



CA Partnership for the San Joaquin Valley Board of Directors

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The Problem

- 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
- Moral problem + Fiscal/Taxpayer problem





Barriers to Retirement Savings

- Lack of access at work
- Barriers to access on the existing market
 - Minimum opening deposit
 - Fees/Financial cost
- Lack of financial education, overwhelming marketplace
- Cash Flow: retirement feels far away compared to immediate needs





Barriers to Entry for Small Business

- Fees / Financial Cost
- Administrative Burden
- Exposure to Liability / ERISA





Small Business Wants Change

In CA, only 57% of workers have access to a workplace retirement plan (AARP), but not because employers don't want to offer one.

Survey data shows:

- 2/3 of small business owners support a state retirement savings program
 - Help small business and their employees save for the future
- 3/4 of small business owners think offering such a program would give them a competitive edge
 - Help small businesses attract and retain talent

2016 Survey Conducted by Small Business Majority and AARP





A Solution: Payroll Deduction

Workers with a payroll deduction savings option are **15 times** more likely to be on a path to retirement security.

And **20 times** more likely when it's automatic enrollment.
(AARP)





**Senator Kevin de Leon,
Legislative Champion**



**State Treasurer John Chiang,
Board Chair**

- Senate Bill 1234 of 2012 (v.1)
 - All CA employers with 5+ employees must either:
 - Offer a retirement plan of employers' of their choice
 - Or**
 - Provide access to CalSavers
- Feasibility Study completed in 2016
- **Final passage of Senate Bill 1234 (v.2) in 2016**





What is CalSavers?

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:** automatic enrollment at work, automatic escalation of contributions, default investment options to make saving easy and automatic
- **Portable** from job to job
- **Gig Workers**, self-employed, and other individuals welcome, too
- **Zero cost to State, taxpayers:** Program is self-sustaining with participant fees
- **Professionally Managed** by Ascensus and State Street Global Advisors
- **Transparently Governed** by a public board chaired by State Treasurer





CalSavers: Fiscal Responsibility

Program is self-sustaining, funded by a small fee on participants

- **No cost to the state, taxpayers**
- **Free for employers to participate**
- **No employer or state liability**

Program will be a net positive for taxpayers

- **Reduced need for taxpayer-funded public assistance programs for impoverished elders**





