DECEMBER 15, 2022

AGENDA ITEM 1
ACTION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

Meeting Minutes for the November 21, 2022, CalSavers Retirement Savings Board Meeting

Board members present:
- Patrick Henning for 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
- Angela Duvane
- Sandy Guan
- Carolina Hernandez
- Jonathan Herrera
- Eric Lawyer
- Eric Lei
- Ariel Pickett
- Conner Van Vorhis

Others present:
- Theodore Ballmer, Counsel, State Treasurer's Office
- Spencer Walker, General Counsel and Interim Chief Deputy Treasurer, State Treasurer's Office

Contractors present:
- Peg Creonte, Ascensus College Savings Recordkeeping Services, LLC ("Ascensus")

Andrea Feirstein, AKF Consulting Group (“AKF”)
Troy Montigney, Ascensus
Paola Nealon, Meketa Investment Group (“Meketa”)
Martha Nemecek, Ascensus
Sonya Park, State Street Global Advisors (“SSGA”)
Scott Parry, Ascensus
Thomas Reinhart, Ascensus
Elise Thieman, SSGA

CalSavers Retirement Savings Board (“Board”) Chair Patrick Henning called the meeting to order at 1:06 PM.

Chief Deputy Treasurer Patrick Henning introduced himself to the board and listed some of his qualifications. Mr. Henning thanked Chief Deputy Controller Karen Greene Ross and State Controller Betty Yee for their service to the Board and expressed his well wishes as the meeting was expected to be Ms. Greene Ross’s last due to her upcoming retirement and the end of Controller Yee’s term in office. Mr. Henning announced a procedural change to allow for public comments prior to making a motion on an agenda item to allow for a more informed discussion by the Board.

Agenda Item 1 - Approval of the Minutes of the October 3, 2022, Meeting of the CalSavers Retirement Savings Board (ACTION ITEM)

Public Comment
None

Board Action
Approval of the minutes of the October 3, 2022, meeting of the CalSavers Retirement Savings Board.

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

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

Executive Director Katie Selenski presented the item. Ms. Selenski introduced new CalSavers Retirement Savings Program (referred to as the "Program") staff member and office technician Conner Van Vorhis and stated that the team was still working to fill the open positions within the department. Board member Heather Hooper inquired if the open positions would need to be filled by persons in Sacramento to which Ms. Selenski answered in the affirmative.

Ms. Selenski discussed the October Snapshot Report, highlighting growth in funded accounts and noting that the pace of growth had slowed somewhat compared to the months immediately following the June 30, 2022, deadline for employers that had five or more employees (referred to as "Wave 3"). Ms. Hooper asked if the slower growth in funded accounts in October was related to markets. Ms. Selenski noted that prior recent growth surge was due to the Wave 3 employer registration deadline, which drove employer action to enroll. Ms. Selenski noted that the newly mandated employers with the upcoming deadline of December 31st already had a 42.1% response rate, which was higher than previous waves.

Board Member William Sokol sought to confirm his understanding that the average number of employees among all participating employers was ten. Ms. Selenski confirmed that the average number of employees per participating employer was approximately ten and that the number would continue to decline as the statutory mandate expands to employers with fewer than five employees (referred to as "Wave 4"). Ms. Selenski noted that as staff sought further compliance with employers with more than 100 employees and more than 50 employees, whose deadlines were September 30, 2020, and June 30, 2021 (referred to as "Wave 1" and "Wave 2," respectively) that decline could be mitigated as relatively larger employers join the Program.

Ms. Selenski discussed program developments, noting efforts by staff and program administrator Ascensus to improve the rate of full employer facilitation of the Program. Ms. Selenski highlighted the importance of efforts to bring employers to the final step of facilitating payroll deductions; crediting enforcement efforts, onboarding efforts, and technology implementation with payroll companies to simplify the process for an employer as valuable ways to raise the number of employers facilitating payroll deductions.

Ms. Selenski discussed enforcement efforts for Wave 1 and Wave 2 employers. Ms. Selenski noted that the number of noncompliant employers has dropped significantly for Wave 1, but that the rate of noncompliance can fluctuate due to the different ways employers can become noncompliant. For Wave 2, Ms. Selenski noted that the enforcement effort had begun with the release of due process notices by staff, but that the penalty collection effort administered by the Franchise Tax Board had not yet begun. For the group of employers with five employees or more whose deadline for enrollment with the program was June 30, 2022 (referred to as "Wave 3") Ms. Selenski noted that the due process notices were going to be distributed in early January, an acceleration from previous waves during the COVID-19 pandemic which had a longer period between the passage of registration deadlines and the start of enforcement efforts, per the Board's recommendation.

