



Merced Small Business Workshop

# Introduction to CalSavers

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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*





# 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 retirement plan of employers' choice

Or

- Facilitate 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.



# 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
>100 Employees	June 30, 2020
>50 Employees	June 30, 2021
5+ Employees	June 30, 2022







# 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/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





# 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 & 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





# 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





# Employers With <5 Employees

Employers with less than five employees are not subject to the mandate, may not participate in automatic enrollment of their employees, and are not required to register for CalSavers.

Individual saver participation is welcome in the program starting fall 2019

- Individuals can open an account on their own directly on the website
- Individual participants may ask their employer to facilitate their payroll contribution, but the employer is not required to do so





# Saver Eligibility

## Employee Eligibility:

- All W-2 employees with CA wages, subject to CA Unemployment Insurance are eligible and must be added to roster – regardless of hours worked
- 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





# 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





# Consumer Protections

- **Strict Privacy Policy:** The program will not share personal information with employers or any government or private entities (unless required by law).
- **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

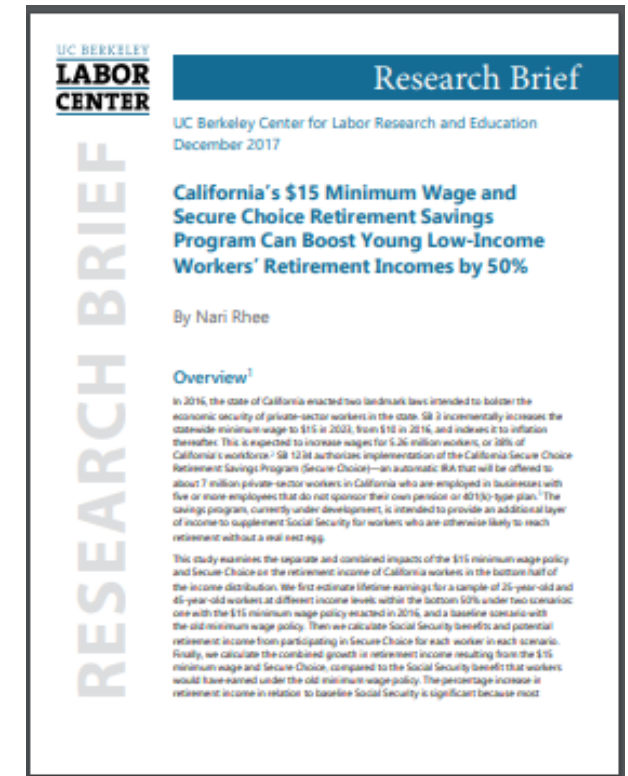


# Expected Impact

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

(UC Berkeley Labor Center)