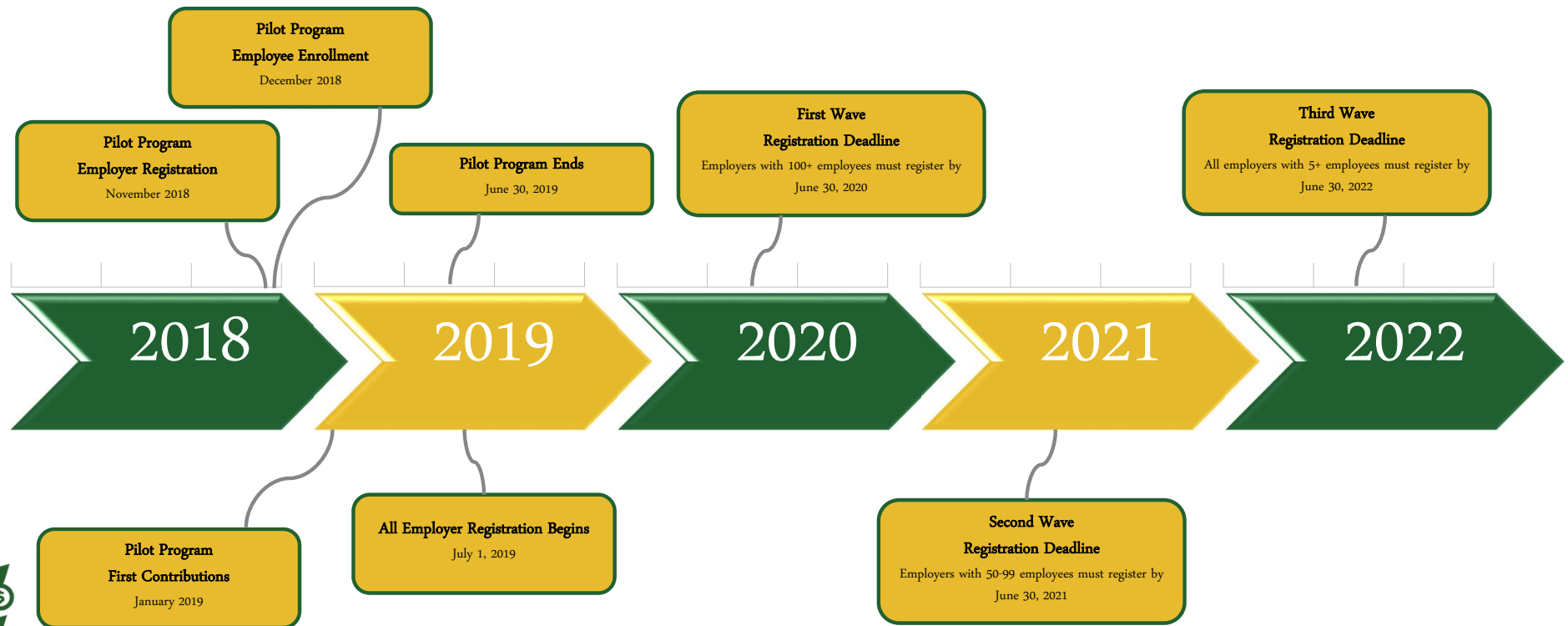
CalSavers Features

- **Contributions**
 - Employees may choose and change contribution rate
 - Default rate is chosen by Program (5%)
 - Contribution limits based on IRS rules (\$5,500/yr)
- **“Roth” IRA Default with Traditional as an elective option**
 - Allows for penalty-free and tax-free withdrawals of contributions
 - 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





CalSavers Rollout Timeline





Profile of Eligible Population: Work

- What is their average income?
 - \$35,146
- Where do they work?
 - 13.3% Retail
 - 12.3% Accommodation and Food Service
 - 11.0% Manufacturing
 - 11.0% Health Care and Social Services
 - **Other top fields:** Management/Administration/Support Waste Management Services; Wholesale, Transportation & Warehousing; Construction

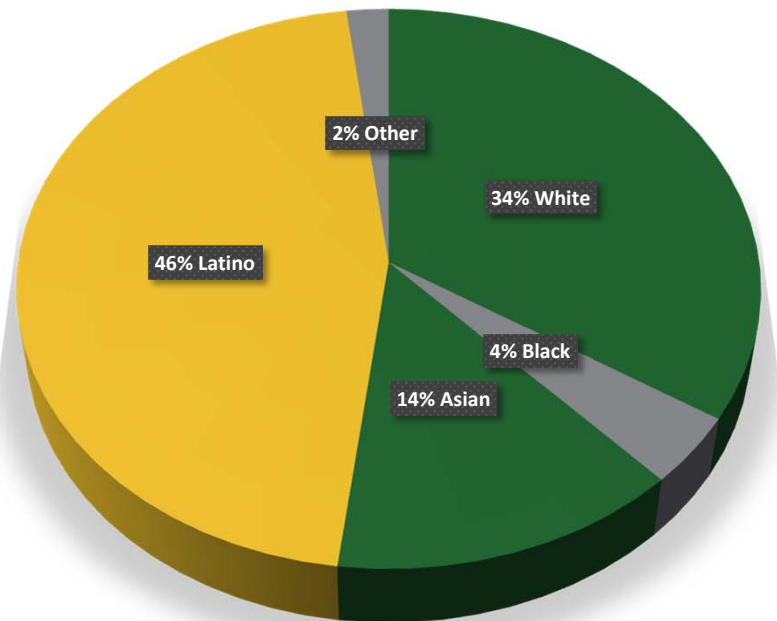
Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016