Ms. Hooper inquired about feedback from employers who were receiving enforcement notices and the impact on Program staff work volume. Ms. Selenski noted that including red in the envelope design had helped with enforcement efforts and that most of the increased call volume was being directed to the call center at Ascensus but that some specific cases were handled by the staff outreach team led by Jonathan Herrera. Ms. Selenski noted that when employers remained noncompliant, they were transferred to the Franchise Tax Board to which Ms. Selenski expressed satisfaction with the partnership with FTB, as it has had a positive impact on compliance.

Ms. Selenski discussed the recent Program Management team's visit to Boston, Massachusetts for the annual onsite due diligence visit to Ascensus Government Savings headquarters. Ms. Selenski highlighted the visit's discussion of the administrator's identity verification process, reaffirming the team's adherence to industry best practices to assure employer rosters being uploaded pass identity verification. Ms. Selenski spoke to the Program's ongoing efforts to refine the identity verification process while adhering to federal regulations and industry best practices to ensure that rates of failure to pass identity verification drop.

Ms. Selenski discussed the state administrative fee and a potential future change to include a minimal flat dollar fee to bring the Program closer to fiscal sustainability pending resolution of a new contract with program administrator Ascensus. Board Member Karen Greene Ross inquired how the current state administrative fee compares to similar vendors for programs within California like Savings Plus, a defined contribution retirement plan for employees of the State of California. Ms. Selenski answered that the Board could include the detail as a future agenda item.

Ms. Selenski noted the conversion from the Program's prior environmental, social, governance (referred to as "ESG") investment option provider to Calvert as the new provider had been completed smoothly and noted the Calvert executive team's recent visit to the CalSavers office. She proceeded to present the quarterly risk monitoring summary. Ms. Selenski noted she had changed the impact of the COVID-19 pandemic from moderate impact on growth to none, as any impact it was likely to have already occurred. Ms. Selenski also noted her change of contractors' corporate issues from a very low likelihood of risk to moderate due to the pending contract amendment with Ascensus.

Ms. Selenski discussed the passage of Senate Bill 1126 mandating all California employers with one employee or more that do not offer a retirement program to enroll in the CalSavers Program by December 31st, 2025. Ms. Selenski thanked Program staff member Eric Lawyer for his work on the Standardized Regulatory Impact Analysis and noted that there was no significant change in federal policy but that there is likely to be some in the next month.

Ms. Selenski discussed customer service caseload and the ongoing efforts of the outreach team. Ms. Selenski again noted that most of the calls referred to the Program by the call center were employer compliance and eligibility determination disputes, noting that there is a backlog of cases, but that staff has been reallocated to catch up. Ms. Selenski also discussed the ongoing employer webinar program, noting that the current division of labor on hosting webinars between Ascensus and Program staff may change soon. Ms. Selenski also noted that the external presentations and community outreach work have temporarily slowed due to the outreach team's backlog of eligibility determination disputes, but priorities should rebalance soon as volumes stabilize and open vacancies are filled.

Board Member Gayle Miller commended the work done by Ms. Selenski to monitor risk to participants, highlighting the good fiduciary care exercised by Program staff and the Board. Ms. Miller asked if inflation should be included as an item on risk monitoring in lieu of COVID-19 being removed from active monitoring to which Ms. Selenski responded that this would be an appropriate addition. Ms. Hooper reaffirmed the value of the Program's risk monitoring heat map.

<u>Public Comment</u>
None

Agenda Item 3 – Program Administrator's Report Including Annual Marketing Review (INFORMATION ITEM)

Ascensus representative Troy Montigney presented the item. Mr. Montigney commented on the progress of Wave 3 employers, newly mandated employers, and continuing growth of the Program.

Ascensus representative Thomas Reinhart presented the annual marketing review. Mr. Reinhart discussed the marketing's primary focus on the employer experience as the driver for participation in the Program. Mr. Reinhart highlighted Ascensus's internal review on its progress after each milestone with the Program, noting how after each milestone Ascensus alters its approach to better the employer and saver experience. Mr. Reinhart discussed the awareness campaign, noting that by this point in the Program's existence Ascensus has developed insights about what types of marketing work drive enrollment and full participation in the Program. Mr. Reinhart also acknowledged how ongoing collaboration with Mr. Lawyer aids in refinement of the awareness campaign. Mr. Reinhart discussed how the educational efforts by Ascensus offer different approaches to education for employers as they enroll with the program to tailor to different levels of assistance needed.

