efforts to inform participants about the change and noted a desire to see heat map depicting how many savers statewide are invested in the fund by the location of their residence. Ms. Selenski noted staff could present the

heat map to the Board and mentioned the need by staff to avoid providing advice about investments.

Board chair Ma suggested that meeting agendas and materials include estimates of the duration of each item and the meeting as a whole.

Public comment

None

Agenda Item 8 – Resolution 2022-06: Authority to Readopt Emergency Regulations (ACTION ITEM)

Item 8 was taken out of order. Eric Lawyer, director of policy and communications, presented the item.

MOTION:	Karen Greene Ross	SECOND:	Gayle Miller
AYES:	Michelle Gastelum, Heather Hooper, Nam Le, Dave Low, Fiona Ma, Gayle Miller, Stephen Prough, Karen Greene Ross, William Sokol		
NOES:	None		
NOT PRESENT	None		
ABSTAIN:	None		
ACTION:	Motion Passed		

Public Comment

None

Agenda Item 5 – Second Quarter Investment Performance Report (INFORMATION ITEM)

Mika Malone, with the Board’s investment consultant, Meketa, provided the Board an overview of the quarterly performance of the Program’s investment options for the quarter ending June 30, 2022.

Board member Heather Hooper asked when Ms. Malone would recommend removing an underperforming fund. Ms. Malone noted she prefers not to overreact and suggested that five years is an appropriate amount of time to consider.

Ms. Malone discussed recent lawsuits against retirement plan sponsors related to the selection of target-date funds provided by BlackRock. Ms. Malone discussed the reasons for the underperformance of the fund and funds like it and discussed some of the reasons that could explain the number of lawsuits. She also summarized the monitoring process in place by the Board and Meketa to support the Board’s fiduciary duty.

Public Comment

None

**Agenda Item 6 – Administrative Fund Audit Report for Fiscal Year 2020-21
(INFORMATION ITEM)**

Aspen Cloud Hall, from Gilbert, presented the results of the administrative fund audit report for fiscal year 2020-21. Ms. Hall noted the firm had no concerns about the audit, there were no findings, and that no adjustments were necessary.

Public Comment

None

**Agenda Item 7 – Program Fund Audit Report for Fiscal Year 2020-21 (INFORMATION
ITEM)**

John Paul LeChevallier, from CLA, presented the results of the program fund audit for fiscal year 2020-21. Mr. LeChevallier noted the audit was an unmodified audit opinion with no adjustments.

Public Comment

None

Agenda Item 9 – Fiduciary Training (INFORMATION ITEM)

Andrea Feirstein, with the Board's program consultant AKF, provided the Board fiduciary training.

Board member Heather Hooper asked about whether the duty of care for fiduciaries extend to the participant and to their beneficiaries or solely for the participant. Ms. Feirstein suggested the duty extends just to the participant but noted she could seek more information to respond to the question.

Board member Karen Greene Ross asked about fiduciary responsibility for situations in which a single board member acts prudently, but the collective board does not. Ms. Feirstein noted the importance of following a prudent process may influence fiduciary duty. Mr. Sokol reiterated the importance of following a prudent process and suggested the scenario described by Ms. Greene Ross was different than a scenario in which a board collectively fails to act when it is aware of a breach in fiduciary duty.

Agenda Item 10 – Public Comment

None.

Before adjourning, Board Chair Fiona Ma took a moment to recognize newly appointed Board member Dave Low, who had joined his first Board meeting. Ms. Ma also mentioned the newly appointed Director of Finance Joe Stephenshaw, who serves as an *ex officio* member of the Board.

The Board adjourned at 4:17 PM.