
JANUARY 27, 2020

AGENDA ITEM 2
INFORMATION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Executive Director's Report

2019 Year End Highlights

The Executive Director's Year End Highlights report for 2019 was distributed to the public and stakeholders on January 6, 2020 and is included as Attachment 1.

Budget

The budget reports from October through December 2019 are not available at this time due to delay in 2018-19 year-end data reporting from the implementation of FISCAL. As of September 30, 2019, the most recent available reporting, the program had spent \$338,834 in loan funding in fiscal year 2019-20 and a total of \$4.0 million since inception. A detailed budget summary is included as Attachment 2.

Program Fund Audit 2018-19

The California Secure Choice Retirement Savings Trust is composed of two funds: the administrative fund, which tracks the operations and expenses of staffing and contracts for the CalSavers Program, and the program fund, which controls participant accounts, fees, and investment options.

Landmark CPAs recently conducted an audit of the program fund for fiscal year 2018-19, and issued their report in December 2019. They found no deficiencies, and their report is available online and included as Attachment 3.

Staffing

Jacob Schafer began working as the program's communications and policy analyst January 21, 2020. Mr. Schafer previously worked for the California Pollution Control Financing Authority and the California Alternative Energy and Advanced Transportation Financing Authority in the State Treasurer's Office.

Contracts Executed Under Delegated Authority and Upcoming Contracts/Renewals

Contracts Under Delegated Authority

The Executive Director did not execute any contracts under their delegated authority during this period.

Upcoming Contract for Outdoor Advertising

Staff are developing a request for proposals (RFP) for advertising services including planning, creative development, testing, and implementation of a flexible plan that could be expanded at the Board's discretion. The advertising deliverables will be focused on outdoor advertising on buses, bus stop enclosures, small and large billboards, and other physical out of home locations. The RFP will also include the possibility of radio and other media advertisements, but will not include social or digital media strategies, as those services are already managed by staff and the program administrator. The advertising contractor will be required to coordinate with marketing staff of the program administrator at the direction of Program staff.

The RFP will include (1) a brief planning and creative development phase (approximately eight to ten weeks); (2) an initial targeted testing phase (four to eight weeks); (3) a one-year statewide implementation phase; and (4), at the Board's discretion, an additional two years of statewide implementation. Phases one to three will be operated at a cost of no more than \$1,250,000. If a phase 4 is implemented by a vote of the Board under this contract, the contract will allow for a maximum cost of five million dollars per year, for a total maximum contract cost of \$11,250,000 over the approximately three year period.

Staff expect to release the RFP in February and bring a recommendation to the Board in March.

Legislation and Policy Update

State Legislation

After the Board voted to seek technical cleanup legislation in 2020, staff began to engage with lawmakers' offices to identify a sponsor for the bill and preliminary conversations suggest that the bill will receive sufficient support for passage this year. Staff will continue to brief the Board on the bill's progress during Board meetings.

Federal Legislation

The SECURE Act was signed into law December 20, 2019 (summary below). Staff expect federal legislative attention to shift to a variety of bills and policies proposed in prior Congresses. Those include a bill that would mandate employer sponsorship of retirement plans nationwide, legislation to make the Saver's Credit refundable, and a variety of additional measures not included in the SECURE Act.

SECURE Act

The Setting Every Community Up for Retirement Enhancement Act (SECURE Act) was signed into law December 20, 2019, following a vote of 417-3 in the House of Representatives in May and 71-23 in the Senate in December. The SECURE Act makes a variety of changes to federal retirement law aimed at increasing access to retirement plans and improving retirement security, including but not limited to the following:

- Allowing "open" multiple-employer plans for employers without a common organizational interest;
- Increasing the tax credit for employer sponsored plans from \$500 to \$5,000 cap;
- Creating a new additional employer tax credit for plans with automatic enrollment, capped at \$500;

- Allowing more in-home supportive services (IHSS) workers to save for retirement;
- Expanding cap on automatic escalation of contributions from 10% to 15%;
- Increasing the age at which individuals must take required minimum distributions from 70 ½ to 72;
- Addition of safe harbor for lifetime income products (e.g. annuities) and requirement for lifetime income disclosures; and
- Removal of stretch IRA.

There is near unanimous agreement in the retirement services community that this is a positive step forward. While any expansion of coverage via employer-sponsored plans would be encouraging, in the Executive Director’s opinion the SECURE Act is unlikely to substantially open access to retirement savings for the millions of lower wage workers who currently lack access. One of the most relevant and positive effects for the CalSavers Program is a modification to the classification of earnings for certain IHSS providers, which will allow more IHSS providers to be qualified for participation in an IRA like CalSavers.

Marketing and Outreach for Individual Self-Enrollments

As a second tier strategy, staff continue to conduct education, marketing and outreach efforts aimed at increasing individual self-enrollment in communities of workers who are not expected to be included via automatic enrollment. This includes engagement with “gig” platform companies that are expected to be exempt from the employer requirement, as well as labor unions representing IHSS workers.

Enforcement

Staff continue to work with leadership of the Employment Development Department (EDD) to refine the enforcement roles and processes outlined in statute and will present updated plans to the Board in early 2020.

External Presentations

A summary of external presentations provided since the last Board meeting and upcoming external presentations is included as Attachment 4.

Earned Media

Media coverage, including 22 articles, television and radio segments, and podcasts published since the previous Board meeting, is summarized in Attachment 5. Plans for increased earned media outreach are summarized in Agenda Item 3.

Attachments

- Attachment 1: Executive Director’s 2019 Year End Highlights
- Attachment 2: Summary of Monthly Budget Report (through September 30, 2019)
- Attachment 3: Audit of Program Fund 2018-19
- Attachment 4: External Presentations
- Attachment 5: Media Coverage (through January 16, 2020)