Ms. Miller asked Mr. Reinhart about the changes to the employer outreach strategy discussed in a previous Board meeting to the awareness efforts. Ms. Selenski asked if Ms. Miller was referring to the micro-wave campaign and explained some of the changes that were made to that campaign. Mr. Montigney explained how that campaign was developed, noting it attempted to offer both a more targeted approach and a softer introduction to the Program with postcards being sent out and guided support for employers encouraging them to participate in webinars. Ms. Miller asked about metrics for that campaign, to which Mr. Montigney responded that those metrics had been provided at a previous Board meeting. Ms. Miller clarified that if it had already been presented then it would not be necessary to present those metrics again.

Mr. Montigney discussed the product and technology section of the report. Mr. Montigney discussed the creation of regular automated employer compliance notifications sent to employers within the Program portal, and how that change was driven by feedback from both the call center and Program outreach staff. Mr. Montigney also commented on how this effort has also been applied to employers who have lapsed out of compliance to get them reengaged. Mr. Hooper asked if there has been a noticeable difference in employer compliance from this initiative to which Mr. Montigney replied that it has only changed as of November 10th, and that the automated reminders to add new employees will not be implemented until the end of the month meaning that more time will be necessary to form significant metrics on success.

Mr. Montigney discussed the change from the Program's old ESG fund provider to Calvert. Mr. Montigney noted the collaboration between Ascensus and Program staff, specifically Mr. Lawyer to inform participants of the change in ESG fund. Ms. Hooper and Ms. Greene Ross commended the communication efforts. Mr. Montigney also noted the redesign of the employer portal and how this has improved action rates of employers. Mr. Montigney then discussed client services metrics for the call center, noting a significant increase in calls answered within the desired window of time after passage of the June 30th, 2022, deadline.

Ascensus Representative Martha Nemecek presented a report on field outreach updates. Ms. Nemecek reported on the volume of webinars and meetings, noting an increase in August to meet demand from employers and employees for information about program onboarding following the June 30th deadline. Ms. Nemecek highlighted the importance of webinars to reengage employers with the Program and aid them in onboarding and completing full facilitation of payroll deductions. Ms. Nemecek also highlighted that employer feedback has been highly positive in their evaluation of the webinars.

<u>Public Comment</u>
None

Agenda Item 4 – Third Quarter Investment Performance Report (INFORMATION ITEM)

Meketa representative Paola Nealon presented the item. Ms. Nealon provided a performance review of the investment options available to Program participants. Ms. Nealon noted that, aside from July and August, investment fund performance was negative across all funds due to instability in the investment market.

Ms. Miller asked why long-term government bonds are placed in specific target-date retirement funds (referred to as "TDFs"). Ms. Nealon noted that these investments are chosen for these funds and designed this way by SSGA, the fund manager. Ms. Miller asked if some of the funds had performed well as they were meant to cover a wide age range of participants. Ms. Nealon acknowledged that some TDFs designated for participants closer to retirement are intended to be risk averse, but that due to overall market trends in a wide variety of investment classes this year, those funds did not fare well. Ms. Nealon noted that real estate market and government bonds are typically safer investments but performed poorly in 2022 regardless.

Ms. Greene Ross inquired if there are risk mitigation strategies in place to help protect against recent unprecedented market volatility. Ms. Nealon stated that while she did not want to speak for SSGA, the TDFs were created with historical data in mind. Ms. Nealon noted the funds were changed recently to increase fixed income diversification.

Board Member Stephen Prough inquired why Ms. Nealon characterized money market funds as having slow growth and not as being reflective of what short term treasury bonds are yielding. Ms. Nealon responded that the figures presented were a quarter-to-date return and that sometimes the money market fund follows behind the specific assets in terms of growth and are not always tracking simultaneously. Mr. Prough asked the growth of the money market funds and the Board directed this question to SSGA. SSGA representative Sonya Park was unavailable to answer the question.

Ms. Nealon reiterated that 2022 has been a low performing year in the overall investment market, which affects all the investment options available to participants in varying capacities. Ms. Greene Ross expressed concern that the market was underperforming while Wave 3 employers were getting enrolled and noted that the effects of this would not be fully visible until 2023. Ms. Nealon noted that this also presented participants a potential opportunity to get into the equity market while it was underperforming, allowing the potential room for future growth due to obtaining investment funds at a relatively lower price due to the poor market performance.

