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AUGUST 21, 2023

AGENDA ITEM 1

ACTION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

*Meeting Minutes for the May 22, 2023, CalSavers Retirement Savings Board Meeting*

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Board members present:

Spencer Walker for State Treasurer Fiona Ma  
David Oppenheim for State Controller Malia Cohen  
Gayle Miller for Director of Finance Joe Stephenshaw  
Michelle Gastelum  
Nam Le  
David Low  
William Sokol

Board Members Absent:

Heather Hooper  
Stephen Prough

Staff present:

Angela Duvane  
Sandy Guan  
Carolina Hernandez  
Jonathan Herrera  
Eric Lawyer  
Eric Lei  
Ariel Pickett  
Irma Ruiz  
Jacob Schafer  
Jessica Stroing  
Conner Van Vorhis

Others present:

Theodore Ballmer, Counsel, State Treasurer's Office

Contractors present:

Andrea Feirstein, AKF Consulting Group ("AKF")

Mika Malone, Meketa Investment Group (“Meketa”)  
Paola Nealon, Meketa  
Shayne Layton, Ascensus College Savings Recordkeeping Services, LLC (“Ascensus”)  
Troy Montigney, Ascensus  
Martha Nemecek, Ascensus  
Carlos Serna, Ascensus  
Sonya Park, State Street Global Advisors (“SSGA”)  
Elise Thiemann, SSGA  
John-Paul LeChevallier, Clifton Larson Allen, LLP (“CLA”)

CalSavers Retirement Savings Board (“Board”) Chair Spencer Walker called the meeting to order at 1:00 PM.

**Agenda Item 1 – Approval of the Minutes of the February 27, 2023, Meeting of the CalSavers Retirement Savings Board (ACTION ITEM)**

Public Comment

None

Board Action

Approval of the minutes of the February 27, 2023, meeting of the CalSavers Retirement Savings Board.

MOTION: William Sokol

SECOND: Gayle Miller

AYES:

Michelle Gastelum, Nam Le, David Low, Gayle Miller, David Oppenheim, William Sokol, Spencer Walker

NOES:

None

ACTION:

Motion Passed

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

CalSavers management staff presented the report. Policy, Compliance, and Communications Director Eric Lawyer informed the CalSavers Retirement Savings Board (“Board”) that the subject matter experts from the management team would be presenting the different sections of the Executive Director’s report due the current vacancy in the executive director’s position.

Director of Outreach and Education Jonathan Herrera informed the Board of the various staffing updates to the CalSavers Retirement Savings Program (“CalSavers” or “the Program”) and introduced the newest member of the outreach team, Irma Ruiz. Mr. Lawyer then discussed the program participation and funding snapshot report and highlighted that the total assets surpassed half a billion dollars. Mr. Lawyer stated that CalSavers was the first state run auto-IRA program to do so.

Data and Enforcement Manager Angela Duvane delivered the enforcement update. Ms. Duvane stated that staff were in the middle of processing about 67,000 due process notices for the first round of notices to go to all employers who were past their registration deadline. Ms. Duvane noted that this was a marked increase from the Program’s previous highest number of notices sent out at the same time which was around 2,000 total notices. Ms. Duvane stated that the planned mailing date for these notices would be June 5<sup>th</sup>, with a follow-up potentially on July 5<sup>th</sup> and August 5<sup>th</sup>. Ms. Duvane added that if any of these employers were still out of compliance come September, staff would then submit any remaining employers to the Franchise Tax Board for penalty notices.

Mr. Lawyer then discussed recent changes to the program administrator fees and service changes with program administrator Ascensus that the Board approved during the December Board meeting. Mr. Lawyer stated that the contract changes were approved by the Department of General Services (“DGS”) on April 13<sup>th</sup>, and that notices had been sent out to savers on April 21<sup>st</sup>. Mr. Lawyer also noted that updates to the website and an addition to the quarterly statement to savers was also implemented to further increase awareness of the changes among savers. Mr. Lawyer discussed efforts to review the customer identification verification process and stated that by working with Ascensus several improvements have been identified with the process that conform to federal laws and industry best practices. Mr. Lawyer highlighted that these changes would allow for greater accessibility to the Program among savers and would reduce the number of identity verification failures.

