March 10, 2016

The Honorable John Chiang
California State Treasurer
Chairman, California Secure Choice Investment Board
915 Capitol Mall, Room 110
Sacramento, CA 95814

<u>California Secure Choice Market Analysis, Feasibility, and Program Design Final Report</u>

Dear Treasurer Chiang,

The Association of California Life and Health Insurance Companies (ACLHIC), representing many of the largest life and health insurers doing business in California, and the American Council of Life Insurers (ACLI) representing over 300 life insurers nationwide, are pleased to submit this comment letter regarding the recently released consultant's report referenced above.

There is a retirement crisis facing not only California, but our nation.

The life insurance industry provides a wide range of retirement products to all market segments. Saving and providing financial products for an aging population is our core business interest. Our industry seeks to be an active and positive contributor to public policy initiatives that address these crises.

By 2017, the United States is forecast to contain more people over the age of 65 than those under 5 years of age. Combined with an unsteady future for the sole retirement lifeline currently available to those who are unprepared for the financial needs of their retirement years, the looming crisis will continue to be compounded by current economic and demographic trends.

These trends are not encouraging. Low personal savings rates, lack of retirement planning, poor debt and credit management, and general absence of financial literacy outreach regarding these critical life choices have unfortunately not dominated efforts to address these shortcomings. As a result, we find ourselves in a position as a state and nation of having large portions of our populations facing the prospect of outliving retirement assets.

Emphasizing the need to save and plan is as important as providing a pathway to saving for retirement. There is an element of personal accountability that can only be determined by the individual and their individual needs. Most of us today only begin to think about these detailed preferences closer to the actual date of retirement, at which point we have a better sense of our health status, dependent responsibilities, ability and willingness to continue working beyond the traditional retirement age, whether other sources of income are available such as a working spouse, and where and how we would like to live. Only when combined with a clear-minded analysis of our outstanding obligations and liabilities, traditionally in the form of debt, can we really ask ourselves "am I ready?"

Current statistics detailing the national average response to that question are an overwhelming "NO".

Most people would likely be shocked to learn that if you retire at 65 with a $500,000 account balance and you withdraw 5 percent (or $25,000) per year adjusted for inflation, there is a significant risk that you could run out of money before you die.

This example only highlights the fact that having enough knowledge, and not just enough money is a crucial component of any effort to redress the current situation.

It is through this lens that we comment on the "Market Analysis, Feasibility, and Program Design" report prepared by Overture Financial LLC. We wish to emphasize that we do not want these comments to be taken as antagonistic. Rather, we hope that further thought and analysis will lead to a better result. A program that fails to meet built up expectations or damages existing private plans would be a step backwards rather than a collective leap forward.

Our member companies are fully committed to solving the retirement challenges of an aging population. We have the expertise, qualifications, and experience to provide sustainable plans and products for today's employers and insurance consumers and are pleased to share our perspective with you. Our industry is well regulated, with strong solvency and consumer protection requirements that ensure products are sustainable and built to last.

We commend the SCIB for its efforts over the past year to absorb, analyze and process the segmented information presented during board meetings and now contained within the final report. It is a huge step in the right direction for Senator de Leon and the Secure Choice Investment Board to have identified, studied, and encapsulated the problem of retirement un-readiness in California.

However, we feel very strongly that parts of the report would benefit from further analysis and modelling for plan participation. Many areas need more focused detail, especially the public education and financial literacy components. The central plan element, auto-enrollment, will require a high level of service and communications that is not fully addressed in the report. For instance, participants will need to understand that participation alone is not a guarantee of secure retirement, and that the level at which they were enrolled, even with auto-escalation, may not be enough to satisfy their individual retirement needs when the time comes.