<u>Public Comment</u>
None

Agenda Item 5 – Resolution No. 2022-07: Approval to Readopt Emergency Regulations Amendments (ACTION ITEM)

Eric Lawyer presented the item.

<u>Public Comment</u>
None

<u>Board Action</u>
Approval of Resolution No. 2022-07, approval to readopt emergency regulations amendments as presented by staff.

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

Agenda Item 6 – Resolution No. 2022-08: Approval of Emergency Regulations Amendments (ACTION ITEM)

Eric Lawyer presented the item.

<u>Public Comment</u>
None

<u>Board Action</u>
Approval of Resolution No. 2022-08, approval of new emergency regulations amendments as presented by staff.

MOTION:	William Sokol	SECOND:	Gayle Miller
AYES:	Michelle Gastelum, Patrick Henning, Heather Hooper, Nam Le, David Low, Gayle Miller, Stephen Prough, Karen Greene Ross, William Sokol		
NOES:	None		
NOT PRESENT	None		
ABSTAIN:	None		

ACTION:	Motion Passed

Agenda Item 7 – Resolution No. 2022-09: Extension of Agreement No. CRSB03-20 with Meketa Investment Group, Inc. for Investment Consultant Services (ACTION ITEM)

Angela Duvane presented the item

Public Comment
None

Board Action
Approval of Resolution No.2022-09, approval of a one-year extension of contract with Meketa.

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

Agenda Item 8 – Resolution 2022-10 Authority to Issue a Request for Qualifications for External Legal Services (ACTION ITEM)

Angela Duvane presented the item.

Public Comment
None

Board Action
Approval of Resolution No. 2022-10, authority to issue a request for qualifications for external legal services.

MOTION:	William Sokol	SECOND:	Heather Hooper
AYES:	Michelle Gastelum, Patrick Henning, Heather Hooper, Nam Le, David Low, Gayle Miller, Stephen Prough, Karen Greene Ross, William Sokol		
NOES:	None		
NOT PRESENT	None		

ABSTAIN:	None
ACTION:	Motion Passed

Agenda Item 9 – Discussion and Possible Recommendation and Approval Regarding Amendments to Agreement No. CSCRSIB07-17A (ACTION ITEM)

Mr. Henning announced the item and stated that he did not intend to call for a motion to vote on the item, preferring that it be considered an information item. Mr. Henning stated that due to the significance of this item and the recent absence of the Treasurer due to international travel, he preferred to wait until the Treasurer had the opportunity to review the item before the Board would vote on it. Mr. Henning highlighted the fee structure of the proposed contract renegotiation as a particular cause for his reluctance to vote.

Ms. Miller expressed concern that Mr. Henning presupposed action to be taken by the board. Ms. Miller also made note that any Board member can make a motion to call for a vote. Ms. Miller expressed concerns about a potential violation of the Bagley-Keene Open Meeting Act (referred to as “Bagley-Keene”), to which Mr. Henning responded that he was reading a script approved by legal counsel. Counsel Theodore Ballmer confirmed Ms. Miller’s statements to be accurate, noting the Board can choose to take no action or vote to take an action on the item. Ms. Miller reiterated the importance of adherence to the requirements established under Bagley-Keene.

Ms. Selenski presented the item. Ms. Selenski stated that she believed the proposed contract amendment to be fair and competitive. Ms. Selenski skipped the background portion of the material that was already covered at the October 3rd Board meeting during which a renegotiation of the contract was authorized by the Board. Ms. Selenski discussed a summary of the proposed changes to the fee structure from a purely asset-based fee structure to a hybrid fee structure that lowers the asset-based fee and introduces an initial $18 flat annual fee moving to a $17 flat annual fee after the program has reached 550,000 accounts. Ms. Selenski also discussed changes to the customer service call center performance metrics to make them more lenient, changes to the annual marketing commitment from $1.5 million dollars to $800,000; the introduction of a $10 annual fee for participants receiving paper statements and disclosures; and a $5 for receipt of withdrawals through a paper check.

Ms. Selenski highlighted that the asset-based fee model is more favorable to participants with very low balance and that the hybrid fee model is more favorable for participants after a “crossover” account balance is reached, the level depending on the exact fee structures being compared. Ms. Selenski noted that the account balance at which the specific proposed hybrid fee structure is more favorable for participants is $3,600, which with current rates of growth of account balances would be reached by the current average participant by around January 2024.