Profile of Eligible Population: Race

Race/Ethnicity of Eligible Workers, 2012-2014



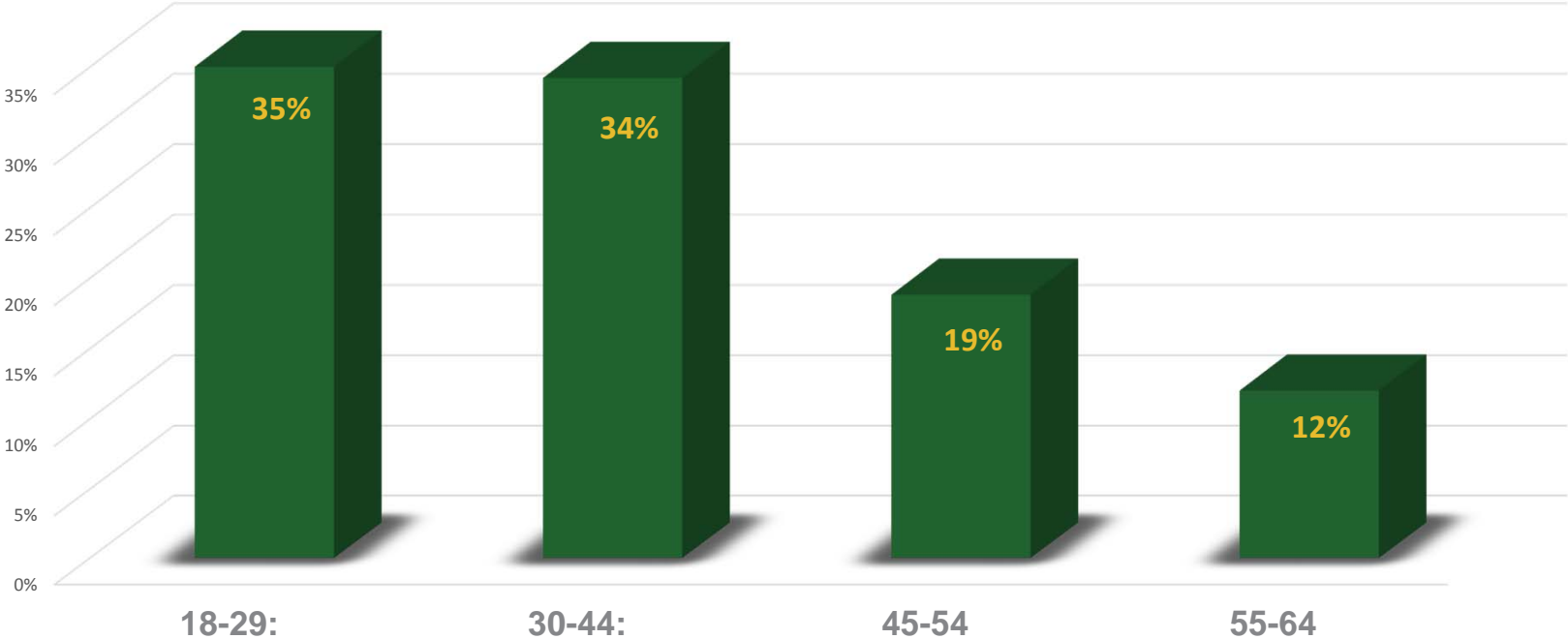
Source: CA Secure Choice Market Analysis and Feasibility Study By Overture Financial LLC, March 17, 2016





