

California Secure Choice

Secure Choice Retirement Savings Investment Board Meeting

Project Status Update

Sacramento, California

October 26th, 2015

Agenda



- I. **October Summary Update: 5 minutes**
Samir Kabbaj, Overture Financial LLC
- II. **Operational Model Overview: 20 minutes**
Barbara Mach, CEO, BridgePoint
- III. **Online Questionnaire Results: 15 minutes**
Nari Rhee, UC Berkeley Center for Labor Research and Education
- IV. **Next Steps: 5 minutes**
Samir Kabbaj, Overture Financial LLC

Appendix

- ✓ EDD-as-Intermediary: Detailed Model
- ✓ Direct Servicing by Recordkeeper: Detailed Model
- ✓ Operational Model Features: Two Options

II. *October Status Update*

Samir Kabbaj

Overture Financial LLC

October Status Update

✓ Program Design

- Documented the two potential Operational Workflow options
- Working with different stakeholders to address a comprehensive list of ER and EE issues
- Putting together a list of recommendations to address each one of the ER and EE issues

✓ Market Analysis

- Online Questionnaire Report completed

✓ Feasibility Study

- List of required data has been compiled
- Data collections has started

II. *Operational Model Overview*

Barbara Mach

CEO, BridgePoint

Two Potential Operational Models

EDD as intermediary

between Employers and Recordkeeper

or

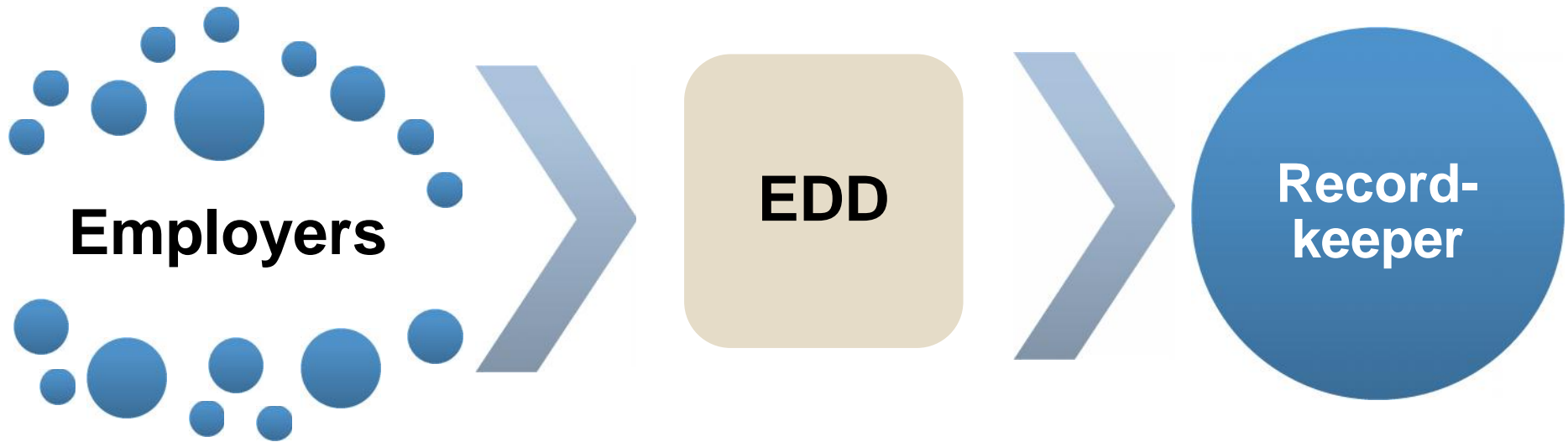
Direct servicing

of Employers by Recordkeeper

In both models:

- ✓ Direct relationship b/w Recordkeeper and Employees for most account-level issues
- ✓ EDD: Employer education campaign, compliance and auditing

EDD-as-Intermediary Model



- Track opt-outs and EE contribution elections
- Submit enrollment data
- Remit payroll deductions

- Bundle and transmit enrollments & deposits to Recordkeeper

- Verify accountholder identity
- Direct relationship with employees: ID/SSN issues, refunds (within grace period)

