



San Mateo County Financial Literacy Workshop

CalSavers Retirement Savings Program

April 30, 2019



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California Secure Choice Retirement Savings Investment Board



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The Problem

- Nearly ½ of Californians are projected to retire into economic hardship -- at or below 2x federal poverty level (UC Berkeley)
- Access Gap: 7.5 million Californians lack a workplace retirement plan (AARP)
 - 2/3 work for small businesses <100 employees
 - 2/3 are people of color
 - 58% are women

See appendix for detailed profile of eligible population





Uncovered Workers in the SF Bay Area

- 50% of employees in the Bay Area lack access to workplace retirement programs. (Pew)
- Estimates of Potential CalSavers Participants (EDD)
 - San Mateo County: 83,000 Employees at 4,600 Firms
 - SF County: 140,376 Employees at 7,023 Firms





A Solution: **Auto Payroll Deduction Savings**

Workers with a payroll deduction savings option are
15 times more likely
to be on a path to retirement security.

And **20 times** more likely
when it's automatic enrollment.
(AARP)





Brief History of CalSavers/SB 1234

- **2008:** Sen. de Leon began exploring solutions to retirement crisis
- **2012:** Passage of Senate Bill 1234 (de Leon)
- **2013:** Board established, began raising funds for Feasibility Study
- **2016:** Feasibility Study completed
- **September 2016:** Legislature passes revised SB 1234 & Governor Brown signs into law
- **April 2017:** First Executive Director appointed by Treasurer Chiang
- **August 2018:** Board approves administrator & investment manager contracts
- **November 2018:** Regulations approved, pilot program open, first pilot employers and employees enrolled
- **January 3, 2019:** First contributions made via payroll deduction

Full History: <https://www.treasurer.ca.gov/scib/history.asp>





Timeline for Implementation

- Pilot Program: November 2018 through June 30, 2019
- Program Open Fully Statewide (all eligible employers welcome): **July 1, 2019**
- Deadlines for Employers to Register:

Size of Employer	Deadline
More than 100 Employees	June 30, 2020
More than 50 Employees	June 30, 2021
5 or more Employees	June 30, 2022





Two Most Powerful Features of SB 1234

1) Employer Requirement:

All CA employers with 5 or more employees must either:

- Offer a retirement plan of employers' choice

Or

- Provide access to CalSavers for employees

2) Automatic Enrollment for Employees:

CalSavers is completely voluntary for employees, but if they don't opt-out within 30 days of notification, they will be automatically enrolled.





What is CalSavers?

Simple, portable, low-fee way for workers to save and grow their own money.

- **Automatic payroll deduction IRA** (Individual Retirement Account)
- **Completely Voluntary** for employees; savers may opt-out at any time
- **Simple option:** automatic enrollment at work, automatic escalation of contributions, default investment options to make saving easy and automatic
- **Portable** from job to job
- **Gig Workers**, self-employed, and other individuals welcome, too
- **Zero cost to State, taxpayers:** Program is self-sustaining with participant fees
- **Professionally Managed** by Ascensus, State Street Global Advisors, Newton Inv. Mgmt.
- **Transparently Governed** by a public board chaired by State Treasurer





CalSavers Features

- **Default Contribution Rate:** 5%, with 1% automatic escalation to 8% (participant may change rates at any time)
- **IRA Type:** Default is Roth IRA (allows for penalty-free & tax-free withdrawals of contributions); Traditional IRA as an elective option
- **Investments:** 5 Options, default for 1st \$1,000 into Money Market with subsequent contributions defaulting into Target Date Fund (asset allocation based on age and automatically adjusts over time)
- **Fees:** Most aggressively declining fees among peers; at scale will be among lowest in industry (see detail in appendix)
- **Accessibility:** mobile app, superb customer service call center, multi-lingual





Expected Impact

CalSavers + CA's new \$15/hr min. wage =
50% increase
to young low-income workers' retirement incomes

