



Chino Hills Small Business Workshop

CalSavers Retirement Savings Program

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California Secure Choice Retirement Savings Investment Board



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



Eligibility in the Los Angeles Region



- In the Los Angeles-Long Beach-Santa Ana metropolitan area 62% of employees lack access to work place based retirement programs. (Pew)
- Estimate of Potential CalSavers employers in Los Angeles County (EDD)
 - 60,700+ firms with an estimated 1.55 million employees.





A Solution: Automatic 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)



Two Most Powerful Features of SB 1234



1) Employer Requirement:

All CA employers with 5 or more employees must either:

- Offer a qualified retirement plan of employers' choice
- Or
- Register for CalSavers and facilitate for employees

2) Automatic Enrollment for Employees:

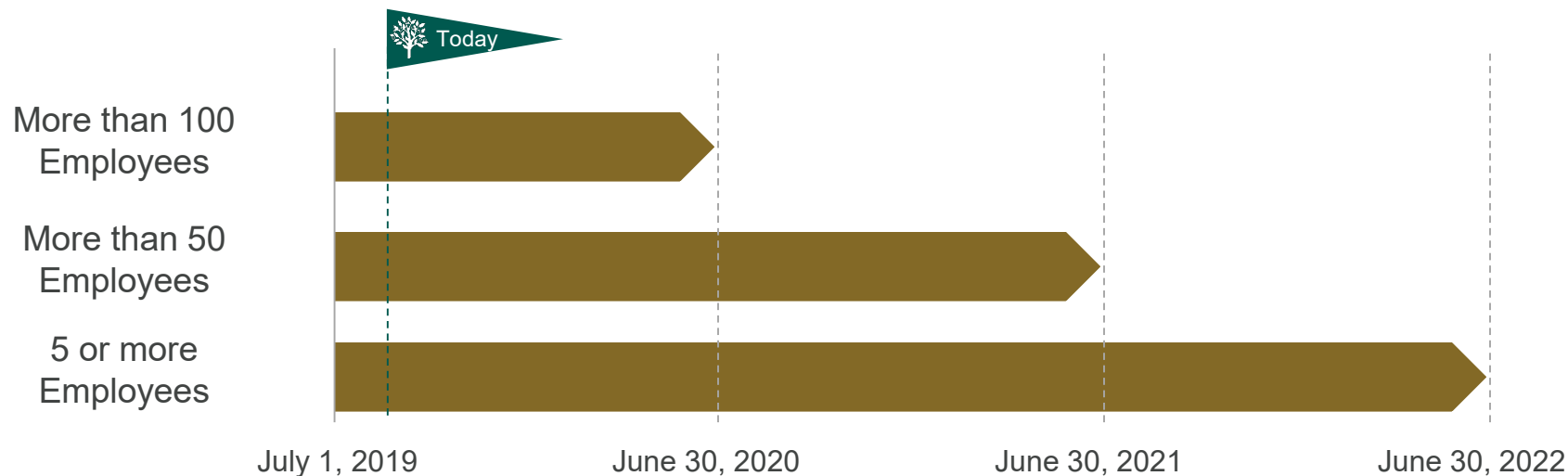
CalSavers is completely voluntary for employees, but if they don't opt-out within 30 days of notification, they will be automatically enrolled. May opt-out and back in at any time.



Employer Registration Deadlines



Eligible employers can register **AT ANY TIME** **but** must register by their enrollment deadline if they do not offer an employer-sponsored retirement plan.



Qualifying Retirement Plans



- Qualified pension plans
- 401(k) plans
- 403(a) plans
- 403(b) plans
- Simplified Employee Pension (SEP) Plans
- Savings Incentive Match Plan For Employees (SIMPLE) Plans
- Payroll deduction IRAs **with automatic enrollment**



Barriers for Small Business



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



Minimal requirements:

- Register business, designate payroll company if any (Less Than 10 Minutes)
- Upload employee information (Simple Templates Available)
- Facilitate automatic contributions from participating employees (One Transfer)

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



What is CalSavers?



