
OCTOBER 3, 2022

AGENDA ITEM 2
ACTION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

Discussion of and Possible Direction and Authorization to Negotiate Modifications to Contract (CSCRSIB07-17A) with Program Administrator (Ascensus College Savings Recordkeeping Services, LLC)

Summary

The executive director will provide an update related to the Board’s agreement with the program administrator and the Board will consider authorizing her to negotiate and develop proposed modifications to the agreement. Any proposed modifications would be presented to the Board for consideration and potential approval at a subsequent meeting.

Background

On August 16, 2018, the Board approved the selection of Ascensus College Recordkeeping Services, LLC (“Ascensus”) to provide program administrator services for the CalSavers Retirement Savings Program (“Program”) via agreement CSCRSIB07-17A. The term of the agreement is seven years through November 30, 2025, plus three one-year options to extend at the Board’s discretion.

The agreement is considered a zero-dollar contract because the Board makes no payments to Ascensus. Ascensus earns revenue by collecting fees from each participant according to the terms of the agreement. Participant fees are calculated as a percentage of account balances, currently 0.75% of assets per year. The agreement specifies that participant fees will decline as the total program assets grow and reach defined breakpoints, as shown in the table below.

Asset Level	Ascensus Annual Fee
\$0 - \$5 B	0.75%
\$5 B - \$10 B	0.60%
\$10 B - \$15 B	0.45%
\$15 B - \$20 B	0.35%
\$20 B - \$25 B	0.25%
\$25 B - \$30 B	0.23%
\$30 B - \$35 B	0.18%
> \$35 B	0.15%

No flat dollar fees are imposed under the agreement. Savers pay the asset-based fee for Ascensus program administration services, in addition to investment fees that vary depending on the investment fund, and a small fee for state administration.

Authority to Review Fees

Exhibit E, Section 9.1(c) of the agreement allows the Board and Ascensus to consider fee changes annually, as follows:

The Board and the Contractor may review fees annually based on industry norms and national trends. In the event of a change in Applicable Law during the Term of this Agreement, which change materially impacts the duties of the Contractor hereunder (as mutually agreed upon by the Board and the Contractor), the Board and the Contractor shall consider a change to the application of the annual marketing commitment detailed in Section 7.1 of this Exhibit E, and then a change to allowable fees.

A senior Ascensus representative recently requested a review of the participant fee as allowed by Section 9.1(c), noting that the asset-based fee without any flat dollar fee is no longer offered by providers in the marketplace for state-sponsored retirement savings programs.

National Fee Trend and Favorability for Participants

Each of the five states that have entered into an agreement with a program administrator to launch a state-sponsored retirement program since the Board hired Ascensus, including Oregon's conversion to a new administrator, have selected a hybrid fee structure including a combination of a flat dollar fee and an asset-based fee. The flat dollar annual fees range from \$14 to \$24 and the asset-based components range from 0.15% to 0.2%. In addition, breakpoints apply for some of the state contracts, whereby fees decline as the programs grow. For example, in Colorado, the flat dollar fee declines to \$18 after 350,000 funded accounts are established and the asset-based component declines to 0.1% after \$4 billion in total assets are reached.

In general, the asset-based fee model is more favorable to participants when account balances are low, and the hybrid fee model (with a flat dollar component plus a lower asset-based component) becomes more favorable as account balances grow. Attachment 2B shows a summary of the state hybrid fees currently in place in the marketplace and the analysis of the "crossover" points above which the hybrid fee model is more favorable to participants than CalSavers' asset-based fee.

Any consideration of new fee levels would be oriented around the short- and long-term impact on participants and the Board's statutory duty to "seek to minimize participant fees" per Government Code Section 100002(e)(2).

Recommendation

Authorize the executive director to engage in a negotiation with program administrator Ascensus College Savings Recordkeeping Services, LLC and propose contract amendments for consideration and possible approval by the Board at an upcoming meeting.

Attachments

- Attachment 2A: Contract CSCRSIB07-17A (as amended June 2020)
- Attachment 2B: Comparison of Hybrid Fees Across States