Considerations: EDD-as Intermediary

✓ Pros

- ERs already comfortable with EDD, no need to establish relationship with 3rd party
- Continuity for ERs and retention of historical program data between vendor changes

✓ Cons

- Time lag on enrollments, deposits
- ERs responsible for tracking EE opt-outs and contribution elections – less transparency
- Substantial fixed start-up costs (new software) and development timeline (4-5 years, minimum 3 years)

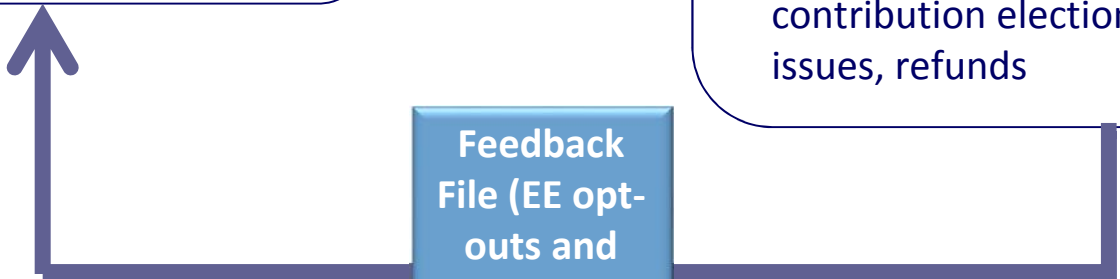
Direct Service Model



- Register with Recordkeeper
- Upload auto-enrollment data for entire workforce
- Transmit payroll deduction info

- Verify accountholder identity
- Notify EEs/process opt-outs
- Debit payroll deduction amounts from ER accounts (accept bundled data/\$ from payroll servicers)
- Direct relationship with employees: contribution elections, ID/SSN issues, refunds

Feedback File (EE opt-outs and contribution elections)



Considerations: Direct Service Model

✓ Pros

- Smoother auto-enrollment & payment remission process, with less lag time (direct feedback loop between ER and Recordkeeper)
- Greater transparency for opt-out tracking* and EE elections
- Time to market compared to EDD implementation

✓ Cons

- Requires nearly 300,000 ERs to set up direct relationship with Recordkeeper
- Discontinuity of ER experience, risk of historical data loss when vendors change

* Contingent on signature requirement (see next slide)

Auto-Enrollment Mechanics & the Patriot Act

- ✓ Need to clarify whether Patriot Act requires certification of identity by participants to establish IRA (signature requirement)
- ✓ If so, can CA obtain waiver?
 - Allows for passive auto-enrollment which leads to greater participation
 - Passive auto-enrollment more smoothly implemented in the Direct Service model than in the EDD-as-Intermediary model.
- ✓ SCRIB may consider separate employee signature requirement to confirm receipt of program info.

III. *Online Questionnaire Results*

Nari Rhee

UC Berkeley Center for Labor Research and Education

IV. Next Steps

Samir Kabbaj

Overture Financial LLC

Next Steps

- ✓ Program Design
 - Finalize potential resolutions and recommendations around ER and EE issues.
 - Provide cost analysis for both Operational Workflow Models