Mr. Lawyer then discussed ongoing efforts to collect voluntarily shared demographic data from savers. Mr. Lawyer noted that Program staff had identified the data fields for which information was to be collected and that staff had begun working with Ascensus to implement the desired voluntary data collection. Mr. Lawyer discussed the age breakdown of savers and noted this information was made available to the Board because of a question by a Board member during a previous meeting. Mr. Lawyer stated that the information was only an estimate and was based off the number of accounts in each target date fund (“TDF”) included in saver investment options. Mr. Lawyer highlighted that the current breakdown of savers tended to skew younger, which was in line with what was previously known about the eligible population. Mr. Lawyer noted that Ascensus was currently undergoing efforts to have a more concrete age breakdown based off real saver data.

Administrative Operations Manager Jessica Stroing then presented updates on the Programs various contracts. Ms. Stroing noted that there were ongoing efforts to amend the agreement with the Program's current employer enforcement services vendor, the Franchise Tax Board ("FTB") and that the amendments would be heard during the Board's next scheduled meeting. Ms. Stroing stated that staff were currently working on the request for proposals ("RFP") package for investment consultant services and that the package was set for approval by the Board during the next scheduled meeting. Ms. Stroing noted that the purpose and description of services were available for Board review prior to the anticipated September release date.

Mr. Lawyer discussed legislation and policy updates. Mr. Lawyer stated that Assembly Bill 1381 in California as introduced would have required programs including CalSavers to use customer service call centers in the state of California, but that it was amended to require the Department of General Services to include some incentive scoring for including such call centers in California. Mr. Lawyer noted that this would mean the bill is less restrictive to the Program but that it would incentivize the creation of more call center jobs in California. Mr. Lawyer highlighted that several other states had recently passed legislation to create their own programs like CalSavers in Minnesota, Vermont, and a slightly different concept in Missouri.

Mr. Herrera then discussed the customer services caseload referrals by Ascensus. Mr. Herrera noted a slight decline in employer cases after the December 31, 2022, deadline and prior to the upcoming enforcement notices being sent out. Mr. Herrera noted that this decline allowed staff more time to focus on outreach work and following up with employers.

#### Public Comment

None

#### **Agenda Item 3 – Program Administrator's Report (INFORMATION ITEM)**

Ascensus representative Troy Montigney presented the item. Mr. Montigney commented on enhancements to the customer identification process ("CID process") and new information gathered about participants. Mr. Montigney noted that many participants are accessing retirement savings for the first time and that their ages tend to skew younger. Mr. Montigney also stated that many participants saving with the Program are from socio-economic groups that are not typically able to save for retirement and that many are living in rental properties with a lease instead of in more permanent housing. Mr. Montigney noted that this leads to not being able to pass a more typical customer identification program that is more heavily regulated.

Mr. Montigney noted that the initial identification failure rates were higher than anticipated. Mr. Montigney stated that upon researching the reasons why, Ascensus had found some potential improvements that may lead to as much as a 6% increase in the number of people able to pass the CID process. Mr. Montigney stated that due to specific address standards, Ascensus would be able to simplify the process. Mr. Montigney stated that there were plans to send email notifications to potential savers that encountered issues with the CID process to inform them of

next steps to enter the Program instead of sending paper mail notifications that may have been going to the wrong address. Mr. Montigney noted that these were ongoing efforts to improve this process, and that Ascensus would continue to report back to Program staff about this.

Mr. Montigney commented on different media efforts by Ascensus pertaining to state auto IRA programs. Mr. Montigney noted that Ascensus works with both CalSavers and Illinois Secure Choice and that these media efforts would benefit both programs and stated that a report on these efforts would be made at a future meeting. Mr. Montigney discussed recent changes made to communications campaigns and materials that were always available on the website (“collateral materials”) and highlighted the recent communications relating to Program fee changes as an example of the former.