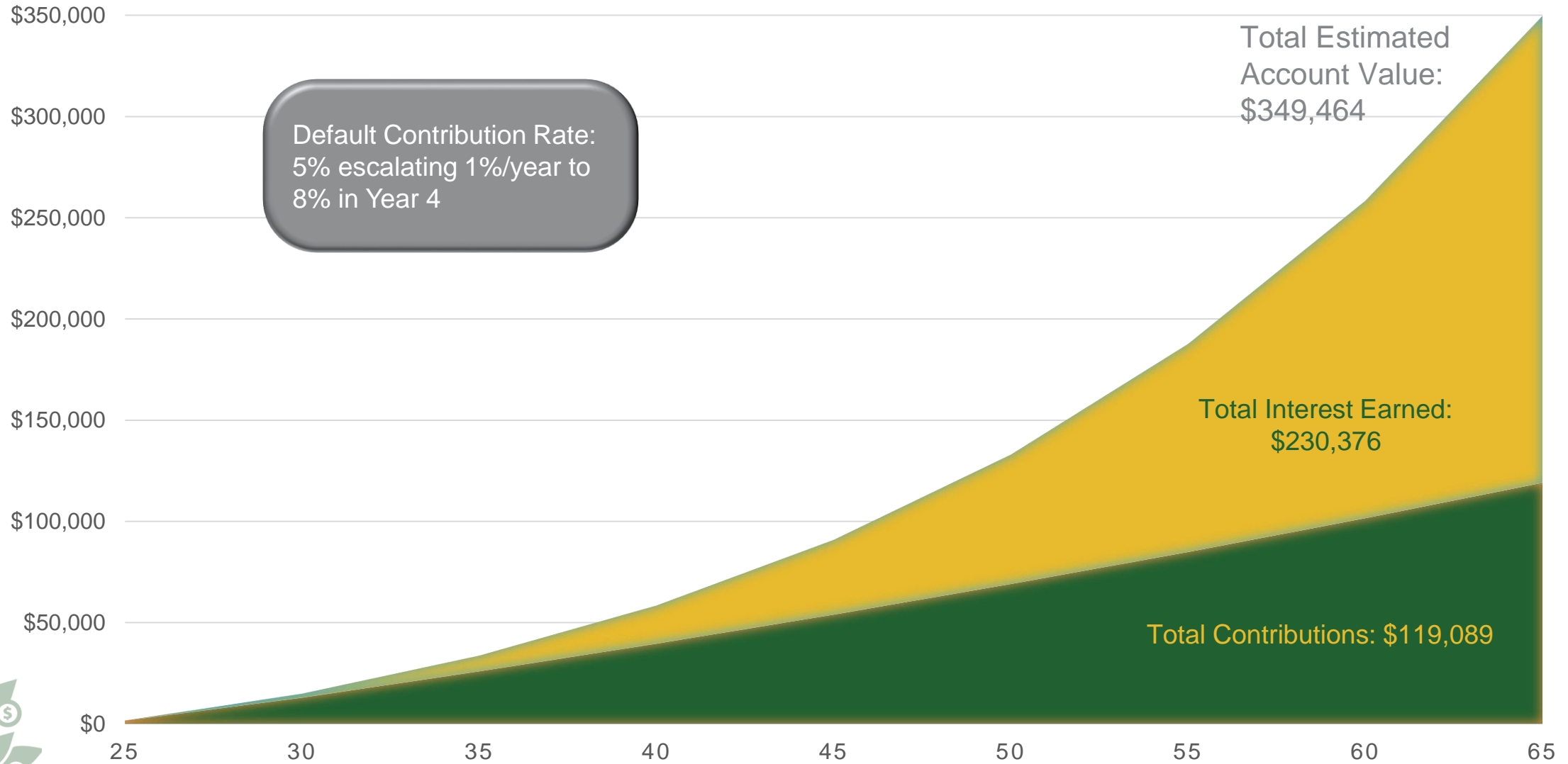
\$15/hr CA minimum wage by 2023; some cities sooner LA (7/1/21) and SF (7/1/18)







# 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



"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



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!





# Next Steps

- If you qualify, join after July 1 – preregister starting June 1
- Likely that members' family and friends will be affected
- Opportunity to help CalSavers raise awareness through:
  - ✓ existing communications channels and word of mouth
  - ✓ special events/workshops where CalSavers or partner staff provide content/speakers







[www.calsavers.com](http://www.calsavers.com)

Sign up to receive updates: [www.treasurer.ca.gov/scib](http://www.treasurer.ca.gov/scib)

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# 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