- ✓ Market Analysis
 - Review our final findings

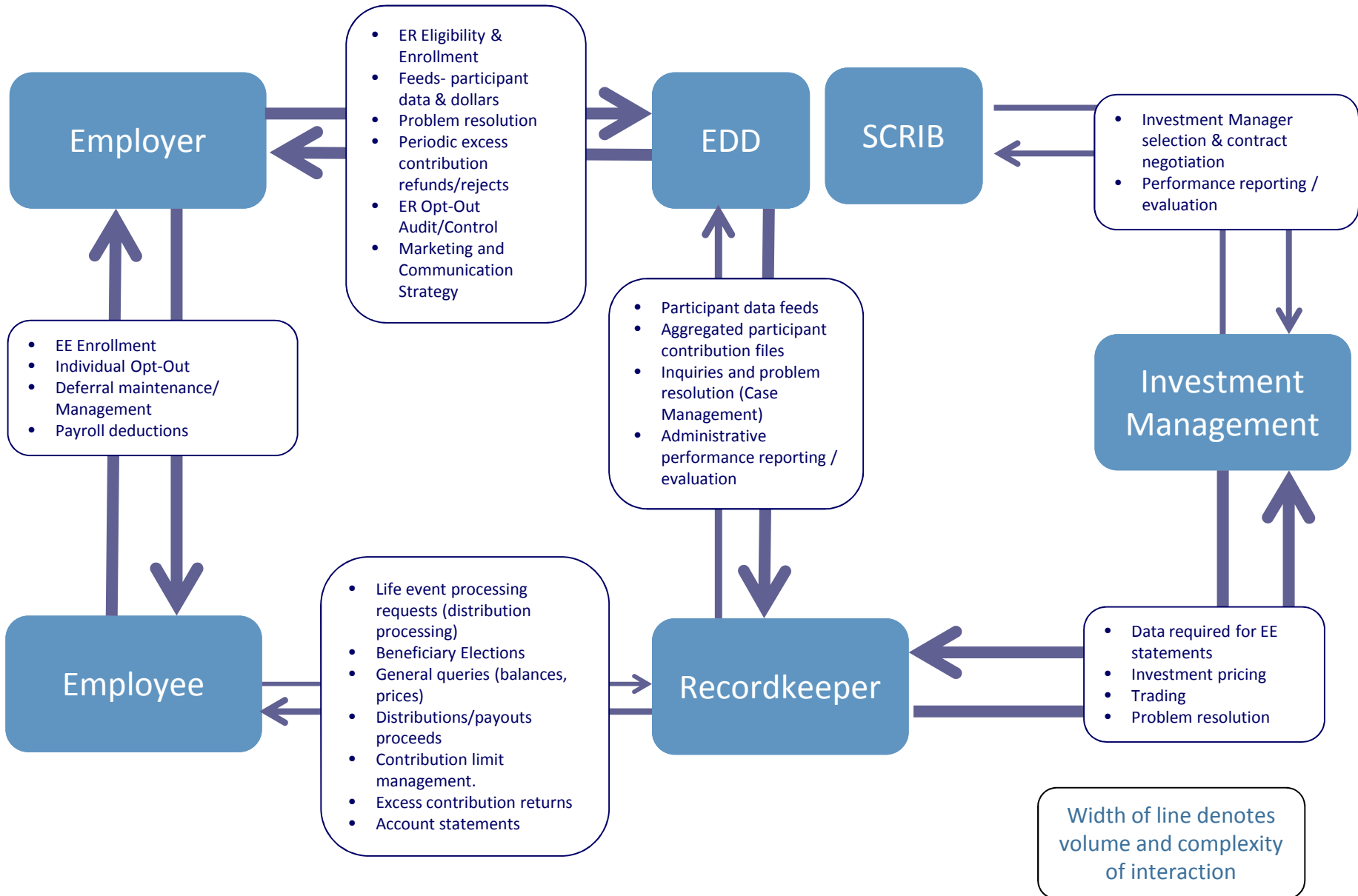
- ✓ Feasibility Study
 - Fine tune and finalize the Projection Model

Appendix

- ✓ EDD-as-Intermediary: Detailed Model
- ✓ Direct Servicing by Recordkeeper: Detailed Model
- ✓ Operational Model Features: Two Options

