



WELCOME TO CalSavers

A simple way to offer retirement savings for your employees, with no fees and no risk to your business

**SOUTHERN
CALIFORNIA
EDITION**

A GOLDEN OPPORTUNITY

BY GAIL ALLYN SHORT

California's new CalSavers retirement savings program will give employers a way to help their employees save for the future

In California, more than 7 million private-sector workers have no workplace-sponsored retirement plan.

As a result, California's workers are retiring into poverty. More than half of today's households will not have enough retirement income to maintain their pre-retirement standard of living. Among households age 55 and older, about 29 percent have no retirement savings at all.

Experts know how to get workers to save: According to AARP, employees are 20 times more likely to save for retirement if they have access to a workplace payroll deduction savings plan.

So why aren't employers offering them? Scott Hauge, president of San Francisco-based advocacy group Small Business California, says factors like cost and complex administrative requirements prevent many small business owners from offering retirement.

"Small businesses are challenged because they're involved in so many aspects of running a company that it's somewhat daunting for them to take up another task," Hauge says.

A new law signed by Gov. Jerry Brown in September 2016 will give those employers a simple way to help their workers save for retirement.

Senate Bill 1234 requires private sector employers to either provide an employee retirement savings plan or give workers access to the new California Retirement Savings Program called CalSavers.

"We're offering this to people who don't currently have access to a plan at work because all the research shows that that nudge — having access at work

through that automatic payroll deduction to 'set it and forget it' — that's what makes a real difference," says CalSavers Executive Director Katie Selenski. "We're trying to level the playing field and give people access to a simple way to save for retirement."

CalSavers will let private sector workers voluntarily enroll in a minimal-cost, appropriate-risk IRA savings account. Under CalSavers, employees can make direct payroll contributions from their paycheck to their own personal IRA and choose their own contribution rate. A private sector financial firm will invest the monies under the supervision of a nine-member public board.

An employer's only duties will be to make the CalSavers option available to their employees and transmit the payroll contributions to the CalSavers administrator — they will not have to match contributions or incur the liabilities that come with company-sponsored retirement plans.

Plus, CalSavers receives no taxpayer funding to support the program. In fact, the program could make retirees less reliant on taxpayer-funded social welfare programs, according to CalSavers.

"Our employees are like family," says Hauge. "So we want to provide them with as many opportunities for their financial future as possible, and clearly, retirement is one of those things."

"We're trying to level the playing field and give people access to a simple way to save for retirement."

KATIE SELENSKI
Executive Director,
CalSavers



Katie Selenski is executive director of CalSavers, California's new retirement savings program.
PHOTO BY MELISSA UROFF

THREE GOALS FOR CALSAVERS



1. Safe

A nine-member board of directors will oversee the CalSavers program, including the professional, private investment firm that will manage the IRA accounts.



2. Simple

Enrollees in CalSavers can contribute to their own IRA accounts through convenient, automatic payroll deductions. Employers will not have to handle time-consuming administrative tasks, match contributions, nor be liable for program operations.



3. Portable

Employees who switch jobs can take their CalSavers account with them. No need to rollover accounts.

Christin Evans says the cost of setting up a retirement savings plan kept her from offering it to her staff of 20. She's excited that CalSavers will help her offer this important benefit.
PHOTO BY GEORGE E. BAKER JR.

BETTER FUTURES AT NO COST

Independent bookstore owner will be able to help younger employees start saving for retirement

BY GAIL ALLYN SHORT

In San Francisco, Christin Evans co-owns an independent bookstore called The Booksmith in the historic Haight-Ashbury neighborhood — a community best known as the place where the 1960s counter-culture movement began.

“Our customers are a mix of tourists from all over the world, as well as individuals who live and work in San Francisco,” says Evans, who operates the bookstore with her husband.

The bookstore has 10 full-time employees and 10 part-time workers, she says. The business, however, does not provide a retirement savings plan for the staff.

“Many of our employees are in their first or second job out of college and are earning minimum wage or just above it,” she says. “The challenge of offering a retirement savings plan is that they’re expensive and time consuming.”