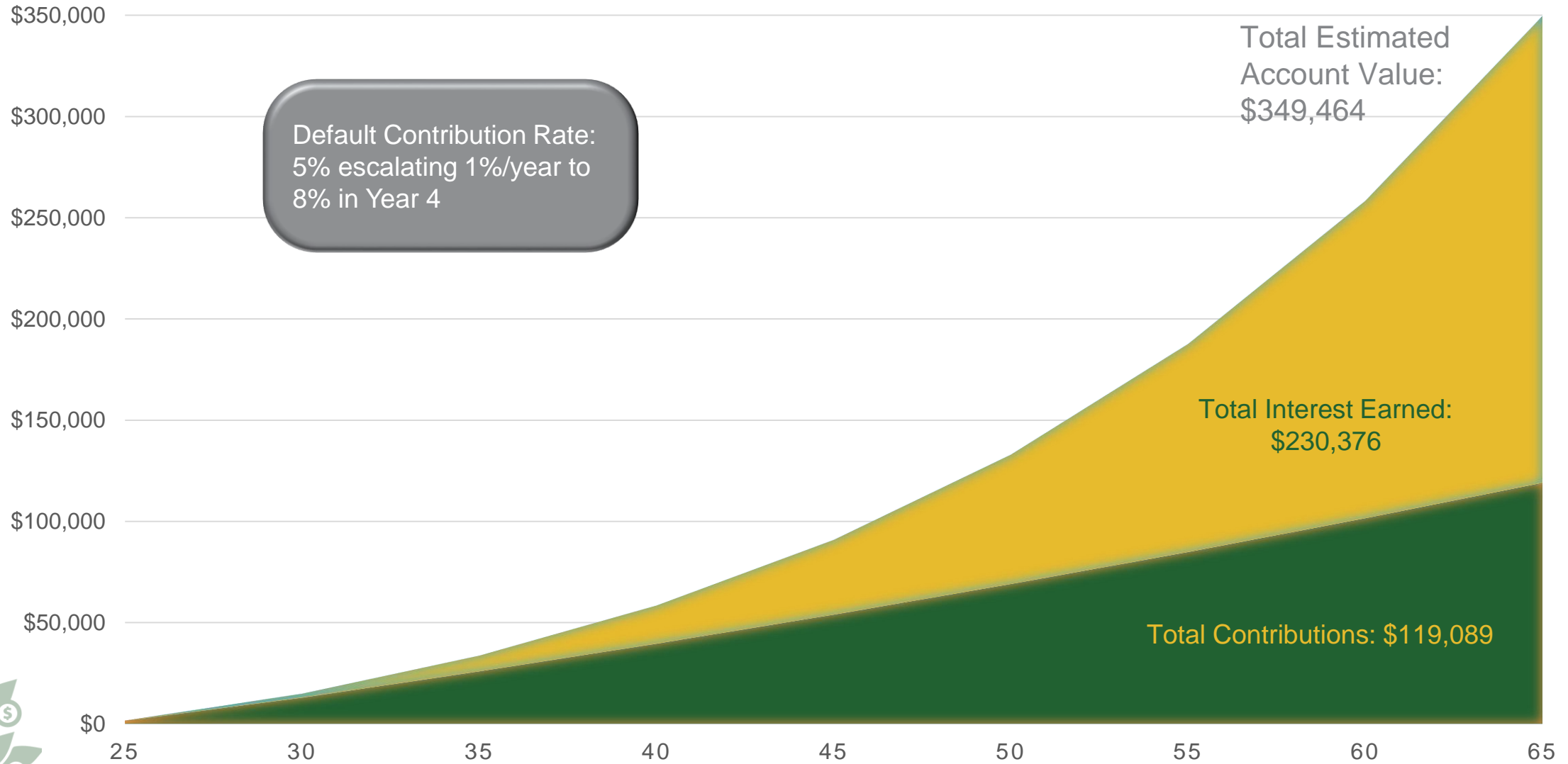
(UC Berkeley Labor Center)

\$15/hr CA minimum wage by 2023; some cities sooner LA (7/1/21) and SF (7/1/18)





