California Secure Choice
Retirement Savings Program

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The Problem

• Avg. US household age 55+ has $0 retirement savings (GAO)

• Nearly ½ of Californians are projected to retire into economic hardship -- at or below 2x poverty level (UC Berkeley)

• 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
Barriers to Entry for Small Business

• Fees / Financial Cost

• Administrative Burden

• Exposure to Liability / ERISA
Profile of Eligible Population: Race

Race/Ethnicity of Eligible Workers, 2012-2014

- 34% White
- 46% Latino
- 14% Asian
- 4% Black
- 2% Other

Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016
Profile of Eligible Population: Work

• What is their average income?
  o $35,146

• Where do they work?
  o 13.3% Retail
  o 12.3% Accommodation and Food Service
  o 11.0% Manufacturing
  o 11.0% Health Care and Social Services
  o Other top fields: Management/Administration/Support Waste Management Services; Wholesale, Transportation & Warehousing; Construction
Profile of Eligible Population: Age

Age Profile of Eligible Workers, 2012-2014

- 18-29: 35%
- 30-44: 34%
- 45-54: 19%
- 55-64: 12%

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

Workers with a payroll deduction savings option are **15 times** more likely to be on a path to retirement security (AARP)
Senator Kevin de Leon

Senate Bill 1234 of 2012 (v.1)
• All CA employers with 5+ employees must either:
  • Offer a retirement plan of employers’ choosing from the private market
  Or
  • Provide employees access to Secure Choice

Feasibility Study required at no taxpayer cost
What is Secure Choice?

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** for CA employers; no fees, no contributions

• **Transparency Governing** by a public board chaired by State Treasurer

• **Zero cost to State, taxpayers**; Program is self-sustaining with participant fees
2012: SB 1234 (de Leon) v.1

SB 1234 enacted September 29, 2016
## Key Legislative Supporters

| American Association of Retired Persons | Courage Campaign |
| American Retirement Association | Earned Assets Resource Network |
| Asian Business Association | Engineer & Scientists of California, Local 20, IFPTE Local 20, AFL-CIO |
| California Advocacy Network for Aging Latinos | Fresno Metro Black Chamber of Commerce |
| California Asset Building Coalition | Insight Center for Community Economic Development |
| California Association of Nonprofits | International Longshore and Warehouse Union |
| California Capital Financial Development Corporation | Latin Business Association |
| California Council of Churches IMPACT | Los Angeles Latino Chamber of Commerce |
| California Commission on Aging | National Council of La Raza |
| California Conference Board of the Amalgamated Transit Union | Pico Rivera Chamber of Commerce |
| California Conference of Machinists | PolicyLink |
| California Labor Federation | Professional & Technical Engineers, IFPTE Local 21, AFL-CIO |
| California Secure Choice Retirement Savings Investment Board | Riverside County Black Chamber of Commerce |
| California Teamsters Public Affairs Council | San Francisco Office of the Treasurer and Tax Collector |
| Congress of California Seniors | Service Employees International Union, Local 1000 |
| Corporation for Enterprise Development | Service Employees International Union, State Council |
| | Small Business Majority |
| | Social Action Commission of the African Methodist Episcopal Church |
| | South Asian Business Alliance Network |
| | State Building and Construction Trades Council of California |
| | UNITE-HERE, AFL-CIO |
| | United Domestic Workers of America, American Federation of State, County and Municipal Employees, Local 3930 |
| | United Ways of California |
| | Utilities Workers Union of America, Local 132, AFL-CIO |
| | Vasquez & Company, LLP |
| | Ward Economic Development Corporation |
| | Women’s Institute for a Secure Retirement |
Secure Choice Features

• Contributions
  • Employees may choose and change contribution rate
  • Default rate is chosen by Program (5% staff recommendation)
  • Contribution limits based on IRS rules ($5,500/yr)

• “Roth” IRA Default with Traditional as an elective option (staff rec.)
  • Allows for penalty-free and tax-free withdrawals
  • High income earners will still be able to participate by choosing traditional

• Investments
  • Simple, transparent, professionally managed
  • Default investment is chosen by Program; employees may change selection
  • Small fee will be paid out of employees’ account

• Portability – follows employees wherever they go
Employers’ Responsibilities & Role

• Provide employees with informational material from the Program

• Transmit the payroll contribution to a third party administrator

• No employer contributions allowed

• No employer fees

• No employer liability (not an ERISA plan)
Launch Timeline

- At Program Launch, 3 Year Phased Rollout of Employer Mandate begins:

<table>
<thead>
<tr>
<th>Within...</th>
<th>Employers with...</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Months</td>
<td>More than 100 eligible employees must register</td>
</tr>
<tr>
<td>24 Months</td>
<td>More than 50 eligible employees must register</td>
</tr>
<tr>
<td>36 Months</td>
<td>More than 5 eligible employees must register</td>
</tr>
</tbody>
</table>
Outreach and Stakeholder Engagement

• Program will only succeed if we do effective outreach (in addition to advertising, marketing, etc.)

• Outreach must be culturally competent

• Trusted influencers will be essential to reaching target audiences (both employers and employees)

• Stakeholder Working Groups were key in program design; now shifting to outreach

• Outreach models for consideration and coordination: ACA, EITC
Participation & Assets Under Management

More than 4 million savers and $20 billion by 5\textsuperscript{th} year of operation

Note: Baseline scenario assumes 5% default contribution rate; 25% opt-out rate; 1% fees; conservative nominal investment returns. All assumptions noted in feasibility study.
Tips for future legislative champions

• Simplicity

• Stakeholder engagement early and often (Working Groups)
  • Employees
  • Employers
  • Employer-serving (payroll, CPAs, financial advisors)
  • Relevant State agencies
  • Industry

• Identify start-up funding/loan source

• Leverage foundational work from other states (OR, IL, CA, MD, CT)

• Leverage policy organizations / experts for technical assistance
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