We understand the difficulty of fashioning a uniform solution for so many individuals. Especially because those individual needs will require their active and engaged participation. The habit of saving must become second nature, like that of brushing ones' teeth. The messaging of personal accountability in planning for retirement must be as widespread as successful public policy advocacy campaigns such as "Click it or Ticket" and "Keep America Beautiful". Both transformed the habits of everyday Americans, and a similar transformation is needed to encourage Californians to prepare and save for retirement.

As stakeholders throughout the development phases of the report, we submit the following comments and questions for consideration by the board. We do note with some disappointment that our organizations which have deep experience in financial, investment, and retirement plan issues, were not contacted by the researchers during the process.

Page 7: The "Program launch should include a concerted public education campaign focused on workers and small businesses".

- Who pays for the outreach? Is it scaled and phased-in similar to the roll-out of the Affordable Care Act? Industry experience today shows a significant outlay of resources for marketing, education, and advertising, yet we still have low participation rates overall. The report does not specify expenditures for this component, thereby introducing doubt as to the validity of projected program costs. The need for outreach and public education is unquestionable, and in our view, should be conducted on such as scale as to reach beyond the target audience alone. Public advocacy for retirement planning, preparation, and readiness, combined with basic financial literacy must be included as the foundation for long lasting success. The virtues of auto-enrollment and behavior shifting are negated if we do not simultaneously and consistently empower prospective enrollees with the knowledge and tools to make those savings grow and last.

Page 10: The report calls for a "5% default contribution" but also states that "employees can elect [the] percentage or fixed $ per paycheck with no minimum".

- The modelling performed later in the Overture analysis envisions scenarios where employees contribute the default % (or more), but with no mandatory minimum. However, what does the modelling look like if a significant number of participants only contribute 1% or less? Should the program be scored at a range of default rates? 5% (or more), while certainly recommended as the most beneficial default amount, may not be affordable.

Page 12: The report points to "no exemptions for part-time, short-term, and seasonal employees".

- Would this apply to independent contractors, for whom payroll taxes and other deductions are not taken out as they would be with a W-2 employee, but only reported as a lump sum payment on a 1099?
- The report does not consider what must certainly be a significant portion of the target population: employees with multiple jobs. Would the employee be auto-enrolled by each employer? If not, who determines the "lead" employer and what responsibilities or liabilities are incurred by the others?

Page 12, 13, 14: The report references "Strong record-keeper controls to prevent miss-steps in enrollment", in addition to "record-keeper flags when contributions approach standard limits and issues refund" and "record-keeper electronic validation of identify of new enrollees and contacts the employee directly regarding invalid SSN".

- We would observe that the amount of responsibility placed on the record-keeper is most likely unrealistic in the sense that we are not aware that any such record-keeper currently exists. Furthermore, there is no discussion within the report of enrollee privacy and the handling of sensitive financial information per the Gramm-Leach-Bliley Act (and Patriot Act?).
- Will the recordkeeper be responsible for enforcing IRS maximum contribution limits if an employee fails to responds to the notification discussed in the report?

Page 16: The main recommendation calls for "…the Baseline scenario in terms of the default contribution rate (5%)…" and that "In particular, program financing requirements and expense ratios are highly sensitive to the default contribution rate. A lower default contribution rate entails significantly higher startup financing".

- This appears to contradict sections of the report that call for "no minimum" contribution. Therefore additional modelling is needed as noted above. That there is sensitivity between a 3 or 5 percent default contribution rate is clear, but without a minimum, modelling must be included for scenarios that dip below the "ideal" default rate.

Page 19: "Likely participation rates (70-90%) are sufficiently high to enable the Program to achieve financial viability"

- The participation rate and its correlation to financial viability is based on contribution amounts. How was the above conclusion reached, knowing that with no minimum contribution level it is that metric and not the percentage of participants that will drive success?

Page 20: There are a number of estimates and assumptions here, including that "A 5% savings rate invested in a balanced portfolio of Target Date fund yields a 20-23% average income replacement rate over a full career."