Small businesses like The Booksmith are crucial to helping workers start saving for retirement. According to AARP, two-thirds of the workers who currently do not have access to retirement accounts work for businesses with fewer than 100 employees.

That’s why lawmakers established CalSavers, a no cost, simple way for employers of all sizes to offer retirement savings.

Although employers can establish their own retirement savings plan through any financial institution, going through CalSavers allows them to skip the costs and time involved in creating and maintaining their own plan.

“Employer-sponsored retirement plans can be expensive and time-consuming, and many small business owners — myself included — don’t have the resources to put them in place,” says Pepi Jackson, Executive Director of the Riverside County Black Chamber of Commerce, which has supported CalSavers. “It will help small businesses save time and money, and is truly a win-win for small businesses that want to offer retirement benefits and employees who are struggling to save for their golden years.”

“It’s a great way for me to offer a new retirement benefit with very little time and cost on my side.”

CHRISTIN EVANS
Co-owner, The Booksmith

CalSavers will not require employers to contribute monies to their workers’ IRA accounts. In fact, it’s not allowed under ERISA (Employee Retirement Income Security Act) rules, so employers cannot match contributions. Moreover, they will not incur any liability for program operations or handle complex administrative duties.

“It’s a great way for me to offer a new retirement benefit with very little time and cost on my side,” Evans says. “It doesn’t require me to negotiate with vendors or deal with reporting requirements at the end of the year.”

Besides there being no employer fee, Evans likes that she can do right by her employees with CalSavers.

“The motivations for me are to ensure that we are taking care of low-wage workers,” she says, “especially earlier in their careers when it’s a smart time to have them start saving toward greater security in their futures.”



WHO'S SUPPORTING CALSAVERS?

Many state and local business organizations are supporting CalSavers, including:

- Asian Business Association
- Asian Small Business Association
- Black Business Association
- California Association for Micro Enterprise Opportunity (CAMEO)
- California Association of Nonprofits
- California Black Chamber of Commerce
- California Capital Women's Business Center
- California Small Business Association
- Carson Black Chamber of Commerce
- Fresno Metro Black Chamber of Commerce
- Hispanic Association of Small Business
- Latin Business Association
- Los Angeles Latino Chamber of Commerce
- Los Angeles Metro Hispanic Chamber of Commerce
- National Association of Women Business Owners – Sacramento Valley Chapter
- Pico Rivera Chamber of Commerce
- Riverside County Black Chamber of Commerce
- Sacramento Black Chamber of Commerce
- South Asian Business Association Network
- Small Business California
- Small Business Majority



Gulsum Rustemoglu says administering her company's IRA proved too time-consuming. She's excited at the opportunity to offer CalSavers to her employees.
PHOTO BY STEPHEN WHALEN

ATTRACTING TOP TALENT

**Owner of environmental permitting firm
in San Diego says CalSavers will save
her time and money**

BY MATT JOCKS

WHO MANAGES THE PLAN? (HINT: IT'S NOT YOU)

California's CalSavers retirement savings program will be managed through a financial services firm from the private sector. That firm will be chosen by and contracted with the CalSavers Board.

The nine-member board is required to establish and define the big-picture investment objectives and describe investments available to participants within an IRA structure.

Once selected, the private firm will be the primary contact for employers and employees. That firm will be required to make regular reports in a public board meeting on the investment performance.

"Our program operates with the highest level of transparency and accountability because all of our board meetings and documents are open to the public and we invite public comment on all our decision-making," says Steve Juarez, Deputy Treasurer for Economic Development and Higher Education Policy and Chair Designee for the CalSavers Board.

The CalSavers Board is made up of:

- State Treasurer (chair)
- Controller
- Director of Finance
- An employee representative appointed by the Speaker
- An individual with retirement savings expertise selected by Senate Rules
- A small business representative selected by the Governor
- Three additional members selected by the Governor

She lost her job and started a new one in rough economic waters, so Gulsum Rustemoglu knows the value of economic security.

Rustemoglu is the owner of environmental consulting and permitting firm GEPermit in San Diego. She started the firm during the economic downturn of 2009, but it has thrived and won the San Diego District woman-owned Small Business of the Year award in 2016.