THE POWER OF COMPOUND INTEREST: SCENARIO

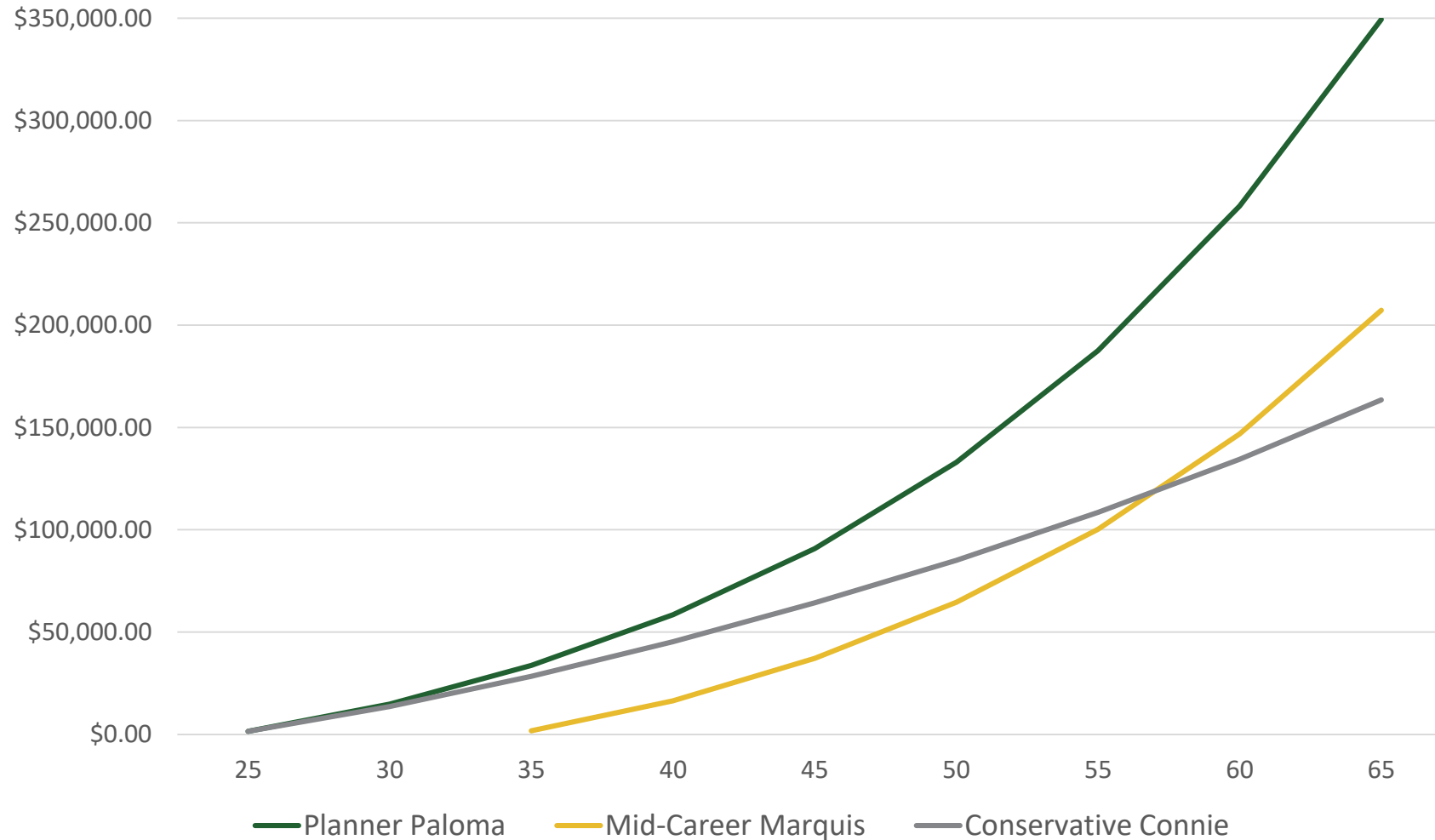


Scenario assumptions: starting salary of \$30,000 with 1% salary increase per year; hypothetical rate of return is 5%.
Investment returns may vary, are not guaranteed, and assets may lose value.