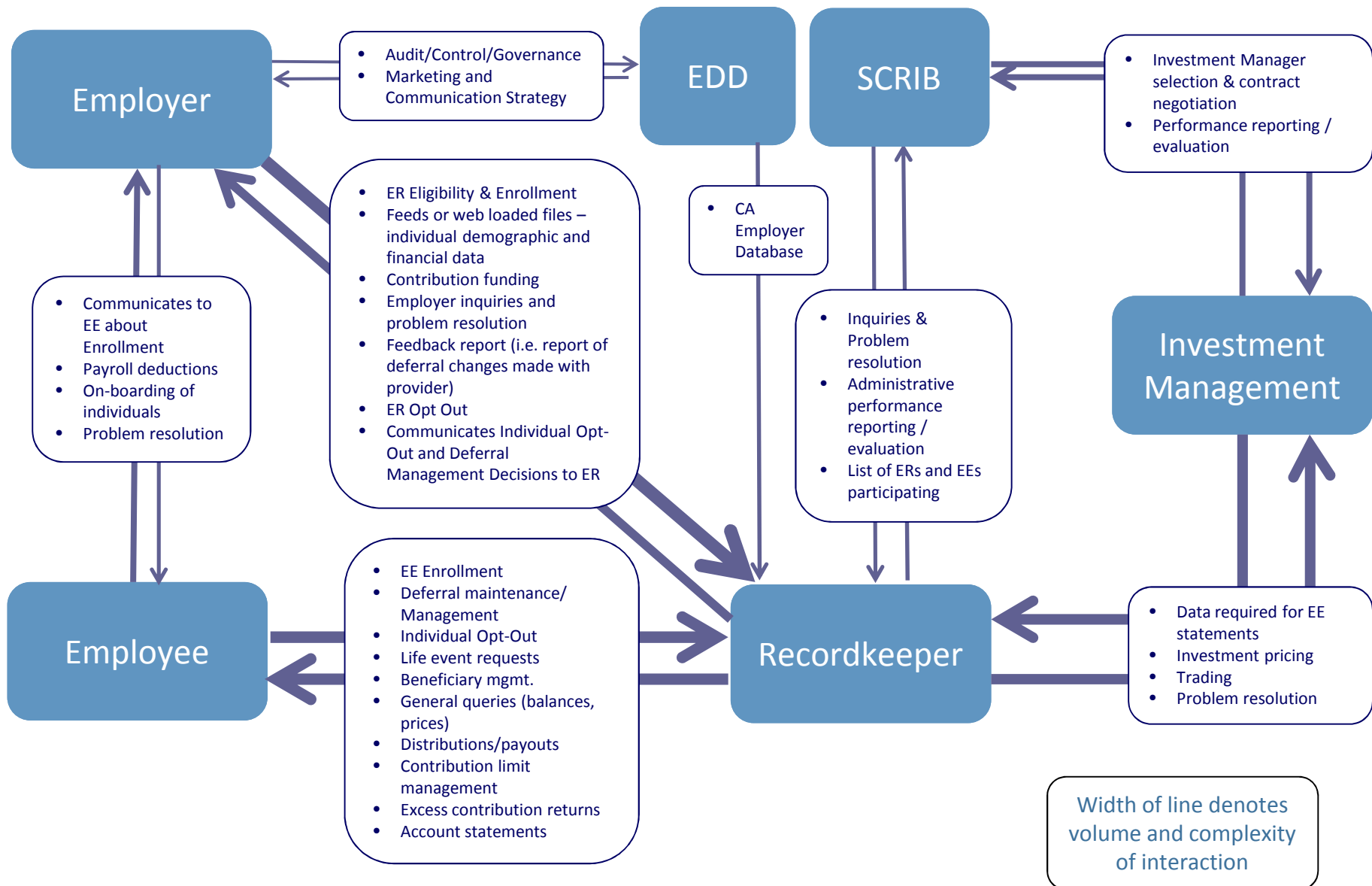
EDD-as-Intermediary: Detailed Model

In this model, EDD takes on key operational functions



Direct Servicing by Recordkeeper: Detailed Model

In this model, Recordkeeper takes on all operational functions directly with employers