Ms. Selenski noted how the proposed plan compares to other states with similar retirement savings programs. Ms. Selenski noted how concerns about the proposed reduction in call center performance could be mitigated by the implementation of a new feature to the call center wherein callers can receive a call back instead of waiting the now proposed longer wait time, which was already in development by Ascensus.

Ms. Selenski discussed the proposed changes to the marketing commitment. Ms. Selenski noted that the current core deliverable marketing assets could be maintained with the proposed marketing commitment changes. Ms. Selenski noted additional spending from the marketing commitment during Wave 3 that will no longer be necessary due to the changes in the enforcement schedule discussed in agenda item 2.

Ms. Selenski discussed the new proposed fees for paper delivery of statements and additional documents as well as the proposed fee for receiving withdrawals through a physical check. Ms. Selenski highlighted that 25-30% of participants have opted into electronic delivery of statements and noted that experts and attorneys agree that automatic enrollment in electronic delivery is not an option. Ms. Selenski also noted that staff and Ascensus have committed to an awareness campaign to notify participants that if no action is taken on their part, they would incur a fee for paper delivery.

AKF consultant Andrea Feirstein noted that there was uniform agreement in the industry that participants cannot be defaulted into electronic delivery of statements or disclosure documents. Ms. Feirstein noted her observation that there is an industry best-practice among state-sponsored savings programs, including programs like CalSavers, 529 college savings, or ABLE programs, that participants receive statements by paper as a default and that participants can avoid a fee if they choose to receive statements electronically. Ms. Feirstein noted that guidance on the matter has traditionally been provided by the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). Ms. Feirstein noted the SEC has always taken the position that documents and disclosures can be delivered electronically but must default to paper delivery. Ms. Feirstein noted that the MSRB states that disclosures can be delivered electronically, except for municipal securities. Ms. Feirstein noted that the MSRB municipal fund rules can only be applied if there is a regulated entity, such as a broker, which does not technically apply to the states, but suggested that the Program should adhere to industry best practices. Ms. Feirstein highlighted that in MSRB rules for mutual fund securities, investors are entitled to paper copies of disclosures and statements unless provided a summary prospectus first. Ms. Feirstein noted that the SEC has not endorsed this position for ABLE plans, 529 college savings plans, or auto-IRA programs like the CalSavers Retirement Savings Program.

Ms. Selenski discussed the proposed fee for physical checks. Ms. Selenski noted that 85% of withdrawals from the Program have been full withdrawals, the majority of which are from those leaving the Program. This would make the paper check fee for most people a one-time fee for those who choose to receive their contributions through a physical check and Ms. Selenski noted that most withdrawals are already conducted electronically.

Ms. Hooper inquired about the Illinois state retirement program administrator fee and the footnote in the materials stating that the state makes a supplementary payment to its provider. Ms. Selenski confirmed that Illinois provides direct payments to the administrator of their program, in addition to participant fees. Ms. Greene Ross discussed the efforts by the Board and by Ascensus that have exceeded the expectations for the Program. Ms. Greene Ross commended the efforts by staff and Ms. Selenski for their fiduciary responsibility. Ms. Greene Ross also noted the original estimation for costs of the program were from before this type of program existed and noted the efforts of Ascensus and Program staff in the creation of the Program, recognizing the risks taken on in creating such a program. Ms. Greene Ross stated that the position of the Controller was that it seemed fair to renegotiate the contract and adopt this proposal given these facts and expressed hope that more participants would opt into electronic delivery.

Mr. Sokol sought clarification on process. Mr. Sokol inquired directly with Ms. Selenski if there would be harm done to negotiations to table the discussion and vote at a later date to allow the Treasurer time to review the contract personally. Ms. Selenski noted that Board meetings can be called with ten days of notice. Ms. Greene Ross noted that if the meeting were to be held in the new year that a new Controller would be in office.

Ms. Miller inquired about risk to the relationship with Ascensus should a vote be delayed, and negotiations continue. Ms. Miller highlighted that the worst possible scenario would be for the Program to lose Ascensus as a vendor. Ms. Selenski noted that the President of Government Savings Programs at Ascensus, Peg Creonte, was present and available to answer any questions. Ms. Selenski noted that if the item were to be considered at a meeting in a matter of weeks, then it would not significantly harm the relationship with Ascensus but noted that if the proposal to be considered in a matter of weeks were not to the satisfaction of the Board, then it would be a major concern.