The Power of Compounding Interest

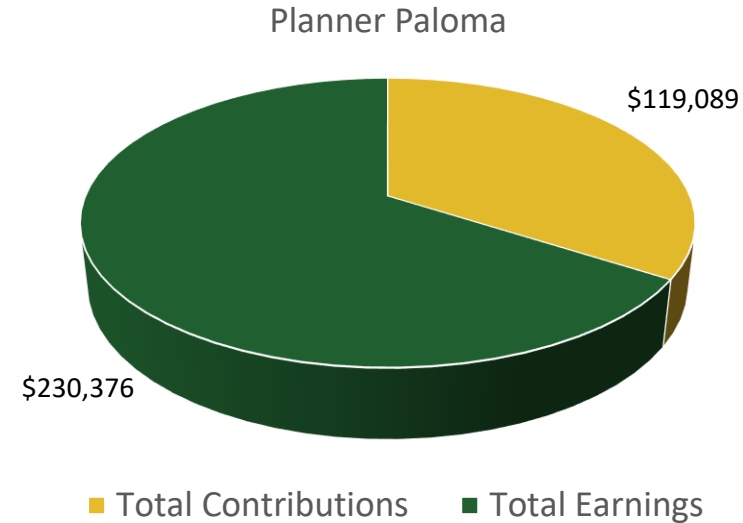
Savings Growth Over Time



Scenario A: Keep automatic settings

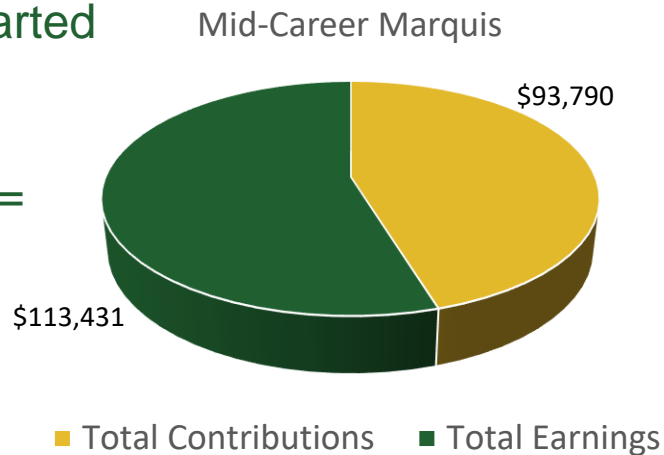
Planner Paloma began saving at age 25, followed the default settings.

- contributed \$119,089 / 40 years
- At 65, total balance = \$349,464 (Almost 3x her investment.)



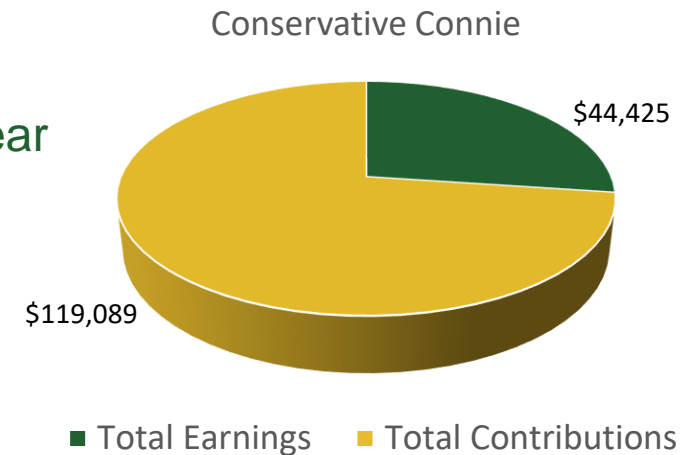
Mid-career Marquis started at 35, followed the defaults.

- At age 65, balance = \$207,221



Conservative Connie saved in her bank account, earned 2%/year and paid taxes.

- At 65 balance = \$163,513.



Scenario based on CalSavers default contribution settings: beginning with a 5% annual contribution rate, escalating 1% per year until reaching 8%. Hypothetical participants began their careers earning \$30,000 per year and received a 1% salary increase per year. Hypothetical CalSavers rate of return for these scenarios was 5% per year. Investment returns may vary, are not guaranteed, and assets may lose value. Hypothetical bank scenario earned 2% per year and paid taxes on returns based on 2018 tax rates for individual filers.



