



Savings Plus Program

**The supplemental retirement program for
State of CA employees**

What is Savings Plus?



- ▶ The supplemental retirement program for state of CA employees (includes CSU and retired annuitants)
- ▶ 457 Plan - Eligible Plan
- ▶ 401(k) Plan - Qualified Plan
- ▶ Both before-tax and Roth options
- ▶ Participants - 187,932 (active and retired)
- ▶ Total Assets - \$11 Billion
- ▶ Participation Rate - 54%

Participation Rates



Averages	Savings Plus
Age of participant	46 years old
Salary	\$73,868
Annual contribution amount	\$8,200
Account balance	457 - \$43,042 401(k) - \$49,648
Savings Rate	11%

Background



- ▶ How the Program Started
- ▶ Authority

Program	Authority	Year Implemented
457 Deferred Compensation	CCR Title 2, Division 1, Chapter 3, Subchapter 1 Article 27 - 457 Deferred Compensation Plan § 599.940 § 599.941 §599.942 § 599.943 §599.944 California Government Code Section 19993	1974
401(k) Thrift Plan	CCR Title 2, Division 1, Chapter 3, Subchapter 1 Article 27.6 - 401(k) Retirement Savings Plan §599.946 California Government Code Section 19999.5	1989

Governance Structure



- ▶ Director of CalHR Sole Fiduciary
- ▶ Governed by:
 - IRC Sections 457(b) and 401(k)
 - Plan Documents
 - Investment Policy Statement
- ▶ Not subject to ERISA (carry Fiduciary Insurance Policy)
- ▶ Savings Plus - provides oversight
- ▶ Investment Committee

Funding Structure

- ▶ Self funded - no state funds
- ▶ Participant fees - \$1.50/month
- ▶ Investment reimbursements - 0.05%
- ▶ Securities Lending Program
- ▶ No participant transaction fees

Operating Budget



- ▶ Subject to State Budget Process
- ▶ Annual Budget - \$12.851m
- ▶ Personnel Costs - \$1.775m
- ▶ OE&E - \$2.303m
- ▶ External Contracts (TPA, Consultants, and Legal) - \$8.773m

Unbundled Program Structure



- ▶ Third Party Administrator (TPA)
- ▶ Trustee/Custodian
- ▶ Consultants
- ▶ Investment Managers
- ▶ Securities Lending Agent
- ▶ Transition Managers
- ▶ Legal Counsel

Function of TPA



- ▶ Recordkeeping
- ▶ Call Center
- ▶ Processing (Death, Loans, QDROs, Distributions, etc.)
- ▶ Website
- ▶ Marketing
- ▶ Education and Outreach
- ▶ Brokerage Option
- ▶ Advisory Services

Trustee/Custodian



- ▶ Ensure timely settlement of securities
- ▶ Provide fund accounting for investment options
- ▶ Direct daily investment buy/sell transactions
- ▶ Provide investment compliance monitoring
- ▶ Maintain possession of securities held in separate accounts
- ▶ Serve as a co-fiduciary

Consultants



- ▶ Wilshire (co-fiduciary)
 - Conduct due diligence visits with Investment Managers
 - Perform investment monitoring functions
 - Develop quarterly investment evaluation reports

- ▶ RVK (co-fiduciary)
 - Recommend investment portfolio design changes
 - Report on current investment trends and issues
 - Conduct vendor searches and assist with implementation

Investment Managers



- ▶ Manage program assets consistent with corresponding mandate and Investment Agreement
- ▶ Report investment results
- ▶ Vote proxies and corporate actions in the best interest of the Program
- ▶ Hold annual due diligence meetings with Savings Plus and consultants

Investment Structure



Actively Managed Options:

- ▶ Short Term Investment Fund (STIF) - Cash
- ▶ STIF - Low Duration Bond Fund
- ▶ Bond Fund
- ▶ Diversified Real Return Fund
- ▶ Large-Cap Fund
- ▶ Mid-Cap Fund
- ▶ Small-Cap Fund
- ▶ International Fund
- ▶ Socially Responsible - Balanced Fund

Investment Structure (continued)



Index Funds:

- ▶ Bond Index Fund
- ▶ Large-Cap Index Fund
- ▶ Mid-Cap Index Fund
- ▶ Small-Cap Index Fund
- ▶ International Index Fund

Target Date Funds (TDF)* Brokerage Option

* Used as the QDIA

Investment Option Utilization



Most Utilized

- ▶ Large-Cap Index Fund = 14.1%
- ▶ STIF - Low Duration Bond Fund = 12.4%
- ▶ Large-Cap Actively Managed Fund = 11.8%
- ▶ Mid-Cap Fund = 9.8%
- ▶ STIF - Cash = 8.3%
- ▶ TDF (all) = 16.8%

Least Utilized

- ▶ Diversified Real Return Fund = 0.2%
- ▶ Socially Responsible Fund = 1.3%
- ▶ Bond Fund = 1.4%

Brokerage Account = 5% of assets

Investment Fees



Low cost funds

- Actively Managed Short Term Funds (0.13% - 0.15%)
- Actively Managed Equity Funds (0.37% - 0.74%)
- Index Funds (0.06% - 0.12%)
- Target Date Funds (0.22% - 0.35%)

Fee Transparency

- Investment Operating Expenses
- Investment Performance Report
- Annual Fee Disclosure Statement

Investment Monitoring



- ▶ Investment Policy Statement
- ▶ Monitor investment performance quarterly
 - Benchmark
 - Peer Groups
- ▶ Annual Due Diligence review with each Manager
- ▶ Redemption Fee 2.5% - International Fund Options

Investment Tools



Financial Assistance

- ▶ Free on-line advise tool through Financial Engines
- ▶ Professional Management (for a fee 0.45%)
- ▶ Licensed Advisors via the call center
- ▶ Licensed Field Representatives

Plan Design



Contributions

- ▶ Multiple payroll and demographic feeds to TPA
- ▶ Contributions post the business day following payday
- ▶ Fixed amount (payroll system not able to process %)
- ▶ Age based (50+) contributions (EGTRRA)
- ▶ Monitor excess deferrals (402(g) limit)
- ▶ 457 Traditional Catch-up (Normal Retirement Age)
- ▶ Voluntary Leave Accrual Conversion

Plan Design (continued)



Distributions

- ▶ Loan - IRC 72(p)
- ▶ In-Service Withdrawal
 - Unforeseen Emergency/Hardship Withdrawal
 - 457 Voluntary In-Service (de'minimus under \$5,000)
 - Purchase of Service Credit for Pension Plan
- ▶ Payment Options
 - Installment
 - Lump Sum
 - Supplemental
 - Rollover-Out
- ▶ Required Minimum Distribution

Plan Design (continued)



- ▶ Rollover-In
- ▶ Underfunded Accounts
- ▶ Beneficiary Designation vs. Hierarchy
 - Spousal beneficiary - revoked upon divorce
 - Spousal consent - not required
- ▶ Escheatment of Unclaimed Property

Education and Outreach



- ▶ Licensed Financial Education Specialist
 - Educational Workshops
 - One-on-One Meetings
- ▶ Savings Plus Staff
 - New Employee Orientation
 - Employer Training
- ▶ Joint Outreach
 - State Department Benefit Fairs/Events
 - Savings Plus Annual Retirement Fair

Communication



- ▶ Quarterly Participant Statements
- ▶ Quarterly Newsletter
- ▶ Annual Participant Fee Disclosure Statement
- ▶ Confirmation Statements
- ▶ Summary Plan Description
- ▶ Investment Guide
- ▶ Marketing Campaign Materials

Contact Information



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