Operational Model Features: Two Options



Feature	Model with EDD-as-Intermediary	Model with Direct Servicing from Recordkeeper	Preferred Option
ER Eligibility Determination	ER Determined w/EDD auditing	ER Determined w/EDD auditing	ER Determined w/EDD auditing
ER Enrollment	EDD Managed	Recordkeeper Managed	Recordkeeper Managed
EE Enrollment	ER Managed	ER Managed/Set up on RK system & communicates to EE	ER Managed/Set up on RK system & communicates to EE
Opt Out (Employer)	EDD Managed	Recordkeeper Managed	Recordkeeper Managed
Opt Out (Individual)	ER Managed w/EDD auditing	Recordkeeper Managed (feedback to ERs)	Recordkeeper Managed (feedback to ERs)
Minimum Contribution Rate	None subject to Recordkeeper/Custodian limitations	None subject to Recordkeeper/Custodian limitations	None subject to Recordkeeper/Custodian limitations
Deferral Maintenance/ Management (Contribution Rate Management)	ER Managed	Recordkeeper Managed (feedback to ERs)	Recordkeeper Managed (feedback to ERs)
Contribution File Management	EDD aggregation of all ER files – 1 Recordkeeper feed	Individual ER Files/Feeds and/or Payroll Providers Feeds to Recordkeeper	Individual ER Files/Feeds and/or Payroll Providers Feeds to Recordkeeper
Contribution File Processing Issue/Reject Management	EDD Feed w/Web reporting and funding	Recordkeeper works with Payroll Providers and ERs	Recordkeeper works with Payroll Providers and ERs
Contribution Limit Monitoring and Management (In Plan)	Recordkeeper Managed	Recordkeeper Managed	Recordkeeper Managed
Contribution Limit Monitoring and Management (Across Plans)	Individual Managed	Individual Managed	Individual Managed
Contribution Limit Management (Return of excess)	Recordkeeper rejects excess back to Individual via Check	Recordkeeper rejects excess back to Individual via Check	Recordkeeper rejects excess back to Individual via Check

Operational Model Features, cont'd



Feature	Model with EDD-as-Intermediary	Model with Direct Servicing from Recordkeeper	Preferred Option
General Account Inquiry (i.e. Balances)	Individual self-service via Recordkeeper Web	Individual self-service via Recordkeeper Web	Individual self-service via Recordkeeper Web
General Account Maintenance (limited – Beneficiaries...)	Individual self-service via Recordkeeper Web	Individual self-service via Recordkeeper Web	Individual self-service via Recordkeeper Web
Case Management	Direct workflow access - submission to/exchange with - recordkeeper via single source (i.e. state only)	Recordkeeper fields issue/problem queries from all individuals and/or employers	Recordkeeper fields issue/problem queries from all individuals and/or employers
Education and Communication Materials	Secure Choice works with EDD and Recordkeeper to provide Marketing and Communication Content Displayed in Recordkeeper Website. Secure Choice and EDD Collaborates on Employer Outreach and Training	Secure Choice works with EDD and Recordkeeper to provide Marketing and Communication Content Displayed in Recordkeeper Website. Secure Choice and EDD Collaborates on Employer Outreach and Training	Secure Choice works with EDD and Recordkeeper to provide Marketing and Communication Content Displayed in Recordkeeper Website. Secure Choice and EDD Collaborates on Employer Outreach and Training
Account Statements	Default Mail One Year-End Statement, monthly statements available on Recordkeeper website. Employee can opt out of receiving Year-End Statement by mail	Default Mail One Year-End Statement, monthly statements available on Recordkeeper website. Employee can opt out of receiving Year-End Statement by mail	Default Mail One Year-End Statement, monthly statements available on Recordkeeper website. Employee can opt out of receiving Year-End Statement by mail
Retirement Calculators – Contribution and Distribution options/impacts	Web-based – Self-Serve Tool – Recordkeeper supported	Web-based – Self-Serve Tool – Recordkeeper supported	Web-based – Self-Serve Tool – Recordkeeper supported
Distribution Services (Retirement eligible population)	Recordkeeper web-based self-service capability	Recordkeeper web-based self-service capability	Recordkeeper web-based self-service capability
Missing Participants	State manages through own databases	Recordkeeper manages through third Party Vendors	Recordkeeper manages through third Party Vendors
Tax Reporting – i.e. Annual Contributions form 5498, Distributions form 1099R etc.	Mail to AOR unless Employee Opts into Secure Web-based Recordkeeper “Drop Box” –Login required	Mail to AOR unless Employee Opts into Secure Web-based Recordkeeper “Drop Box” –Login required	Mail to AOR unless Employee Opts into Secure Web-based Recordkeeper “Drop Box” –Login required