Barriers for Small Business/Non-profits

3 hurdles preventing small employers from offering a plan:

- Cost
- Administrative burden
- Fiduciary liability

CalSavers will address all 3:

- No fees for Employers
- Easy to facilitate
- Employers are not fiduciaries





Employer Role

Ongoing requirements:

- Maintain their employee census
- Calculate and deduct employee contributions as part of your existing process
- Remit contributions in one transfer per pay period

Employers Do Not:

- Make an employer contribution
- Answer questions about program/participation – refer to program
- Make changes to employee accounts/settings – refer to program
- Provide investment advice
- Encourage or discourage participation





CalSavers: Fiscal Responsibility

Program is self-sustaining, funded by a small fee on participants

- No cost to the state, taxpayers
- Free for employers to participate
- No employer liability

Program will be a net positive for taxpayers

- Reduced need for taxpayer-funded public assistance programs for impoverished elders



Pilot Program Feedback



"I'm a businessman. I'm very leery of government. But wow, I'm very impressed with CalSavers... This will allow us to attract employees better, and we can better retain them with a retirement [program]." – Lorenzo Harris, Janico Building Services



CalSavers @CalSavers · Mar 19

"It couldn't be easier," says Teckla, Office Manager at Triple E Trucking of their participation in @CalSavers. Great to visit Teckla and Sandy in Bakersfield today!



"What I love about CalSavers is that it is very low impact for me as an employer, but the potential impact for my employees is huge... This tries to address a culture of saving. I have employees who are quite excited about this possibility." – Christin Evans, The Booksmith



www.calsavers.com

Sign up to receive updates: www.treasurer.ca.gov/scib

Follow us on Twitter: [@CalSavers](https://twitter.com/CalSavers)

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CalSavers Fees

The total fee for CalSavers is based on two underlying fees:

1) Program administration fee

- Covers cost of managing the day-to-day operations of the program, repays startup loan
- This fee will automatically go down as the program grows.

2) Investment management fee

- Cover the cost of managing the investments.
- Ranges from 0.025% to 0.15% depending on investment option