Currently, Rustemoglu offers a simple IRA and matches her employee contributions.

But administering the retirement plan has proven to be too time-consuming. Rustemoglu has found herself on the phone with banks, trying to sort out changes in her account when she would rather be spending that effort on her business.

"I have administrative staff," she says, "but as the owner, it ultimately comes back to me. I'm the one the workers will come to asking about their account."

The CalSavers option will take away those administrative duties and provide employees with a portable plan. If that leads to a more stable workforce,

the benefit is tangible for Rustemoglu: She knows happy employees stick around longer.

GEPermit does environmental and land use consulting for cities and counties here in California and across the U.S. The company's employees need to have a solid understanding of complex environmental laws at the federal, state and local levels, as well as the ability to work with developers and municipalities to ensure projects comply with the law. Those skills can be hard to find.

"If I lose an employee, that can mean up to \$200,000 in revenue depending upon the seniority of the staff," she says. "They work with large contracts and the highly trained staff work directly with clients, typically large engineering firms. When I have to tell a client we lost that employee, that's one of our biggest challenges."

Rustemoglu says she is looking forward to having the CalSavers option.

"This is going to make it a better alternative to get and keep good employees."

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alternative to get
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GULSUM RUSTEMOGLU
Owner, GEPermit



Angel Torrientes is working toward financial security and teaching herself the financial skills to save for retirement.
PHOTO BY ZACH SUTTON

MONEY TALKS

THE BOTTOM LINE



More than 7 million California workers don't have retirement savings plans at their workplace. Of those workers:

66% are employed at small businesses with less than 100 employees

Almost 5 million are minority workers (**3.5 million** of whom are Latino)

58% are women

Almost 65% are between the ages of 18 and 34

Over **75% of California's low- and moderate-income retirees** rely exclusively on Social Security.



Women are 80% more likely to live in poverty in retirement than men, with half as much annual income as the average male senior: \$15,500 vs. \$31,000.



Like many in minority communities, Angel's family lacked the tools and know-how to save for the future

BY ANNE STOKES

Even though Angel Torrientes has always known why it's important to save for the future, she hasn't always known how. Growing up, she says finances weren't something talked about at home.

"My parents were immigrants, so they didn't really understand the system and couldn't explain it to us," she says. "My dad's been working since he was 21, when he first got to this country, and he's still working because of the lack of financial planning on his part and not knowing how that works. He's almost 80."

Unfortunately, Torrientes' family's experiences are common. In many economically disenfranchised communities, parents who lack basic financial skills can't teach them to their children. Money decisions are driven by immediate needs — housing, utilities, food — rather than long-term financial security.

Additionally, many employers in those same communities don't offer retirement benefits. According to AARP, out of the more than 7 million Californians that aren't offered retirement plans through their jobs, two-thirds of those employees are minorities, the majority of whom are Latinos.

That makes these communities much more likely to experience poverty at retirement age — in fact, nearly half of California workers are on track to retire facing economic hardship.

California's new CalSavers program is trying to give those employees the tools and know-how to save their own money for retirement by automatically setting aside a small percentage of each paycheck.

Currently, Torrientes is working for a nonprofit in the Los Angeles area that does offer retirement savings plan benefits,

however, for the past 10 years, she worked for organizations that didn't. She says that had the CalSavers program been available, it would have been extremely helpful and that she wouldn't have wasted a decade not saving.

"I'm trying to set myself up for financial freedom. I want financial stability, I want to be able to save — I need a retirement plan," Torrientes says. "A lot of young families, single parents, might not know you don't have to wait until you get that perfect job to start saving. I wish somebody would have told me that because I would have started saving the right way."

"I'm trying to set myself up for financial freedom."

ANGEL TORRIENTES
38, training specialist
with nonprofit

At left, Lorenzo Harris of Janico Building Services says his employees like Teresa Labuguen, at right, will benefit from CalSavers because they will be able to continue saving with the plan — even if they leave his company.
PHOTO BY MELISSA UROFF

TAKE YOUR MONEY WITH YOU

**With CalSavers, Teresa can keep saving
— no matter where she works**

BY MATT JOCKS

When Teresa Labuguen left her job, she found herself facing the same question many employees face: What do you do with the money you've set aside in your company's retirement plan? Labuguen chose to cash it out.

