



Rowland Heights Small Business Seminar 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 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: **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)





Employer Requirement

All CA employers with 5 or more employees must either:

- Offer a retirement plan of employers' choice
- **Or**
- Provide access to CalSavers





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





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** by Ascensus, State Street Global Advisors, Newton Inv. Mgmt.
- **Transparently Governed** by a public board chaired by State Treasurer





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**





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





Employer Role

Minimal administrative 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)

Once the employer provides the employee list, CalSavers will communicate directly with employees about enrollment and any changes to their account or questions going forward.





Employer Role

Ongoing administrative 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





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





Expected Impact

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

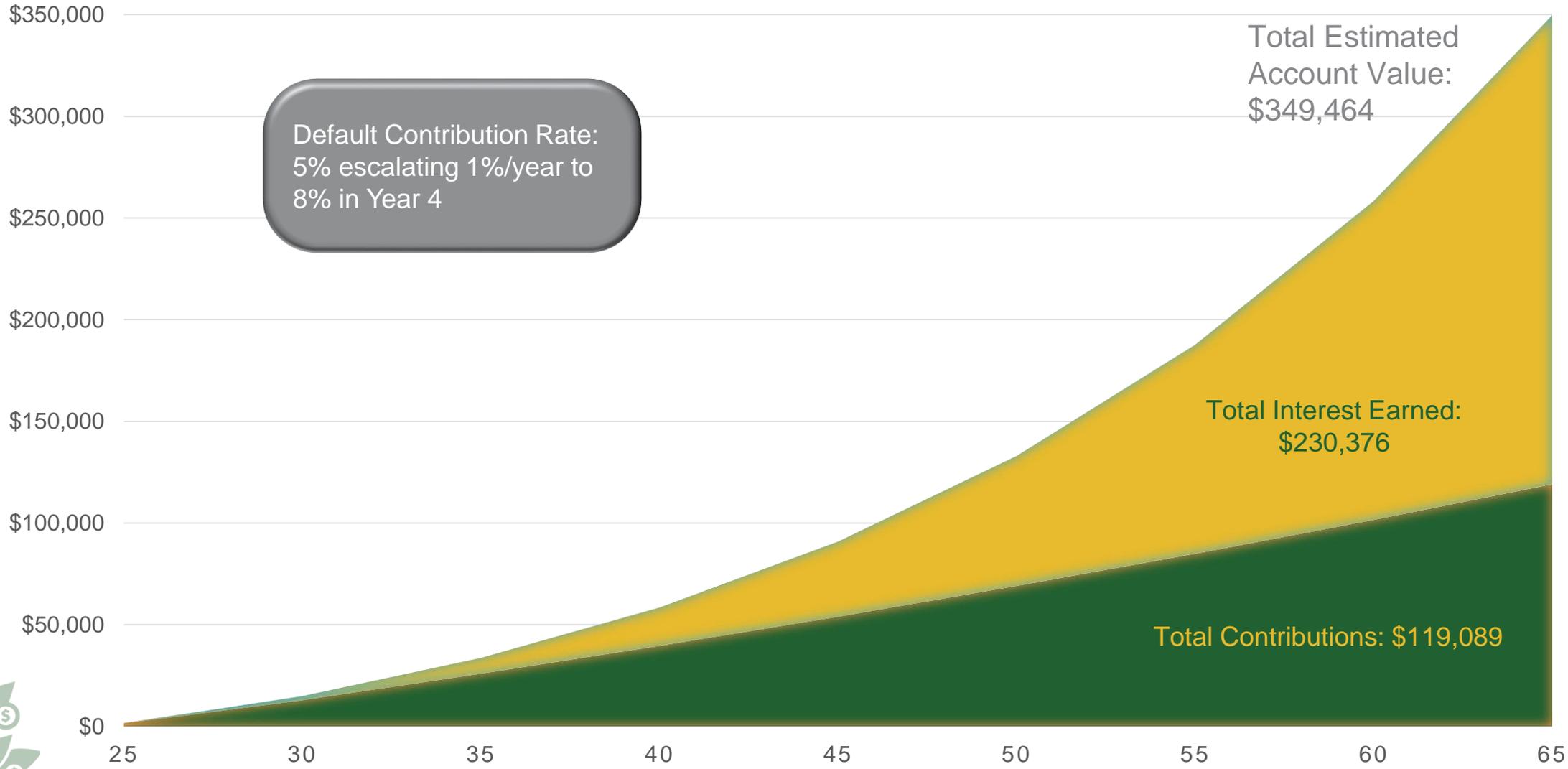
(UC Berkeley Labor Center)

\$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.



