
NOVEMBER 19, 2024

AGENDA ITEM 1

ACTION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

Meeting Minutes for the August 21, 2024, CalSavers Retirement Savings Board Meeting

Board members present:

State Treasurer Fiona Ma
Deborah Gallegos for State Controller Malia Cohen
Michele Perrault for Director of Finance Joe Stephenshaw
Michelle Gastelum
Heather Hooper
David Low
Stephen Prough
William Sokol

Board Members Absent:

Nam Le

Staff present:

Angela Duvane
Sandy Guan
Carolina Hernandez
Jonathan Herrera
Eric Lei
Edward Park
Ariel Pickett
David Teykaerts
Connie Van Vorhis
Tristan Woolacott

Others present:

Monica Jimenez, Counsel, State Treasurer's Office

Contractors present:

Troy Montigney, Ascensus College Savings Recordkeeping Services, LLC ("Ascensus")
Martha Nemecek, Ascensus

Carrie Bickerstaff, Ascensus
Paola Nealon, Meketa Investment Group (“Meketa”)
Mika Malone, Meketa
Sonya Park, State Street Global Advisors (“SSGA”)
Elise Thiemann, SSGA
Andrea Fierstein, AKF Consulting (“AKF”)
Soohyang Lee, AKF
Jessica Agee, Gilbert CPAs (“Gilbert”)

CalSavers Retirement Savings Board (“Board”) Chair Fiona Ma called the meeting to order at 2:01 PM.

Treasurer Fiona Ma notified the Board and attendees that the planned Item 9, the Board’s Fiduciary Training, would need to be postponed until the next Board meeting due to time constraints.

Agenda Item 1 – Approval of the Minutes of the May 29, 2024, Meeting of the CalSavers Retirement Savings Board (ACTION ITEM)

Public Comment

None

Board Action

Approval of the minutes of the May 29, 2024, Meeting of the CalSavers Retirement Savings Board.

MOTION: William Sokol

SECOND: Stephen Prough

AYES:

Deborah Gallegos, Michelle Gastelum, Heather Hooper, David Low, Fiona Ma, Michele Perrault, Stephen Prough, William Sokol,

NOES:

None

NOT PRESENT:

Nam Le

ABSTENTIONS:

None

ACTION:

Motion Passed

Agenda Item 2 – Executive Director’s Report (INFORMATION ITEM)

CalSavers Executive Director David Teykaerts presented the report. Mr. Teykaerts noted the recent milestones reached by the CalSavers Retirement Savings Program (“Program”) including the number of funded Saver accounts, the number of facilitating employers, and especially highlighted the fact that the Program recently surpassed one billion dollars in assets under management. Mr. Teykaerts discussed the Participation and Funding Report, noted a drop in the opt out rate, and discussed potentially implementing an automatic re-enrollment feature in the future.

Board Member Heather Hooper inquired about necessary steps for implementation of automatic re-enrollment. Mr. Teykaerts noted that further research would be necessary before such an undertaking could be more practically considered. Mr. Teykaerts stated that consideration of such should be delayed until after the deadline for employers with one or more employees whose deadline is December 31st, 2025 (referred to as “Wave 4”) had passed.

Mr. Teykaerts discussed the ongoing enforcement efforts to bring more employers into full compliance with the mandate by facilitating payroll deductions. Mr. Teykaerts highlighted the mandates effectiveness in driving new employer facilitated retirement programs and stressed that this was also a key goal of the Program. Board Member Michele Perrault inquired what percentage of currently exempted employers would now be subject to the Wave 4 mandated deadline. Mr. Teykaerts answered that more research would be required to answer this question.

Mr. Teykaerts discussed ongoing enforcement and compliance related activity. Board Member Deborah Gallegos inquired if the dollar amount of a penalty fee was impactful in pushing noncompliant employers to act. Mr. Teykaerts noted that there is an additional fee after the initial one and that this was guided by the founding legislation for the Program.

Ms. Hooper inquired if employers were reaching out to the Program about the notices they receive. CalSavers Director of Strategic Stakeholder Engagement and Customer Experience Jonathan Herrera and Ascensus representative Martha Nemecek confirmed that lots of employers did indeed reach out to the Program for information and assistance after receiving a notice and informed the Board how Program staff approached such situations.