- Based on the mean $35,000 salary identified for the target market, can we really consider 20-23% income replacement (even when social security benefits are added) a "secure retirement"?
- The income replacement scenario described above assumes a full career and no pre-retirement withdrawals. The report does not address the results for an enrollee who only has time to participate for 5, 10, or even 15 years. It also does not address a large portion of the target demographic, which is part-time and seasonal workers with frequent work interruptions. Further modelling is needed and realistic expectations need to be communicated to enrollees.

Page 23: The report states "…that a significant share of eligible workers would be disinclined to participate if they cannot access their funds in emergencies".

- There is a disconnect here between the projected number of participants (low opt-out rate), the low leakage assumptions, and the fact that survey respondents overwhelmingly stated that they would not participate if they could not access their funds. How can the conclusion be made that participation will be high, even with suggested limits on pre-retirement withdrawals when participants indicated they would not be inclined to participate if they could not access their funds? The report becomes inconsistent when presenting these results.

Page 26: The report uses the United Kingdom's NEST (National Employment Savings Trust) as a model for participant behavior in automatic enrollment plans.

- Given the NEST requirement for employer and employee contribution, plus an unmentioned 1% contribution from the government (for a total baseline contribution rate of 7%), the NEST program does not provide a valid comparison.

Page 28: The report states that "Most communication between the Program and participants will be in written form."

- It is unclear within the report as to how that written communication will be transmitted. There are references to smartphones, website, and SMS, but no mention of the cost to physically mail paper copies to those that opt-out of all electronic forms. This is highlighted on page 36: "Because low-income participants are harder to reach via the online panel surveys". Furthermore, the report also identifies a significant portion of prospective enrollees wishing to have access to a help line via telephone, yet there is no mention of bi-(or multi) lingual language assistance for those with limited English proficiency. Who would be on the other end of the line? Trained investment advisors? These costs merit further analysis.
- We note that the report does not foresee or describe a role for the thousands of independent agents and advisors in today's market. We believe that these agents should play a vital role in the design of the program and that the report would benefit from their firsthand experience and understanding of the market and target audience.

Page 34: The report indicates that "In the case of a Roth IRA default, these [very high income] workers need to be instructed to re-characterize their contributions as traditional IRA or to stop contributing altogether. They should be notified of these options during auto-enrollment in order to minimize record-keeper costs".

- The report consistently points to the record-keeper as the liaison with enrollees, yet in this particular case the point of contact is not mentioned. By whom will this group of enrollees be notified of the tax consequences of their auto-enrollment? How will the marketing materials differ for this segment of the target market?

- Furthermore, how will this group of enrollees be identified, especially given households with multiple earners?"

Page 39: The report states that "…focus group findings are suggestive rather than definitive because of their small sample size".

- We agree, yet the conclusions drawn by the report are based on the answers of this small sample size and are too broad to encapsulate the real world scenarios of the "6.8 million eligible worker population" identified on page 27.
- Furthermore, some of the findings reflect conflicting viewpoints and beg for follow up question(s) that were not asked. For example, on page 39 it states that "many focus participants, especially low income ones, feel that they cannot afford to save", and that "However, most say they want to save and would do so if given the opportunity". The logical follow up questions that seem to be missing are 1. Do you have a bank account 2. Do you have a savings account 3. What is your estimated income to debt ratio and 4. How would you define an "opportunity to save". 5. Why are currently available savings vehicles not being used?
- We would recommend further sampling and a deeper dive into this research.

Page 40: The report touches on challenges uncovered during the focus group, including those related to "low income Spanish speaking population", "a lack of trust that many have of financial institutions" and being "overly risk-averse as a result of their limited financial literacy".

- We agree that these challenges are daunting, but the report does not offer solutions to these challenges, not the least of which is a seemingly significant mistrust of government and low financial literacy rates. The report does not address the shortcomings of a state sponsored retirement plan that proposes to offer written communication in English via mainly on-line and technology driven portals.