Profile of Eligible Population: Age

Age Profile of Eligible Workers, 2012-2014



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

Eligibility in Counties With 500k+ Residents



Rank	Counties with Population over 500K	5-49 Employees		50-99 Employees		100+ Employees		TOTALS	
		Firms	Employees	Firms	Employees	Firms	Employees	Firms	Employees
1	Los Angeles	56,806	748,696	2,576	174,667	1,358	632,061	60,740	1,555,424
2	Orange	18,292	246,504	977	67,095	504	167,291	19,773	480,890
3	San Diego	15,228	199,580	720	48,570	321	90,146	16,269	338,296
4	Riverside	8,935	119,388	403	27,471	198	55,883	9,536	202,742
5	Santa Clara	8,765	115,326	381	25,504	144	174,659	9,290	315,489
6	Alameda	8,269	107,362	341	22,684	158	72,428	8,768	202,474
7	San Francisco	6,631	84,428	272	18,357	120	37,591	7,023	140,376
8	San Bernardino	5,740	77,450	233	15,835	137	47,316	6,110	140,601
9	Sacramento	5,477	70,182	238	16,163	109	23,314	5,824	109,659
10	San Mateo	4,368	54,582	186	12,313	80	16,031	4,634	82,926
11	Contra Costa	4,222	51,632	156	10,513	64	23,613	4,442	85,758
12	Fresno	3,759	49,716	190	12,668	78	28,052	4,027	90,436
13	Ventura	3,434	44,254	142	9,488	54	11,592	3,630	65,334
14	Kern	2,891	38,416	109	7,188	81	43,586	3,081	89,190
15	Sonoma	2,516	30,397	83	5,580	25	4,528	2,624	40,505
16	San Joaquin	2,469	31,869	94	6,275	56	10,777	2,619	48,921
17	Stanislaus	1,440	18,213	44	3,027	30	7,473	1,514	28,713
	TOTALS	159,242	2,087,995	7,145	483,398	3,517	1,446,341	169,904	4,017,734
	% OF ALL FIRMS	86.0%	86.4%	88.5%	88.6%	89.3%	91.1%	86.2%	88.3%
	TOTALS ALL FIRMS	185,173	2,415,998	8,073	545,834	3,940	1,587,639	197,186	4,549,471





Fresno County

Firms estimated to not provide access to a retirement plan.*

Total by Size of Firm

	Firms	Employees
5-49 Employees	3,759	49,716
50-99 Employees	190	12,668
100+ Employees	78	28,052
TOTAL	4,027	90,436



Top Ten Industries

	Firms	Employees
Agriculture, Forestry, Fishing and Hunting	120	15,678
Accommodation and Food Services	682	14,121
Administrative Support / Waste Mgmt. & Remediation	266	10,480
Retail Trade	580	9,856
Construction	443	8,554
Health Care and Social Assistance	511	8,137
Manufacturing	178	4,349
Transportation and Warehousing	207	4,082
Other Services (except Public Administration)	289	3,470
Professional, Scientific, and Technical Services	265	3,080

*Source: State of California Employment Development Department, 4th quarter 2016.





Kern County

Firms estimated to not provide access to a retirement plan.*

Total by Size of Firm

	Firms	Employees
5-49 Employees	2,891	38,416
50-99 Employees	109	7,188
100+ Employees	81	43,586
TOTAL	3,081	89,190



Top Ten Industries

	Firms	Employees
Administrative Support / Waste Mgmt. & Remediation Services	200	24,841
Accommodation and Food Services	634	14,786
Agriculture, Forestry, Fishing and Hunting	68	14,627
Health Care and Social Assistance	394	7,685
Construction	366	6,267
Retail Trade	447	5,770
Transportation and Warehousing	153	2,932
Manufacturing	130	2,666
Other Services (except Public Administration)	207	2,429
Professional, Scientific, and Technical Services	168	2,287

*Source: State of California Employment Development Department, 4th quarter 2016.



San Joaquin County

Firms estimated to not provide access to a retirement plan.*

Total by Size of Firm

	Firms	Employees
5-49 Employees	2,469	31,869
50-99 Employees	94	6,275
100+ Employees	56	10,777
TOTAL	2,619	48,921



Top Ten Industries

	Firms	Employees
Accommodation and Food Services	493	12,947
Retail Trade	383	6,597
Construction	303	5,220
Health Care and Social Assistance	315	4,538
Manufacturing	147	3,508
Other Services (except Public Administration)	268	3,138
Administrative Support / Waste Mgmt. & Remediation Services	132	3,080
Agriculture, Forestry, Fishing and Hunting	59	2,818
Transportation and Warehousing	111	1,568
Professional, Scientific, and Technical Services	134	1,312

*Source: State of California Employment Development Department, 4th quarter 2016.