Mr. Montigney stated that the goal of this recent communications effort was to help savers avoid fees where they could and that the response rate at the call center from the approximate 415,000 saver notices was about 4,000 calls. Mr. Montigney stated that about 3,500 of the calls resulted from paper mail communications and about 450 were resulting from email communications. Mr. Montigney noted there was a small increase in opt outs from the Program but that most savers just wanted to know more about the recent fee changes. Mr. Montigney discussed further updates to collateral materials to refer to the new fee structure as standard and not a new change.

Mr. Montigney then discussed the engagement efforts for newly eligible employers whose deadline will be December 31, 2023 (“Wave 2023”) and planned engagement efforts for employers who have one or more employees whose deadline will be December 31, 2025 (“Wave 4”). Mr. Montigney noted the importance of giving Wave 4 employers time to become aware of the Program and stated that formal outreach to this group of employers was likely not to start until 2024. Mr. Montigney highlighted that Wave 4 employers were already in the database and could begin participating in the Program if they discovered it through other means and wished to begin participating sooner and noted that some had already done so.

Mr. Montigney then discussed the Service Level Agreements (“SLA”) changes that were part of the recently approved contract amendment. Mr. Montigney summarized the differences between the previous SLA and new SLA, then provided information on Ascensus’s performance meeting these new SLAs. Mr. Montigney stated that Ascensus decided to adhere to the new SLAs in anticipation of the contract amendments approval by DGS which became effective on April 13<sup>th</sup>. Mr. Montigney stated that some of the old SLAs were not met during the first quarter and noted that the new SLAs were met due to their decision to transition prior to the contract amendments approval. Mr. Montigney stated that during January and February there was an increase in year-over-year call volume, but that during March, there was a decrease in year over year call volume. Mr. Montigney attributed this to the prior year’s communications efforts surrounding the then approaching summer 2022 deadline and stated that there is no such deadline in 2023, only a year-end deadline.

Board Member Michelle Gastelum inquired about the SLA performance data displayed in the report and if the new SLAs were not met during the first quarter. Mr. Montigney responded that the new SLAs were met during the first quarter. Mr. Montigney confirmed that Ascensus was actively transitioning to the new SLAs during the first quarter but was still reporting based off the outgoing SLAs as they were technically still in effect until the contract amendment was approved on April 13<sup>th</sup>. Ms. Gastelum sought confirmation that during the first quarter all calls were answered in less than three minutes. Mr. Montigney clarified that the average call answer time was less than three minutes and that this was the term of the new SLA that Ascensus would be reporting on going forward. Mr. Montigney noted that, while not required under the new SLAs, Ascensus would in the future be providing a percentage of calls answered in three minutes or fewer.

Ms. Gastelum inquired why the volume of calls was reduced during March, but there was a faster call response time during February. Mr. Montigney noted that the call amounts during those months was roughly the same and stated that the number indicating a decrease in call volume during March was in comparison to March the prior year. Mr. Montigney highlighted that when Ascensus negotiated the new SLAs most of their experience was with the outgoing SLAs requirement of 85% of calls answered in 30 seconds or less. Mr. Montigney noted that there was some variation in performance throughout the quarter as Ascensus transitioned to the new SLAs but stated that the new SLAs were indeed met.

Mr. Montigney discussed the participant satisfaction scores (“PSAT”). Mr. Montigney noted that the PSAT percentage remained high through the entire quarter and correlated this with the new SLA being nearly as high the entire quarter. Mr. Montigney stated that the goal for PSAT was only 85% and that the PSAT for the first quarter was at least 5% higher than that even during the transition to the new SLAs.