Ms. Miller inquired with Ms. Creonte what the financial hardship to Ascensus would be if a vote were to be delayed. Ms. Creonte highlighted that the current fee structure and income generation is not sustainable in the long term and noted the seriousness and urgency of the matter. Ms. Creonte noted that if the vote were tabled today and voted on at a future meeting within a matter of weeks that it would be acceptable to Ascensus. Ms. Creonte discussed the importance to both Ascensus and Ms. Selenski during the negotiation process of finding a new fee structure that is both fair to participants and is financially viable for a program of this scale. Ms. Creonte expressed concern at renegotiating the proposed changes but noted that if the only reason for tabling the discussion for this meeting was to allow the Treasurer time to review the proposed contract changes that it would be acceptable to Ascensus.

Ms. Miller inquired of Ms. Selenski her evaluation of the proposed asset-based fee component and it being higher compared to other similar state sponsored retirement savings programs as well as inquired after her evaluation of the proposed marketing budget changes. Ms. Selenski discussed the proposed changes in terms of account balance growth and cost to participants over the duration of the proposed contract. Ms. Selenski noted that if the average account balance of participants were higher during the supposed ten-year period, then the impact of a higher asset-based fee would be significant; however, as the average participant has at this point only $900 in their account, this higher asset-based fee compared to other programs would not have a significant predicted impact on participants over the next decade.

Ms. Selenski discussed the proposed marketing commitment. Ms. Selenski noted that the spending of previous years to spread awareness about the Program would not be as necessary at this point in the life of the Program, as there is more public awareness about the Program and the mandate. Ms. Selenski noted that there would also be changes to the division of labor in how webinars were conducted that would lessen the strain on the marketing commitment by that initiative. Ms. Selenski highlighted that no similar programs run by other states had a marketing budget nearly as high as the marketing budget of this Program.

Ms. Miller highlighted that the Board made the decision to delegate the authority to Ms. Selenski to conduct the contract negotiations at a previous Board meeting. Ms. Miller also noted the fiduciary duty of the Board to the participants and that considering said fiduciary duty had chosen to delegate the authority to conduct contract negotiations to Ms. Selenski.

Ms. Hooper inquired about the process of implementing the proposed renegotiated contract. Ms. Hooper inquired about when the proposed contract would take effect, how the proposed changes would be communicated to participants and expressed concern about the timing pertaining to the volatility of the investment market. Ms. Hooper expressed concern that with current market conditions an additional fee may cause participants to leave the Program. Ms. Selenski noted that from the point of the Board voting to approve the contract, the proposed contract would then have to be approved by the Department of General Services (DGS) and informed the Board that DGS estimated that it would take months to be approved. Ms. Selenski noted that a robust series of disclosures would then be distributed to participants following a decision to amend the contract.

Ms. Hooper noted that a hybrid approach to fee structure was considered during the initial design of the Program, but the hybrid fee did not suit the Program at the time and recognizing this noted that it was unsurprising that such a change would become necessary later in the life of the

Program. Ms. Hooper expressed dismay at the proposed flat annual fees but recognized the need by Ascensus to change the fee structure to operate with better financial sustainability.

Board Member David Low expressed satisfaction with Ms. Selenski's negotiations, inquired if there was an industry standard for paper statement delivery fees, and noted that he favored holding a vote within a month. Ms. Hooper clarified that the proposed fee also covers disclosures and not just statements. Ms. Feirstein noted that across all similar state sponsored retirement savings programs a ten-dollar fee was the standard, also noting that in state sponsored programs that provided savings options for persons with disabilities there was a greater variety of fees ranging as high as an estimated $35 to $40. Mr. Low noted that it would be helpful to see a chart comparing other programs paper delivery fees to those proposed in this item.

Ms. Sokol proposed a motion to table the vote of this item and hold another meeting in December before the change in administration in the Controller's Office. Ms. Hooper seconded this motion. Ms. Miller inquired if the motion were to simply delay a vote on the proposed contract as it currently existed or to delay the meeting with the intent of renegotiating the contract in that time. Mr. Sokol clarified that the motion was not intended to prompt renegotiation of the contract and was intended to simply allow the Treasurer to have time to review the proposed contract while being mindful of the current Controller's intention to vote on the proposed contract as it was presented at the November 21, 2022, Board meeting. Mr. Sokol stated that the ten-dollar fee for paper delivery was not to his liking as it was primarily participants who were not technologically adept who would be most affected by it but noted also that negotiations can be difficult, and this was a seemingly fair concession.

<u>Public Comment</u>
None

<u>Board Action</u>
Motion to table a vote on the item and to reconvene to vote on the item in December.

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

Item 10 – Public Comment

None.

The Board adjourned at 3:11 P.M.