Pages 42-45: the report summarizes the on-line survey results, yet does not draw attention to some of the inconsistencies raised in some of the points above. For example, "43% of those with a 5% deferral rate would ask to lower it".

- This is a large enough percentage in our view that further modelling should be considered relative to the program sensitivity to startup financing and long term success when participants choose to lower the default rate since there are "no minimums".

Page 47: The report states that "the rate of pre-retirement withdrawals from the Program is likely to be higher than in the 401(k) world", but that "…the turnover resulting from job changes will be significantly lower in the Program than in 401(k)s" and that therefore "…the estimate is for 3.5% of plan assets" being withdrawn each year.

- We recommend more modelling to reflect real world changes that affect these assumptions. One could certainly imagine that with no withdrawal penalties (if structured as Roth IRA accounts) or with a hardship allowance, the pre-retirement withdrawal rate would be higher, especially for part-time and seasonal workers, a key portion of the demographic. A complete analysis must envision every scenario, and in this case the assumptions are simply too simplistic and optimistic in our view.

Page 47: The report highlights interviews with certain stakeholder groups.

- Was there a reason that the financial services industry was not included at all?
- In particular, there are references on page 78 of the report that grossly miss-represents the cost of certain investment vehicles offered by some of our member companies. This oversight then raises the concern that certain investment options were unfairly dismissed by the consulting team without factual evidence and perhaps without adequate research.

Page 50: The report casually remarks that "Often, the smallest businesses can only be effectively reached with "boots on the ground" – for instance, door-to-door outreach in neighborhood business districts".

- It is concerning to us that the report would mention what is undoubtedly a worthwhile endeavor but not discuss the cost or time requirements of such an enterprise. Furthermore, it raises a number of additional questions as to whether or not these "door to door representatives" would need to be trained or licensed, and how success could be measured. Would they be treated as investment advisors to the businesses or employees? How would liability be transferred if information is incorrectly transferred, etc?
- We again raise the need for agent and advisor involvement. The success of the California Health Benefits Exchange relied heavily on the relationships of local experts in their local communities and we would encourage their involvement in this design.

Page 52: The report clearly highlights an issue mentioned above: "A paper statement option in addition to online access is important for many low-wage workers, and written communications should be available in many languages".

- Based on the experience of member companies, we would agree, yet again question the thoroughness of the report, which fails to mention possible solutions to both these challenges and the estimated costs of providing multi-lingual paper statements.

Page 60: The report offers one model for a 40 year career during the accumulation phase, followed by a payout phase that predicts 37% income replacement from Social Security and 22% income replacement from "plan benefits".

- While we applaud the Overture team for using income replacement as a principal consideration in evaluating the various investment vehicle options, we think it is necessary to include modelling for non-"perfect" scenarios. What does the model look like for participants who only have 5, 10, 15 or even 25 years before retirement? Furthermore, what would the model look like if there are interruptions due to job loss, leakage due to hardship withdrawals, staggered contributions into Secure Choice due to job changes and employers that may have a separate plan for their employees, or even a voluntary opt-out for a period of time to make ends meet? The illustrated example is unfortunately far too optimistic in the assumption that even if someone were auto enrolled at age 25, they would faithfully contribute for 40 years without missing a payment in order to receive the projected benefit levels. This is especially true given the many part-time, seasonal, and temporary workers in the target demographic. Perhaps most importantly, the model included in the report does not identify potential liabilities that could significantly diminish projected income replacement ratios. The model further assumes that the individual has qualified for enough Social Security "credits" to receive the full benefit, which may not be the case in the event of job interruptions or other significant life events.

A person retiring with what they believe to be a comfortable nest egg that also has outstanding debt, health or lifestyle restrictions, and/or unforeseen dependent care may need a much higher income replacement ratio than the one projected in this model.

Page 65: The Report provides a very rapid overview of the "payout phase", recommending broad authority and that "Authorizing legislation should give the Board flexibility to determine payout."