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

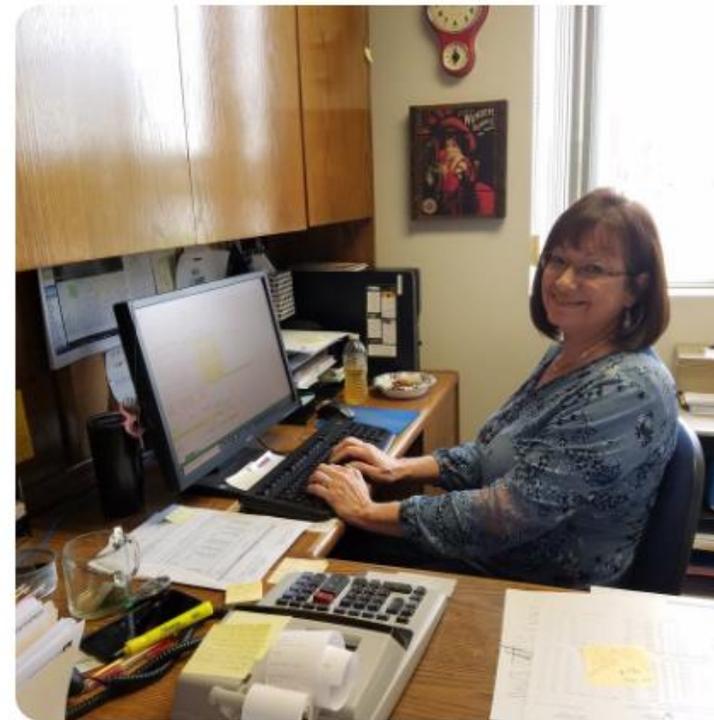


"What I love about CalSavers is that it is very low impact for me as an employer, but the potential impact for my employees is huge... This tries to address a culture of saving. I have employees who are quite excited about this possibility." – Christin Evans, The Booksmith



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!





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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