Mr. Montigney introduced members of the Ascensus field team Shayne Layton and Carlos Serna. Ascensus representative Martha Nemecek discussed field team activities. Ms. Nemecek provided an overview of field team activities for the quarter and highlighted that 2,474 employers were brought into greater compliance due this outreach. Ms. Nemecek noted that most of all presentations were compliance-based outreach to assist employers in reaching greater compliance and stated that the field team conducted 13 employee presentations as well.

#### Public Comment

None

#### **Agenda Item 4 – Program Fund Audit for Fiscal Year 2021-22 (INFORMATION ITEM)**

CliftonLarsonAllen representative John-Paul LeChevallier presented the item. Mr. LeChevallier noted that the date of the audit was June 30, 2022, so the information will not reflect information discussed prior in the meeting. Mr. LeChevallier stated that the opinion of the auditor is referred to as an unmodified report or clean audit report and stated that this is the highest level of audit

report receivable. Mr. LeChevallier clarified that this audit was only of the Program Fund, not the Administrative Fund nor any other funds under the State of California. Mr. LeChevallier clarified that the report is not an audit of any employers contributing to the Program on behalf of their employees.

Mr. LeChevallier noted a significant increase in funds from fiscal year 2021 to fiscal year 2022 and discussed the contributions, loss of fair value of some investments and distributions to savers during fiscal year 2022. Mr. LeChevallier noted the different types of funds available to savers and the amounts of funds in each. Mr. LeChevallier highlighted that there were no corrections, adjustments, recommendations, or internal control deficiencies and congratulated CalSavers and Ascensus on running a clean operation.

Board Member David Oppenheim inquired about a section of the audit pertaining to the Investment Policy Statement that stated there were no provisions of the policy that address different specific types of risk and inquired if the audit had concluded that these should be included in the investment policy. Mr. LeChevallier stated that this statement in the audit report was standard language. Mr. LeChevallier stated that this section of the policy is meant to limit the investment options of the Program fund and that this had already occurred in the selection of mutual funds.

Mr. Oppenheim noted the recent bankruptcies of several banks and potential risks of changing interest rates and inquired if the finding of the audit was that there were funds that have these types of risks. Mr. LeChevallier stated that this was an issue more of mutual funds and not necessarily what the mutual funds are invested in and stated that this area of the audit report could be expanded in the next fiscal year's audit. Mr. LeChevallier confirmed that there was no finding or recommendation relating to these types of risks in the audit.

Public Comment

None

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

Meketa Investment Group representatives Mika Malone and Paola Nealon presented the item. Ms. Nealon discussed the performance of assets in the CalSavers Program. Ms. Nealon noted the funds ended the quarter in a positive position despite volatility in the markets and gave an overview of the different type of markets and their performance. Ms. Nealon stated that the TDFs with the highest growth asset allocation performed the best but stated that all TDFs performed well during the quarter. Ms. Nealon highlighted that all the market exposures that helped the longer dated funds hurt the shorter dated funds and vice versa. Ms. Nealon noted the historical performance of the TDFs showing negative one-year numbers and positive numbers for the quarter.

Public Comment

None

**Agenda Item 6 – Annual Review and Readoption of the Investment Policy Statement (ACTION ITEM)**

Mr. Lawyer discussed the Investment Policy Statement. Mr. Lawyer noted that statute requires the Board to review the investment policy statement annually. Mr. Lawyer stated that staff and the consultants had drafted some minor formatting changes and made some clarity improvements. Mr. Oppenheim commented that the State Controller’s Office had some language they wanted to work with staff to change in the investment beliefs pertaining to environmental, social, and governance (“ESG”) investments and how it represents savers who might want to invest in the ESG fund. Mr. Oppenheim stated that the Controller’s Office had a statement on Diversity Equity and Inclusion (“DEI”) and that they wanted to encourage the Board when selecting an investment manager that they consider experience with DEI as a factor. Mr. Oppenheim noted that the Controller’s Office was prepared to work with staff and bring language to Board at the August meeting.