- Given the projected size of the target audience, and the individual nature of retirement planning, we would strongly agree that the payout determinations should not conform to a "one size fits all" approach. While annuities are a very viable financial tool for some, they may not be the optimal vehicle for others. This emphasizes the need to educate enrollees on the choices that they need to make as they approach retirement years, with an understanding that this particular cross section of the population will need as many financial literacy tools as possible.
- We would again note that certain investment products currently available on the private market were given unfavorable treatment in the report yet may provide the most suitable option to certain subsets of the target population. For example, participants who enter the program with only a few years left until retirement may be better served by an annuity product that provides guaranteed lifetime income versus a pooled IRA in which a portion of their returns is diverted into the buildup phase of the reserve fund.

Page 79: The report identifies the "top two recommendations for the default investment option for California Secure Choice at launch" as being "Dynamic Asset Allocation Target Date Investment Strategy" or "Pooled IRA with Reserve Fund".

- We would question why the scoring methodology was based on a series of metrics (Product Score, Implementation Risk Score, Implementability at Launch and Suitability under Auto-Enrollment) yet appears to only have been modelled for the ideal candidate. Using a 25 year old participant with a 40 year career seems counter-intuitive for any prospective participant entering the program before the year 2057. The model assumes uniformity amongst participants but does not reflect what must be vastly varying scores in a true model reflecting the diversity of the identified target population. This is underscored on page 72 of the report for the pooled IRA with Reserve Fund option as "First generation sacrifices some returns to build reserves".

- For participants that do not have 40 years before retirement, Target Date Funds or a Pooled IRA are not the best choice. As identified on page 27, only 35% of the target population is under 30 years of age.
- How do the other 65% (4.4 million people) of participants fare under this scenario?
- Who will inform these first generation participants about the potential loss of returns? How does this information affect opt-in/opt-out rates? Why was the concept of a Pooled IRA with reserve fund not tested in the focus groups or on-line survey?

Page 84: The report identifies "The Workaround" of the Federal Regulatory Constraints of Pooled Investment Vehicles (PIVs) which "may require federal registration under the Investment Company Act of 1940.

- Without lengthy analysis of the statement referenced above, we are concerned that there is no mention of the Securities Act of 1933. This is another example of our belief that the analysis provided by this report must be further scrutinized or developed in such a manner as to be complete.
- Furthermore, there is no mention, or analysis of the scenario in which employers or employees cross the ERISA line, co-mingling ERISA monies into an "ERISA exempt" state run plan where earnings are held back to build a reserve fund. This scenario is highly probable given the desired portability of the program and the hand off of contribution tracking to the individual enrollee, yet receives no analysis in the report.
- Should existing employers that offer ERISA qualified 401(k) plans choose to shift to a Secure Choice plan, how would roll-over funds be treated, and vice versa?
- The SCIB raised this concern in their letter to the Department of Labor dated January 12, 2016: "The Proposed Safe Harbor suggests that such non-mandated employers could cause an entire program to fail the safe harbor and become an ERISA plan, with potentially disastrous consequences for the thousands of participating employers and millions of employees." Yet the report is silent on this critical component.
- Small employers are bound to fluctuate in size and rise above or fall under the 5 employee limit. The SCIB letter notes that employees not subject to automatic enrollment will "simply stop contributing." How does that dynamic affect Overture's projections for the hypothetical 25-year-old worker who is with an employer that fluctuates in size?
- The SCIB letter summarizes this concern perfectly: "Unfortunately, the behavioral studies conducted for the Board demonstrate that if switched to opt-out many employees will, instead, simply stop contributing. This problem will be compounded for workers employed by small businesses with a variable headcount--in some years meeting the five employee threshold and in others having fewer than five. The resulting roller coaster of opt-in in one year, opt-out in another will cause unnecessary confusion, increased administrative costs and likely lead to mistakes."