"I didn't want to do that, but I didn't have a choice," she says, adding that she lost about \$800 in taxes when she cashed out her 401k. "I think every employee should have that option to take a plan to a new job."

That's why she is so eager about the CalSavers option. "I'll be the first one signing up," she says.

The 51-year-old does not currently have access to a retirement savings plan, but she understands the importance: "I don't want to be living on assistance when I'm 65. I want to be enjoying my life."

For most workers, changing jobs means rolling over their money to a new retirement savings account. But if the new employer doesn't have a plan (or if it's not attractive), many employees end up leaving the money they saved in their old plan.

If they do a rollover, it can be a complicated process, and they need to learn about the rules and fees for the new plan.

CalSavers is the same program with the same options for all employees who participate. Portability will mean that the plans are assigned to the workers, not the companies. When workers change jobs, they will bring the plans with them and, with minimal paperwork, investments will continue uninterrupted.

Lorenzo Harris is Labuguen's boss at Janico Building Services, a company that provides janitorial and maintenance staff for offices in Sacramento and the Bay Area. He is a proponent of the CalSavers program and, in a business known for high turnover, sees portability as one of the biggest advantages.

"I think that's huge for the employees," Harris says. "Once this is implemented, they can take their savings to a new employer and continue without any real type of administrative action needed. Employees will look at that as very positive."

For an employer like Harris, being able to offer that kind of security at no cost is a way to compete for reliable workers.

"I'm going head-to-head with companies that are 10 times my size," he says. "This is a good way to even the playing field."

***"I don't want
to be living on
assistance when
I'm 65. I want to be
enjoying my life."***

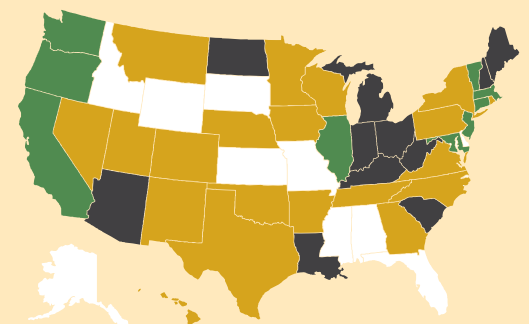
TERESA LABUGUEN
51, Janico Building
Services employee



THE RETIREMENT SAVINGS TREND

California is part of an emerging trend of states enacting legislation both requiring and facilitating the establishment of retirement savings accounts for employees. Some 30 states are considering retirement savings plans for small business employees, and seven states are already implementing them.

- Enacted legislation
- Legislative proposal and/or study in 2017
- Recent state efforts



F.A.Q.

Common questions for employers and employees

BY ANNE STOKES



FOR EMPLOYERS:

As an employer, what am I required to do?

Businesses with five employees or more will be required to offer a retirement savings plan through a private sector financial company *or* CalSavers. Should you opt to offer CalSavers, you'll be responsible to provide employees with enrollment information and remit their payroll deductions to the CalSavers program. Everything else is managed by the program.

Am I responsible for employee participation? Am I liable for their investments?

Not at all. Employers have zero financial liability or fiduciary responsibility for this program. *Employees* will decide whether or not to participate in the program as well as make any investment decisions. Due to the way this program is structured, employer contributions are not allowed.

When do these requirements go into place?

Staff estimate the program will open for enrollment in early 2019. Requirements will be phased in over a three-year period beginning with employers with 100 or more employees. Stay informed and enroll for program updates at www.treasurer.ca.gov/scib.

Will there be penalties for noncompliance?

The state *does* have the authority to levy a penalty, although it's currently being determined when it would be implemented.

How will this help my business?

CalSavers is a no-cost way to offer your employees retirement benefits and eliminates the need to "shop around" for the best plans and rates. It will enable smaller companies to compete to attract and retain employees.

What makes CalSavers a good option?