Expected Impact

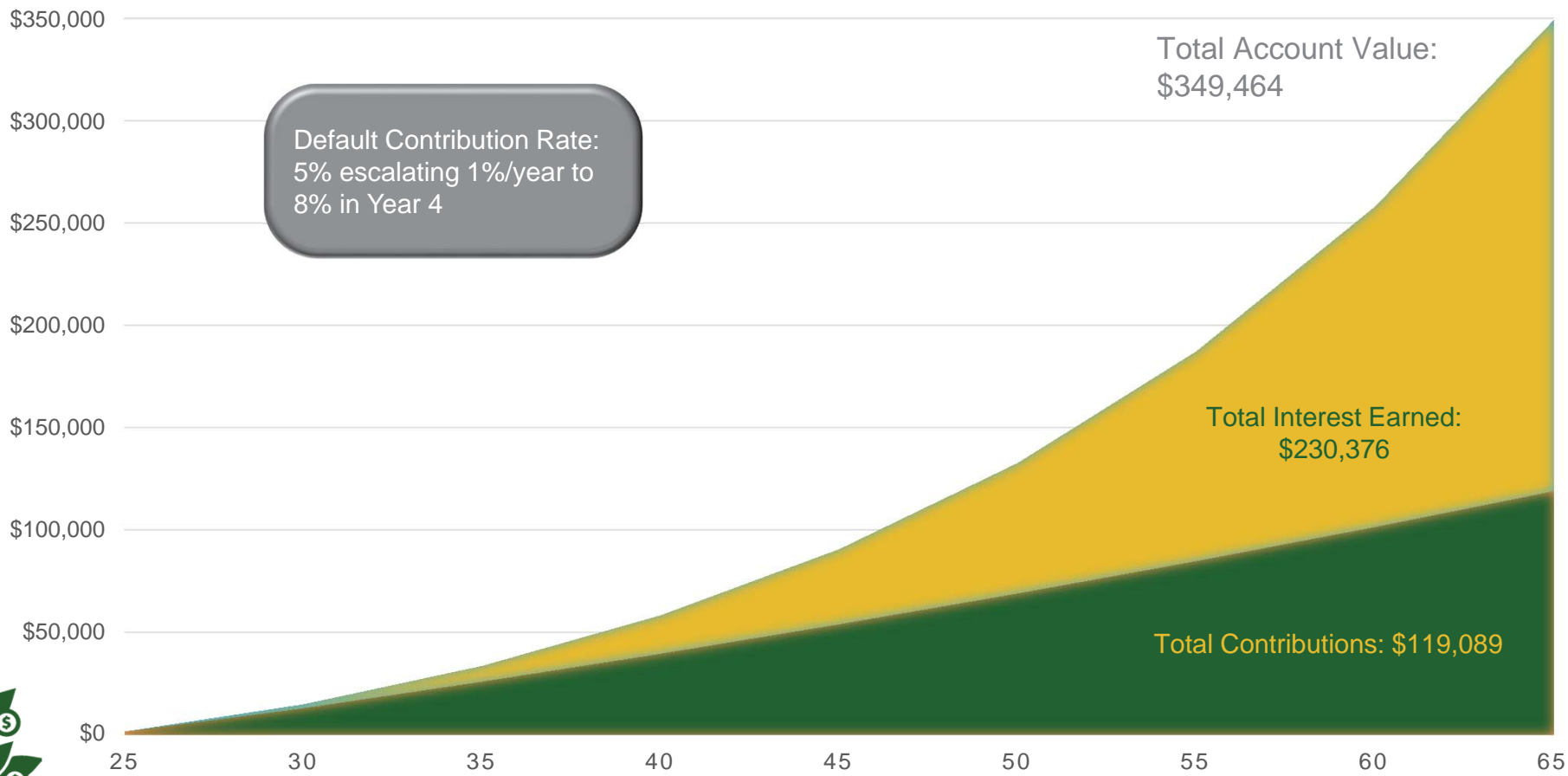
CA's \$15 Minimum Wage + CalSavers = 50% increase to young low-income workers' retirement incomes (UC Berkeley Labor Center)

- \$15/hr CA minimum wage by 2023
 - Cities like LA (7/1/21) and SF (7/1/18) getting there sooner