Board Member William Sokol inquired if this would mean that the item was to be tabled for consideration at the next meeting. Chair Spencer Walker answered in the affirmative. Board Member Gayle Miller inquired if it made more sense to adopt the revised Investment Policy Statement as it was presented and then later amend it. Mr. Lawyer clarified that upon review of the language in the statute, the conclusion of staff and legal counsel was that the Board need not readopt the statement every year but simply review it every year.

Public Comment

None

ACTION: Item was tabled for discussion at the next scheduled meeting.

**Agenda Item 7 – Resolution 2023-01, Change of Subcontractor under Agreement No. CSCRSIB07-17A with Ascensus College Savings Recordkeeping Services, LLC (ACTION ITEM)**

Ms. Stroing discussed the proposed changes to the output vendor subcontracted under Ascensus from Venture Solutions to O’Neil Digital Solutions and noted that this change required Board approval. Ms. Gastelum inquired if the previous vendor was not meeting expectations. Mr. Montigney stated that there were no performance problems with the current vendor but that the proposed new vendor could provide services that the current vendor cannot. Mr. Montigney confirmed that the new vendor could provide greater capacity for growth and had more capabilities like color logo printing on deliverables that the prior vendor did not offer. Mr. Montigney noted that the proposed new vendor had a self-service portal where Ascensus staff could make edits directly which would streamline the process of producing and editing deliverables.

Public Comment

None



Board Action

Approval of Resolution 2023-01: Approval to change subcontractor under Agreement No. CSCRSIB07-17A with Ascensus as presented.

MOTION:

William Sokol

SECOND:

Gayle Miller

AYES:

Michelle Gastelum, Nam Le, David Low, Gayle Miller, David Oppenheim, William Sokol, Spencer Walker

NOES:

None

NOT PRESENT:

Heather Hooper, Stephen Prough

ABSTENTIONS:

None

ACTION:

Motion Passed

**Agenda Item 8 – Resolution 2023-02, Readoption of Amendments to Sections 10000, 10001, 10002, 10005, and 10006 of Chapter 15 of Title 10 of the California Code of Regulations (ACTION ITEM)**

Mr. Lawyer discussed the emergency regulations amendments the Board approved during the November 21, 2022, Board meeting to conform regulations to match the changes to the statute made by Senate Bill 1126. Mr. Lawyer stated that to maintain conformity with the statute while staff is undergoing the process of regular rulemaking, a readoption may be necessary.

Public Comment

None

Board Action

Approval of Resolution 2023-02: Approval to readopt emergency regulations amendments as presented by staff.

MOTION:

William Sokol

SECOND:

David Oppenheim

AYES:

Michelle Gastelum, Nam Le, David Low, Gayle Miller, David Oppenheim, William Sokol, Spencer Walker

NOES:

None

NOT PRESENT:

Heather Hooper, Stephen Prough

ABSTENTIONS:

None

ACTION:

Motion Passed

**Agenda Item 9 – Resolution No. 2023-03, Approval of Emergency Regulations Amendments to Section 10002 of Chapter 15 of Title 10 of the California Code of Regulations and Authority to Conduct Rulemaking (ACTION ITEM)**

Mr. Lawyer discussed the proposed emergency regulations amendments and stated that they would require employers registering with the Program to provide both their Federal Employment Identification Number and State Employment Identification Number. Mr. Lawyer noted that this would not impact employers' ability to register but would aid the Program in protecting private employer data.

Public Comment

None

Board Action

Approval of Resolution 2023-03: Approval to adopt emergency regulations amendments as presented by staff.

MOTION:

William Sokol

SECOND:

Gayle Miller

AYES:

Michelle Gastelum, Nam Le, David Low, Gayle Miller, David Oppenheim, William Sokol,  
Spencer Walker

NOES:

None

NOT PRESENT:

Heather Hooper, Stephen Prough

ABSTENTIONS:

None

ACTION:

Motion Passed

**Agenda Item 10 – Public Comment**

None.

The Board adjourned at 2:10 P.M.