CalSavers is governed by a public board of directors with fully transparent meetings, proceedings and documents. Funds will be professionally managed into low-fee investments and the program is fully accountable. In addition, the expected volume of participants will give the CalSavers program leverage to demand low-cost services to ensure low fees for participants.

What will the program cost my company?

Nothing! There are no fees or financial costs — employers just need to set up the pass through for the payroll deduction.

I keep getting solicited by private sector companies that say I have to buy their products in order to comply with the law, is this true?

No. The mandate requires employers to provide employees a retirement savings plan, either through a private sector financial company *or* through CalSavers. You choose! The requirement does not go into effect until CalSavers is up and running.

FOR EMPLOYEES:

Do I have to participate?

No. The program is completely voluntary. Should your financial situation change, you are free to opt out or change your contributions.

How much do I have to contribute?

You get to choose! The CalSavers board has yet to decide what the minimum amount can be.

What happens if I change jobs?

While employer-connected retirement savings fund management can vary from workplace to

workplace, CalSavers accounts stay with *you*, the employee. Should you change jobs, you can keep your CalSavers account *or* roll it over into a new plan. The choice is yours.

How can I access my account and funds? Can I make changes to my contributions?

Participants can access their account via the program website or call center, where you can get help understanding your options and watch your money grow!

START THINKING ABOUT RETIREMENT NOW



California's workers deserve to retire with dignity. As a result of state law, all employers with five or more employees will soon need to offer a retirement savings plan or provide access to **CalSavers**, the state's new retirement savings program for private sector workers.

CalSavers helps business owners ensure the financial security of their employees — with no employer fees and minimal effort.

For employees, CalSavers makes saving for retirement easy — it automatically comes out of their paycheck before they get a chance to spend it. It's like paying your future self first.

When Will My Business Be Affected?

Pilot: Late 2018

Statewide launch: Early 2019

Employers with 100+ employees:
12 months after launch

Employers with 50+ employees:
24 months after launch

Employers with 5+ employees:
36 months after launch

For updates, to provide input or
participate in the pilot launch, visit:
www.treasurer.ca.gov/scib



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Who's Supporting CalSavers?

"As a small business owner and volunteer state president of AARP California, I know that providing employees access to a low-cost, professionally managed retirement program like CalSavers gives them an easy way to automatically save for their future."

PATRICIA PEREZ
Volunteer State President, AARP California



Dennis J. Huang
Executive Director & CEO,
Asian Business Association
"Establishing this program will be another option for small business owners to reduce cost and to help their employees prepare for retirement."



Mark Herbert
California Director,
Small Business Majority
"Nearly 80% of small business employees do not have access to a retirement savings option at work. That's mainly because small business owners are wary of the costs, administrative complexity and liability. CalSavers solves all three of these challenges, making it a win-win for California's small business owners and their employees."



Scott Hauge
President, Small Business
California
"California's CalSavers is especially appealing to small businesses who are not currently offering a retirement savings plan to their employees. We believe SB Cal's members will welcome the opportunity to inform their employees that the opportunity to save their money for the future is an important benefit."



Yvonne R. Walker
President, SEIU
Local 1000
"The ability to retire with dignity should be available to everyone who works hard throughout their lives. With CalSavers, just saving a little will go a long way toward helping employees achieve a pathway to a secure retirement without the fear of living in poverty after their working years are behind them."



Dr. Ruben Guerra, Ph.D.
Chairman, Latin Business
Association
"As chairman of the Latin Business Association and as a small business owner, CalSavers is an incredible opportunity to provide retirement plans at a low cost to our employees, and made simple."



Azizza Davis Goines
President and CEO,
Sacramento Black
Chamber of Commerce
"There's not a lot of plans that can meet the needs of employees *and* employers. ... This product will be affordable for small businesses who really want to give their employees a fair shake."

Other supporters include:

California Asset Building Coalition
California Council of Churches-IMPACT
California Immigrant Policy Center
California Labor Federation
Congress of California Seniors
EARN

PolicyLink
Prosperity Now (formerly CFED)
SEIU California
UnidosUS (formerly NCLR)
United Ways of California
Young Invincibles