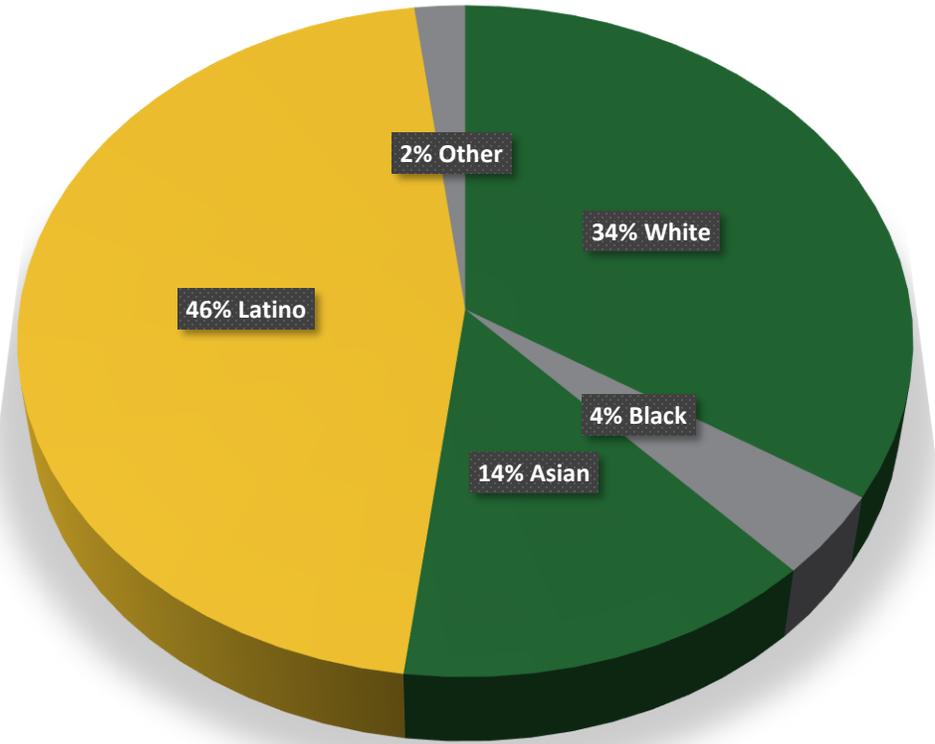
Profile of Eligible Population: Work

- 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



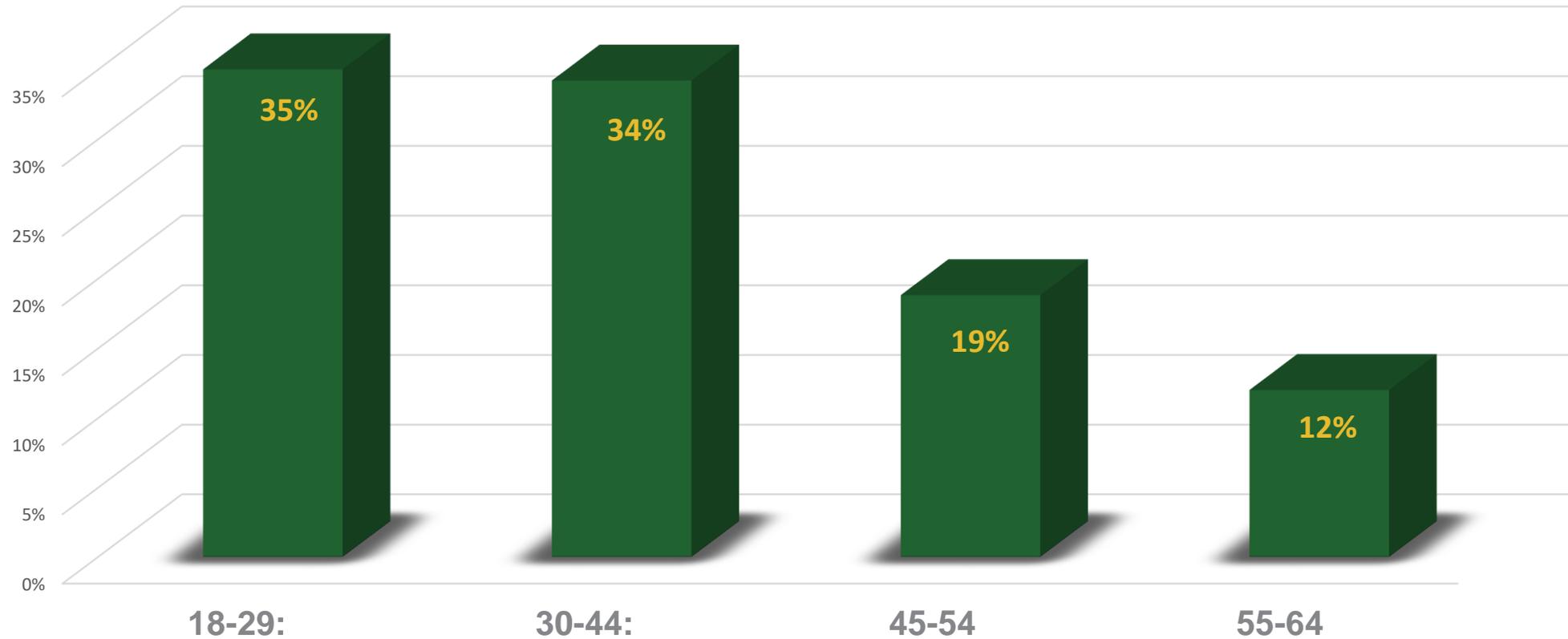
Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016



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