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

- **Automatic Payroll Deduction IRA** (Individual Retirement Account)
 - Default: Roth IRA – allows for penalty-free & tax-free withdrawals of contributions
 - Traditional IRA available as an elective option (end of 2019)
 - Default Contribution Rate: 5%, with 1% automatic escalation to 8%
- **Customizable**
 - Savers choose their own contribution rate
 - Savers choose their own investments from a simple 5 option menu
 - Completely voluntary for employees; savers may opt-out at any time
- **Accessible** Mobile app, superb customer service call center, multi-lingual
- **Portable** from job to job



What is CalSavers? continued..



- **Gig Workers**, self-employed, and other individuals welcome to register themselves
- **Professionally Managed & Advised** by Ascensus (administrator), State Street Global Advisors and Newton (investments), AKF Consulting, Meketa Investment Group, and K&L Gates
- **Transparently Governed** by a public board chaired by State Treasurer
- **Low fee:** Most aggressively declining fees among peers; at scale will be among lowest in industry (see detail in appendix)
- **Zero Cost to State, taxpayers:** Program is self-sustaining with participant fee



Saver Eligibility



Employee Eligibility:

- All W-2 employees with CA wages, subject to CA Unemployment Insurance are eligible and must be added to roster – part-time and seasonal included
- 18 years of age or older
- Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) required

Individual Eligibility (self-employed, “gig”, or employees of non-mandated employers):

- 18 years of age or older
- Earned income
- SSN or ITIN required



Employers With <5 Employees



Employers with less than five employees are not subject to the mandate

- not required to register for CalSavers
- no automatic enrollment of their employees

Individual saver participation is welcome in the program starting fall 2019

- Individuals can open an account at **CalSavers.com**
- Individual participants may ask their employer to facilitate their payroll contribution, but the employer is not required to do so



Consumer Protections



- **Strict Privacy Policy:** The program will not share personal information with employers or any government or private entities.
- **Overseen by a Transparent Public Board**
 - Chaired by State Treasurer
 - All decisions made in meetings that are open to the public
 - Public comment welcome
- **Fiduciary Role:** The board, staff, and relevant contractors are fiduciaries and make decisions in the best interest of participants