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



# 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





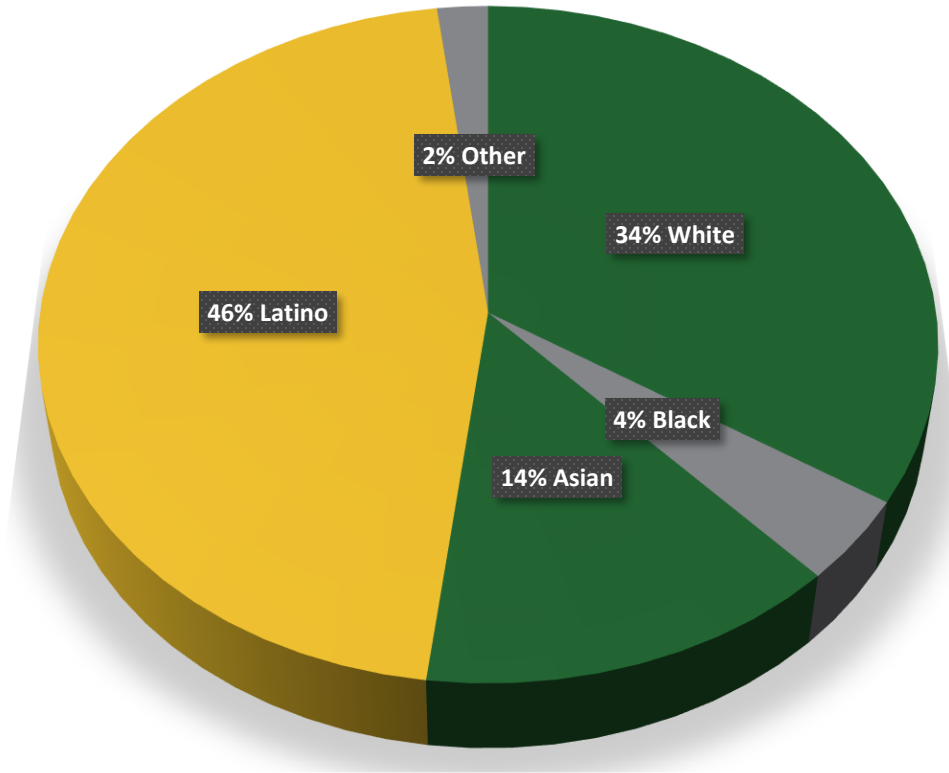
# Profile of Eligible Population: Work

- 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



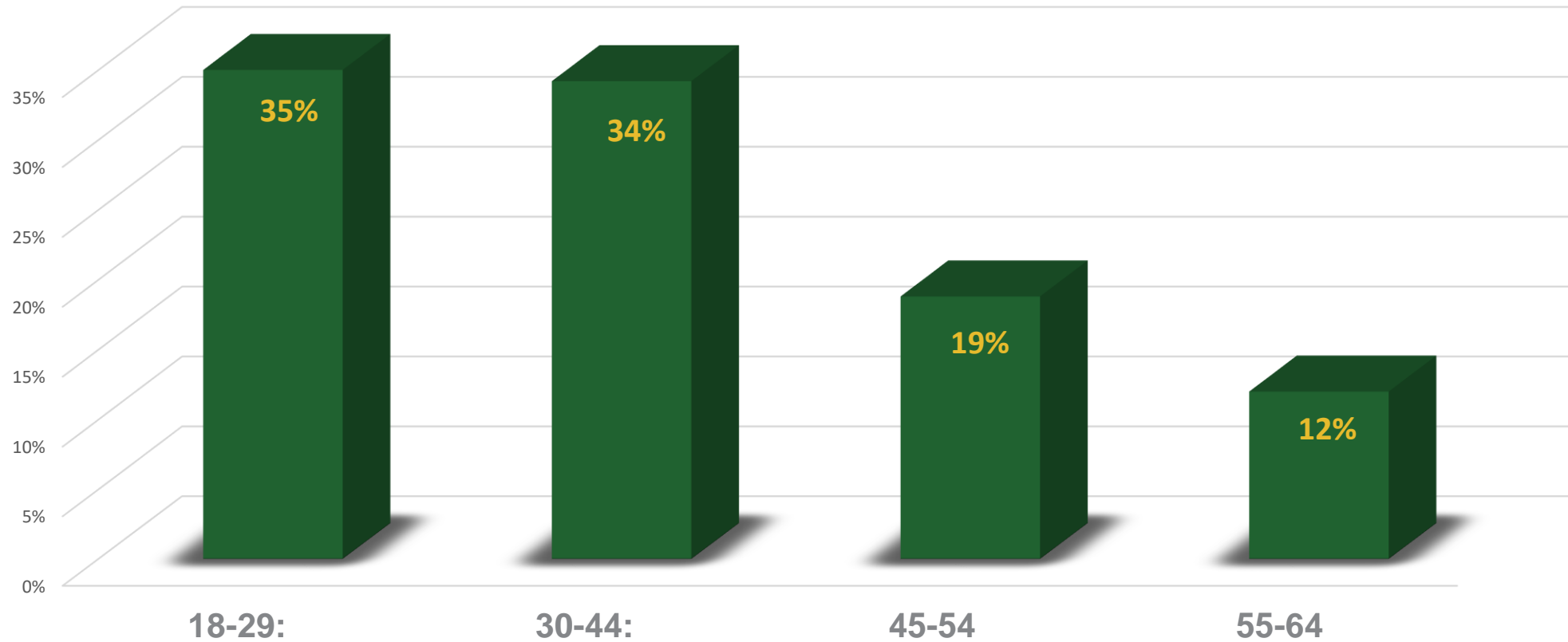
Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016



# 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