Board Member Stephen Prough inquired what the rate of payment on assessed noncompliance fees was. Mr. Teykaerts stated that the payment rate was below 10%. Mr. Teykaerts highlighted recent staffing changes, with Edward Park’s arrival as the Administrative Operations manager, and Carolina Hernandez’s recent promotion as the new Outreach and Client Services manager.

Public Comment

None

Agenda Item 3 – Wave 4 Marketing and Outreach (INFORMATION ITEM)

Mr. Herrera, Ms. Nemecek, and Ascensus representative Carrie Bickerstaff presented the item. Mr. Herrera discussed the Program's work to prepare for Wave 4, and noted the significant size of the employer population that would be subject to this deadline. Mr. Herrera noted that the employers subject to this deadline were the smallest yet to fall under the mandate and would require a unique approach in terms of marketing and outreach.

Mr. Herrera discussed the marketing and communications plans for Wave 4 employers. Ms. Nemecek discussed the phased, territory-based, campaign for marketing and discussed the anticipated Field Team activity relating to Wave 4. Ms. Hooper inquired if there were plans in place to utilize an AI tool to aid employers with simple queries. Mr. Teykaerts answered that such a tool was being researched, and that contracting work was already underway to implement an AI chatbot on the website.

Ms. Gallegos inquired what industry most of the employers for Wave 4 fell into, and inquired if Outreach was being conducted in multiple languages. Ms. Nemecek answered that outreach and marketing were conducted in multiple languages. Mr. Herrera noted that the Restaurant and Hospitality industries made up most of the employers in Wave 4 and stated that the industry organizations for each were already stakeholders with the Program. Ms. Hooper noted that employer testimonials could be especially impactful in Outreach efforts.

Agenda Item 4 – Program Administrator's Report (INFORMATION ITEM)

Ascensus representative Troy Montigny presented the item. Mr. Montigny discussed Ascensus's work to prepare for Wave 4. Mr. Montigny discussed Client Services metrics and noted the differences between prior quarters and the most recent quarter. Mr. Montigny highlighted that service level benchmarks were met and that many callers were utilizing the newly implemented call back feature.

Board Member Michelle Gastelum inquired if there was any kind of consistency in the subject matter of caller inquiries. Mr. Montigny discussed the reasons that callers inquire with the help center. Ms. Gallegos inquired about calls relating to distribution requests. Mr. Montigny noted that behavioral economics principles were carefully communicated with such requests. Mr. Montigny noted the emphasis on multilingual accessibility at the call center and stated that this was now a prominent consideration in hiring practices. Mr. Montigny stated that the trend of high customer satisfaction had continued for the quarter.

Mr. Montigny discussed updates from the Field Team. Mr. Montigny noted the focus on outreach to employers and highlighted the metrics for the Field Team's activities. Mr. Montigny noted the shift to messaging that focused on full facilitation as the goal for employers so they can avoid penalty collection notices each year. Mr. Montigny reiterated the priority of collecting

employer testimonials. Ms. Ma noted the importance of social media, be it utilized by Board members, stakeholders, or Program staff, in communicating to Wave 4 employers.

Public Comment

None

Agenda Item 5 – Second Quarter Investment Performance Report (INFORMATION ITEM)

Meketa Investment Group representatives Paola Nealon and Mika Malone presented the item. Ms. Nealon noted that the second quarter growth, decrease in inflation, and discussed the performance of the markets. Ms. Malone stated that there was still not a clear consensus among the industry whether a recession was on the horizon.

Ms. Nealon discussed the Q2 performance of funds the Program offered. Ms. Malone noted that all the Target Date Funds (referred to as “TDF”) and non-TDF funds performed well for the quarter and that all funds tracked relatively closely with their benchmarks. Ms. Nealon highlighted that the funds with further retirement dates, whose equity allocation was higher, performed well for the quarter. Ms. Nealon noted plans to bring a fee comparison to the Board at a future meeting, to discuss how fees currently in place compare to similar investment managers.

Mr. Prough and Ms. Gallegos inquired about the total fees associated with the Program. Mr. Malone and Ms. Nealon answered that the fees for each fund differed, but Program fees to savers were approximately 80 basis points. Ms. Gallegos inquired about the potential use of Commingled Investment Trusts (referred to as “CITs”) by the Program. Ms. Malone noted there were legal restrictions regarding implementation of CITs with IRA accounts.