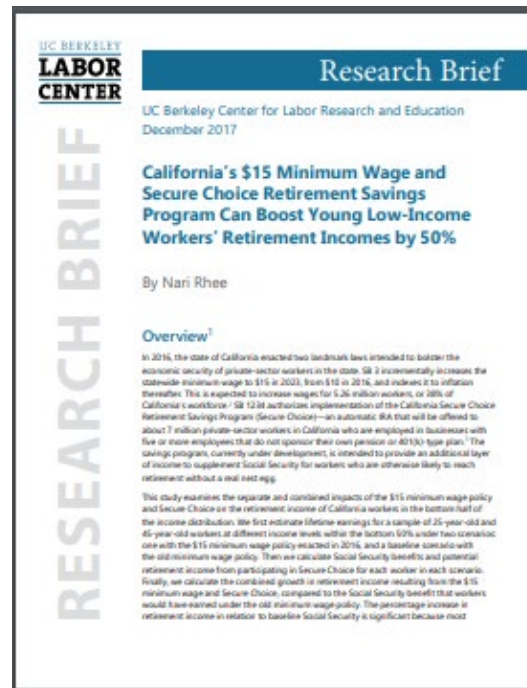


Expected Impact

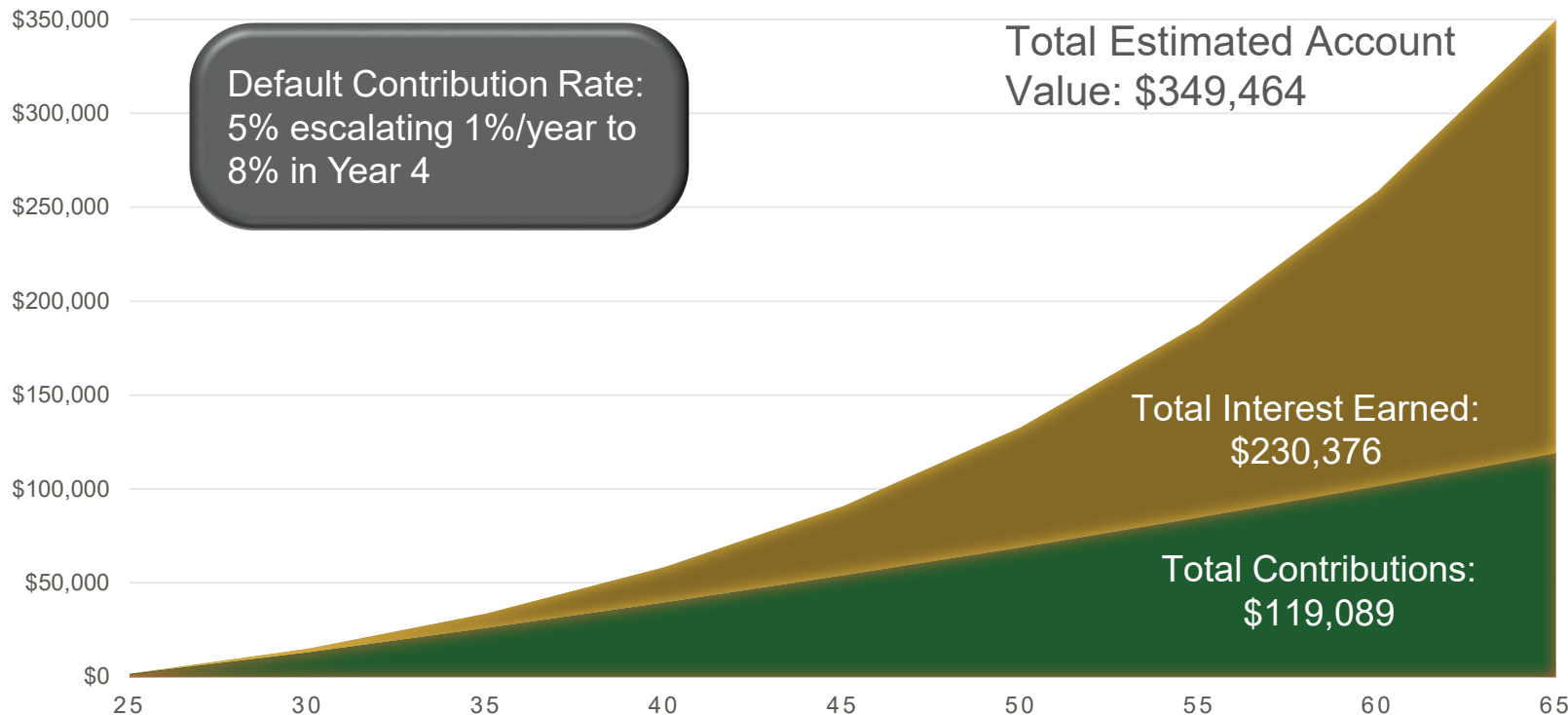
CalSavers + CA's new min. wage =
50% increase
to young low-income workers' retirement
incomes

(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.