Page 85: The report states that "We used a 70% equities and 30% bonds asset allocation for modelling purposes. Assuming no seed capital, we recommend a more conservative investment policy (e.g. 20% Equities and 80% Bonds) for the first 3 years of the program."

- Why would an aggressive allocation strategy be modelled if not simply to show best case performance when the more prudent model should revolve around worst case performance?
- We do not understand the statement "assuming no seed capital". Where would such capital come from? And why is it never identified? Does the statement imply that the modelling includes seed capital?

Page 88 & 89: The charts compare the two top program investment options with certain assertions.

- Again, the model only shows "5% contribution rate, 42 year career". Where is the comparison with a lower contribution percentage and shorter career?
- Are the percentages in the chart suggestive of investment returns for participants?
- The statement that "Savings bond concept is intuitive but crediting policy may not be" needs further analysis. The concept was not discussed or identified by the focus groups or on-line survey. It would appear unbelievable that a very low financially literate population would grasp such a concept "intuitively".
- The modeling presented in the report and conclusions drawn from it almost make this Pooled IRA with Reserve fund concept unbeatable. If so, why is not in use today, and why has the Federal Government not adopted it to smooth the Social Security Program?

Page 91: The report identifies the administrative portion of the Program as the largest cost item and biggest determinant of financial feasibility. It furthermore asserts that "The recordkeeper is responsible for managing the day-to-day operations of the plan including the maintenance of individual accounts and keeping track of transactions and assets at the individual participant account level. A recordkeeper is also responsible for enrolling participants, tracking participant contribution rates and investment selections, providing account statements, maintaining the plan website and providing general support to participants and plan sponsors/employers."

- It appears extremely challenging to find such a recordkeeper in today's market.
- There are no provisions in the report that examine how such a recordkeeper would handle privacy concerns, sensitive financial information, data security, non-English language assistance and a host of other consumer protections likely to be imposed on any state administered program.
- Lastly, page 101 of the report calls for a recommended direct service operational model and subsequent development of an RFP. Perhaps it would be more prudent to develop an RFQ to gauge the capabilities of respondents given the tasks being assigned to the recordkeeper under the proposed operational model.

- Who would bear the risk and liability of recordkeeper error? How does this impact the fee structure and cap?
- If a separate hardship withdrawal program is established, who would administer it and again, how does it impact program fees and the 1% cap?

Pages 102-108: the report proposes "plan rules and procedures"

- It seems highly premature to delineate this level of detail given the uncertainties discussed above and the need for additional scenario modelling. The conclusions raised in this section again only apply to best case modelling with a number of trigger events such as Department of Labor approval of "grandfathering employers".

Page 110: The key findings state: "The Secure Choice Program is financially viable and self-sustaining even under adverse conditions with poor investment returns and high opt-out rates".

- The report itself identifies sensitivity to the default contribution rate but does not model anything below 5%. It is a likely scenario that with a default of 5% but no minimum contribution, the contribution rates will fall below the "ideal" modelled in this report. We would like to see this analysis developed in more detail.
- The "conservative assumptions of the Baseline Scenario, with a default contribution rate of 5% and an opt-out rate of 25%" achieves a "scale by the first year of operation with 1.6 million participants and over $3 billion in assets". Rough math results in an average account balance of $1875 (or 5% of $37,500) which is a much higher figure than the mean or median wage and salary identified elsewhere in the report.

Page 112: The report states that "we opted to make assumptions which we felt were 'conservative' in nature and "assumed an average annual pay rate of $45,000 for full-time workers and $20,000 for part-time workers".

- These numbers appear to be inconsistent with those reported elsewhere in the report, and note that per capita income trends in California have ranged between $30-35,000 per year in the past decade, and we therefore must question the choice to use a significantly higher number as the average.
- The report mentions separate modelling for full and part-time workers. Why was this done and how do the models included in the report compare when these populations are combined?