Public Comment

None

Agenda Item 6 – Administrative Fund Audit Report for Fiscal Year 2022-23 (INFORMATION ITEM)

Gilbert representative Jessica Agee presented the item. Ms. Agee discussed the Administration Fund Audit report and noted that the fund received an unmodified opinion. Ms. Agee noted that the fund audit was delayed due to the release of OPEB report, so the information was not as actionable should there have been any action necessary.

Public Comment

None

Agenda Item 7 – Annual Review of the Investment Policy Statement (INFORMATION ITEM)

Mr. Teykaerts discussed the Investment Policy Statement. Mr. Teykaerts noted that statute requires the Board to review the investment policy statement annually. Mr. Teykaerts stated staff had reviewed the statement and were not recommending any changes.

Public Comment

None

Agenda Item 8 – Approval of Strategic Plan 2024-29 (ACTION ITEM)

Executive Director Teykaerts presented the item. Mr. Teykaerts discussed the proposed plan and noted that it included the proposed revisions brought by the Board during the prior Board meeting. Board Member Michele Perrault thanked Program staff for their work to update the plan to include revisions proposed by the Department of Finance.

Public Comment

None

Board Action

Approval of Resolution 2024-02: Approval of Strategic Plan 2024-29

MOTION: Deborah Gallegos

SECOND: Michele Perrault

AYES:

Deborah Gallegos, Michelle Gastelum, Heather Hooper, David Low, Fiona Ma, Michele Perrault, Stephen Prough, William Sokol,

NOES:

None

NOT PRESENT:

Nam Le

ABSTENTIONS:

None

ACTION:

Motion Passed

Agenda Item 9 – Fiduciary Responsibility Training (INFORMATION ITEM)

Proposed Agenda Item 9 was not heard during this meeting and was instead postponed until the following meeting.

Agenda Item 10 – Update on the State-Facilitated Retirement Program Landscape (INFORMATION ITEM)

AKF representatives Andrea Fierstein and Soohyang Lee presented the item. Ms. Lee discussed the current state of the State Facilitated Retirement Savings Programs (referred to as “SFRP”) industry and noted that most states were opting for programs similar to CalSavers in terms of design. Ms. Lee discussed the states that also opted for an auto-IRA model with an employer mandate and compared their current standings with that of CalSavers. Ms. Lee noted that many states are opting to partner together to reduce costs for facilitation of their own programs.

Ms. Lee discussed the growth of the SFRP industry in states with active programs. Ms. Lee noted the relative speed with which CalSavers had grown. Ms. Ma inquired if other programs implemented a phased rollout based off the number of employees at a given business. Mr. Teykaerts noted that many states took different paths for implementation.

Ms. Lee discussed the various states SFRP funds and fund providers. Ms. Lee noted that most states use the same fund managers, Mr. Prough inquired about how the various fund providers differ in the construction of their Target Date Funds (referred to as “TDF”). Ms. Hooper noted that Blackrock tends to provide more aggressive funds to younger savers. Ms. Nealon stated that a comparison could be presented at a later date.

SSGA representative Elise Thiemann confirmed that the Blackrock glidepath differed from the SSGA and Vanguard glidepath by utilizing more aggressive investment options for farther dated TDFs, and tapering off to a final, more conservative investment lineup earlier than either SSGA or Vanguard. Mr. Prough inquired if Vanguard and SSGA’s portfolios differed in terms of the proportions of domestic versus international investments. Ms. Thiemann noted that both fund providers shared a similarity to market weight.

Ms. Lee discussed the various SFRPs fee structures. Ms. Lee noted that most states currently utilize a hybrid fee structure with some fixed dollar costs and some asset-based costs, with California and Illinois as notable exceptions. Ms. Lee discussed the SFRPs different costs to Savers relative to current average balances. Ms. Lee discussed various activity to watch within the industry in the coming months and years.

Ms. Gallegos inquired if any states had reached out to CalSavers to seek out a partnership. Mr. Teykaerts stated that at present no state had done such, but nothing in the legislation prevented such from happening in the future. Board Member David Low inquired how the states that had partnerships in place operated their programs. Ms. Lee stated that the states that operate as partnerships are usually smaller states, and that they do so to reduce costs and expedite access for savers. Ms. Fierstein noted that typically in such partnerships there is a lead state whose policies other states must accept as is when joining the partnership.

Agenda Item 11 – Public Comment

None.

The Board adjourned at 4:01 P.M.