Pilot Program Feedback



"I'm a businessman. I'm very leery of government [mandates]. 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



Next Steps



- If you qualify, join anytime
- Likely that members' peers, family, and friends will be affected – please help spread the word



Thank you

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www.treasurer.ca.gov/scib



www.calsavers.com



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RETIREMENT SAVINGS PROGRAM

California Secure Choice Retirement Savings Investment Board



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State Treasurer Fiona Ma, Chair



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Heather Hooper



Robert Purcell



William Sokol



Yvonne Walker

Vacant



Brief History of CalSavers



- 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: Gov. Brown signs SB 1234 into law
- April 2017: First Executive Director appointed by Treasurer Chiang
- August 2018: Board approves contracts for Ascensus and State Street
- November 2018: Regulations approved, pilot program open, first pilot employers and employees enrolled
- January 3, 2019: First contributions made via payroll deduction
- July 1, 2019: Full Launch – Program open statewide



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

CalSavers Fees



1: Program Administrator Fee

Asset Level	Total Annual Fee
\$0 - \$5 Billion	75 bps
\$5 Billion - \$10 Billion	60 bps
\$10 Billion - \$15 Billion	45 bps
\$15 Billion - \$20 Billion	35 bps
\$20 Billion - \$25 Billion	25 bps
\$25 Billion - \$30 Billion	23 bps
\$30 Billion - \$35 Billion	18 bps
Greater than \$35 Billion	15 bps

3: State Administrative Fee

5 bps, set by the Board in October 2018

2: Investment Manager Fee

Investment Option	Underlying Investment	Total Annual Fee
CalSavers Money Market Fund (default for 1 st \$1000)	State Street Institutional U.S. Government Money Market Fund (GVMXX)	12 basis points
Target Date Fund (default for contribs after 1 st \$1000)	State Street Target Retirement Funds (multiple)	9 basis points
Global Equity Fund	Combination of: State Street Equity 500 Index Fund (SSSYX), and;	2 basis points
	State Street Global Equity ex-US Index Fund (SSGLX)	6.5 basis points
High Quality Bond Fund	State Street Aggregate Bond Index Fund (SSFEX)	2.5 basis points
Sustainable Balanced Fund (Environmental, Social, Governance Factors)	Newton Sustainable Global Equity Fund (60%) + Bloomberg Barclays MSCI US Agg ESG Weighted Index (40%)	15 basis points

Total Fee at Program Launch (1+2+3)=
0.825% – 0.95% depending on investment selection

Profile of Eligible Population: Work

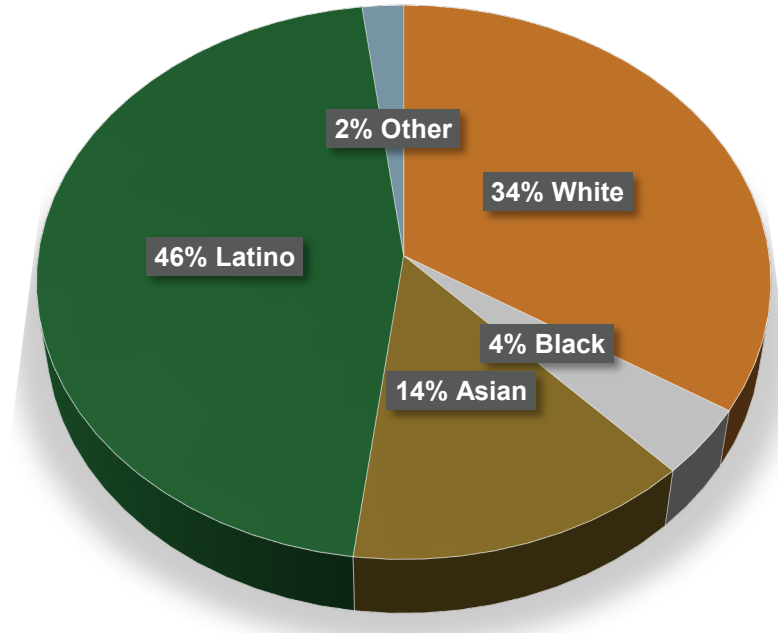


- What is their average income?
 - \$35,146
- Where do they work?
 - 13.3% Retail
 - 12.3% Accommodation and Food Service
 - 11.0% Manufacturing
 - 11.0% Health Care and Social Services
 - Other top fields: Management/Administration/Support Waste Management Services; Wholesale, Transportation & Warehousing;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



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