Page 113: The report calls for "a four year phase-in schedule" of the "approximately 285,000 employers" with eligible employees, with phase in assumptions of "46% entering in year one, 27% in year two, 17% in year three, and 10% in year four."

- The report does not account for the possibility of employers seeking to comply with the mandate for employee coverage by seeking alternatives to the Secure Choice Program. The totals listed above reflect 100% participation over the four year phase in. We strongly believe that market competition will cause a portion of these employers to set up and administer retirement plans for their employees that comply with any future state law, either through Multiple Employer Plans (MEPs) or traditional 401(k) vehicles.

- While we note that the report indicates that sensitivity analysis is not heavily impacted by opt-out rates and that the primary driver is the default contribution rate, we nevertheless believe it is necessary to model scenarios in which Secure Choice is not the preferred alternative for mandated businesses.

Page 117-119: The report identifies "expense drivers under the Baseline Scenario".

- None of these cost drivers are related to outreach, education, and awareness. Without making any specific comparisons between the two, we simply note that a February 2016 State Audit of the Covered California Health Benefits Exchange includes (for FY 2014-2015) an "outreach & sales, marketing" budget of $189,831,459.
- Similarly, the Exchange has a line item budget for "service centers" in the amount of $97,022,224.
- Again, without making any direct comparison, we note that the effectuated enrollment numbers for Covered California in 2015 was 1.47 million enrollees.
- This comparison serves only to highlight the point that the Overture report requires further detail and analysis with respect to the financial feasibility of the program. A number of the points listed above, including the desire of prospective plan participants to have phone access, paper statements, and multi-language assistance should certainly merit further study.

We respectfully submit these comments and questions in the hope that further study can be completed. There are a number of aspects that merit additional detailed analysis by the board and staff.

In addition to the specifics listed above, a number of critical decisions remain in the hands of the Department of Labor (DOL). While positive resolution of these barriers is possible, it is perhaps premature to assume their conclusions before official action.

For instance, how does the Overture study account for the possibility that the state will not be able to delegate responsibility for program administration to "money managers, record keepers and other third parties"? Just like retirement plan sponsors in the private sector, won't the state itself be liable to participants for mistakes and mismanagement by its vendors? How does the Overture study account for the cost of these potential liabilities?

The DOL safe harbor rules also require that "[t]he state assumes responsibility for the security of payroll deductions and employee savings." What safeguards will the Board need to put in place to ensure this responsibility is met? If the employer fails to properly collect or remit contributions, how will the Board or state "use its police powers to enforce its laws, correct such improper activity and punish wrongdoers"? Shouldn't the cost of this policing be reflected in the Overture study?

Also, the DOL safe harbor rules require that "[t]he state adopt measures to ensure that employees are notified of their rights and creates a mechanism for the enforcement of those rights." Has Overture studied the cost and methods by which the Board will enforce employee rights? The Board's January 12 letter notes that "California and many other States will develop an ERISA-like internal program claim system" to enforce worker's rights under the program. Should Overture study the cost of this dispute and claims resolution process given that it is an integral part of the program? Would a system of disability eligibility and payments have to be established under the program in a manner similar to that of social security recipients who become disabled prior to retirement and can no longer work?

For all these reasons, ACLHIC and ACLI would urge that the board continue its work and further refine these concepts. We stand ready to assist and provide our industry's experience and expertise to help the board identify a sustainable program capable of withstanding the test of time and effectively aid the millions of Californians in need.

Please feel free to contact us if you have any questions or need any additional information regarding our position.

Sincerely,

Brad Wenger

John Mangan

Brad Wenger
President & CEO
ACLHIC

John Mangan
Regional Vice President, State Relations
ACLI

Cc: Members, California Secure Choice Investment Board (SCIB)
Christina Elliot, SCIB Executive Director
Kevin de Leon, California Senate President Pro-Tempore