THE POWER OF COMPOUND INTEREST



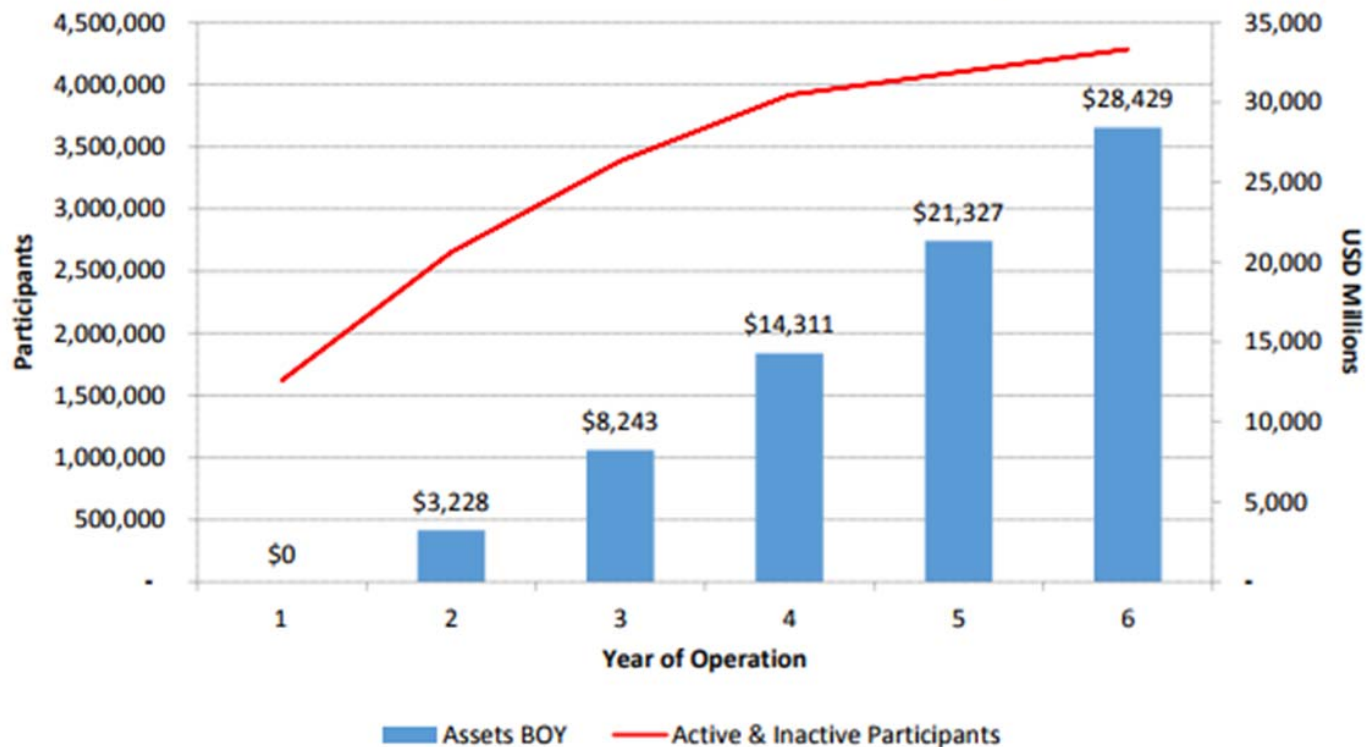
Scenario assumptions: starting salary of \$30,000 with 1% salary increase per year; hypothetical rate of return is 5%.
Investment returns may vary, are not guaranteed, and assets may lose value.



Projected Participation & Assets

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

Baseline Scenario Assets and Participants



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





Outreach and Stakeholder Engagement: Powered by Partnerships

- Outreach must be culturally competent
- Trusted messengers will be essential to reaching target audiences (both employers and employees)
- Establishing regional stakeholder working groups for outreach and engagement
- Build on & leverage existing communications infrastructure of partners
- Apply best practices from Covered CA and EITC outreach





Outreach and Stakeholder Engagement:

Valley Leadership Group Roles

- Promote CalSavers and serve as spokespeople; recruit other leaders
- Identify organizations to serve as core work group
- Identify/sponsor regional events and opportunities to promote or educate
- Identify and engage local media in promoting CalSavers
- Identify local funders to support local efforts and participation of community based groups in outreach efforts





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