



WELCOME TO



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

BAY AREA EDITION

CalSavers

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.”

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.”

“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



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

Zach Davis says when he looked into offering retirement for his restaurant group, the cost and the oversight didn't work out for him. Now with the option of offering CalSavers, he'll be able to give his employees security with minimal administrative work.

PHOTO BY CHIP HOLLEY

GOOD FOR BUSINESS

Santa Cruz restaurant group owner says offering retirement will help his business compete

BY MATT JOCKS

In competition for labor, Zach Davis is hard-pressed to match wages with businesses in nearby Silicon Valley, but he can counter with the attractive lifestyle of Santa Cruz. And some killer ice cream.

Davis is the owner of The Penny Ice Creamery, an ice cream shop that makes everything from scratch with local, seasonal and organic ingredients. After launching in 2010, the business has expanded to include more eateries, including a full-scale restaurant. During the busy tourist season, Davis' restaurants employ around 140 people.

And soon, he'll have the chance to offer those employees a benefit he's never been able to offer before: retirement through CalSavers.

"This definitely will give us an additional tool to compete," he says.

For businesses fighting to survive and thrive, the financial and administrative challenges of providing a plan can be too daunting. CalSavers appeals to Davis in a number of ways, namely saving money and removing bureaucratic headaches.

"When we looked at offering a retirement plan, the cost, the oversight, the compliance, I felt like we were

hitting a wall," he says. "When you're a small business owner, there are already a million things coming at you every day."

Turnover is a major issue in the food service business. Even the higher-level positions, like the chef at the full-scale restaurant, tend to be volatile. Happy workers with good benefits means less turnover, which means less money spent for training their replacements and less disruption of operations. It also allows small businesses to compete for labor against larger firms.

"We try to be an attractive place to work," Davis says. "You do that with communication with the staff, being comprehensive and transparent. But whatever extra level we can add to make it a good place to work is a plus."

Ever mindful of his business's impact on the community, he knows offering a retirement plan will have a positive effect on his employees' futures.

"It doesn't seem like it is going to be a big deal for us to manage. And it's just the right thing to do," Davis says. "It's a small business. Our kids are in the same preschool as our employees' kids. You want people to be taken care of."

"It's just the right thing to do."

ZACH DAVIS
Owner, The Penny Ice Creamery



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

Bradley Tanzman, 52, recently started building his savings, including planning for retirement. But he's not alone — half of Americans don't have any retirement savings.
PHOTO BY GEORGE E. BAKER JR.

IT'S NEVER TOO LATE

BY ANNE STOKES

"I realized that just by making some lifestyle changes, I could help create an easier way to save for myself."

BRADLEY TANZMAN
52, writer and filmmaker

Bradley spent half his life thinking he wouldn't live to see retirement

For most of his life, Bradley Tanzman didn't think he would have a future to save for. At 26, he tested positive for HIV. The person from whom he contracted the disease died a year later, leading Tanzman to believe he was destined for the same fate. Luckily, Tanzman is alive today, living in San Francisco at the age of 52.

"I never thought I was going to live 26 years — over half my life — with this, so I really never planned for the future," he says. "Here I am 26 years later re-evaluating that and saying, 'What are you going to do now?'"

For the past several years, Tanzman has been working to strengthen his financial literacy skills through programs offered by EARN, a nonprofit that gives people the education and tools to invest in their own futures. He's come to realize

that even small things, like brewing his own morning coffee at home, can add up to hundreds of dollars a year.

"I realized that just by making some lifestyle changes, I could help create an easier way to save for myself," he says. "I didn't necessarily have to sacrifice everything I had to create savings. And I'm trying to figure out how to do exactly that with retirement."

California's CalSavers program offers people who get a late start like Tanzman a vehicle to start saving for retirement. According to Katie Selenski, executive director of the CalSavers program, half of Californians are on a trajectory to retire into economic hardship and have no retirement savings aside from Social Security, an issue the CalSavers program seeks to address.

"It's never too late to start, so people shouldn't be daunted by that," says Selenski. "What we're trying to do is offer appropriate options for savers at any point in their career, whether they're starting early on or closer to retirement."

Tanzman says that while he hasn't reached complete financial security quite yet, he does feel that he finally has a handle on a day-to-day savings plan. Saving for retirement is his next step.

"It's a slow process, but I certainly feel better than I did a year ago. It doesn't seem as daunting as it was before. It's a little more reachable," he says. "It's never too late and don't be overwhelmed, you don't need to have it all today. Every dollar you put away is another dollar you'll have later. That's all it takes."

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.



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.

"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

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.

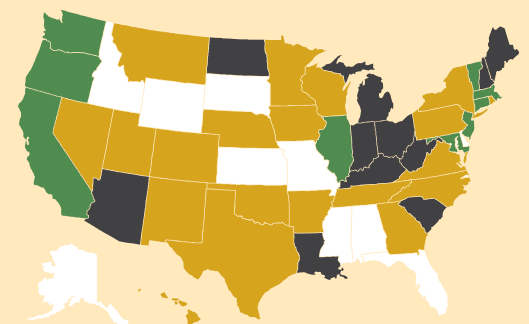
"I'm going head-to-head with companies that are 10 times my size," he says. "This is a good way to even the playing field."



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



Produced for AARP by
N&R Publications, www.nrpubs.com

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