Total Fee at Program Launch (Admin + Investments)=

0.825% – 0.95% depending on investment selection

~or~

82.5¢ – 95¢ for every \$100 per year





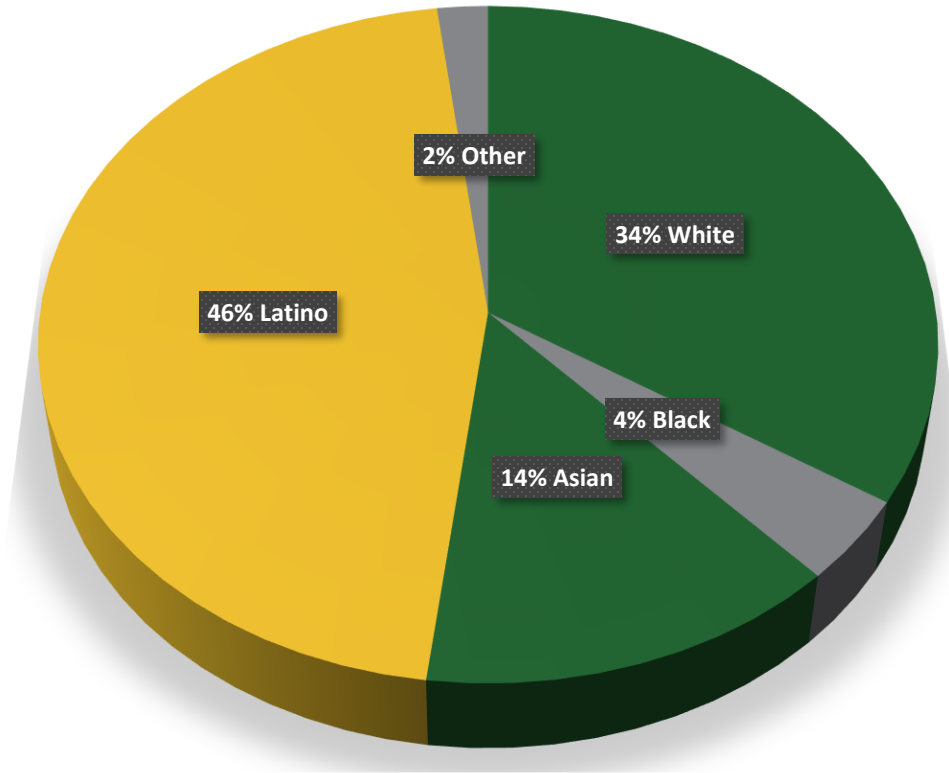
Profile of Eligible Population: Work

- What is their average income?
 - \$35,146
- Where do they work?
 - 13.3% Retail
 - 12.3% Accommodation and Food Service
 - 11.0% Manufacturing
 - 11.0% Health Care and Social Services
 - Other top fields: Management/Administration/Support Waste Management Services; Wholesale, Transportation & Warehousing; Construction

Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016

Profile of Eligible Population: Race

Race/Ethnicity of Eligible Workers, 2012-2014



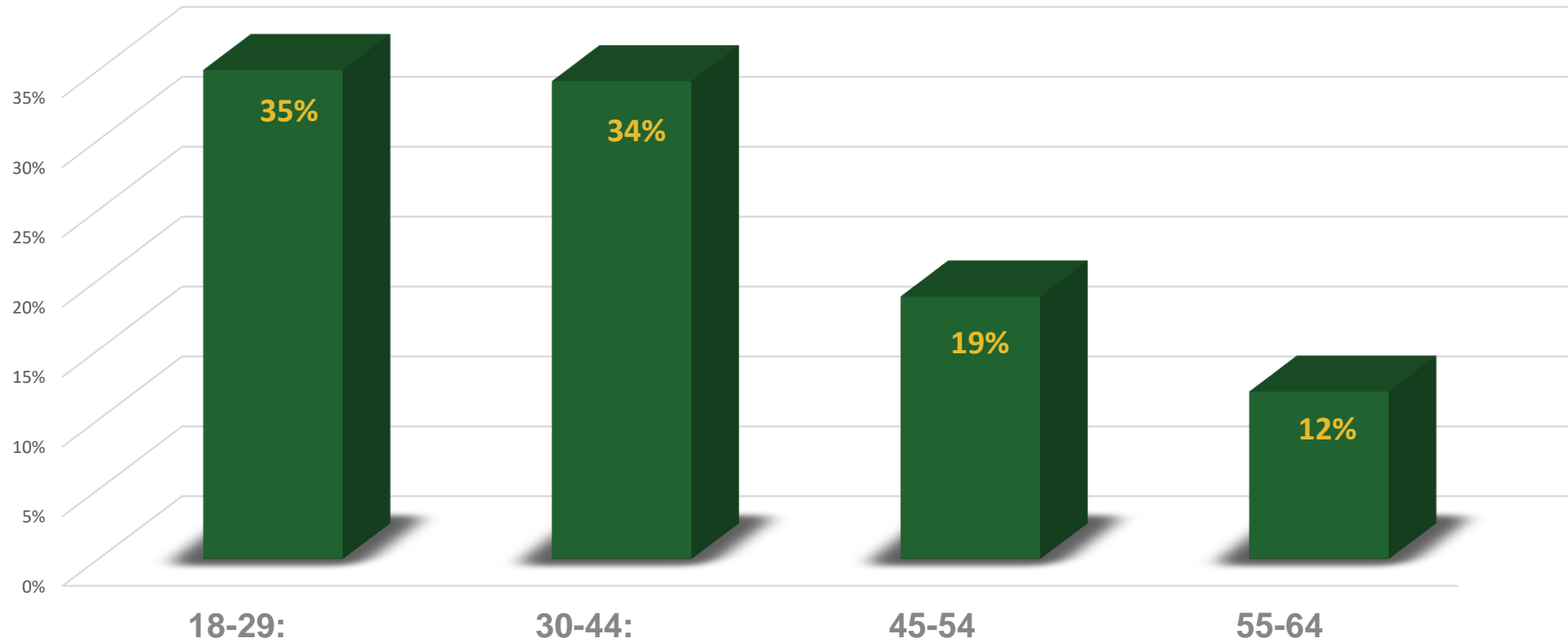
Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016



Profile of Eligible Population: Age

59% of the eligible population is under 40

Age Profile of Eligible Workers, 2012-2014



Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016