

# CALIFORNIA SECURE CHOICE: MAKING WORKPLACE RETIREMENT SAVINGS POSSIBLE FOR 7.5 MILLION CALIFORNIANS

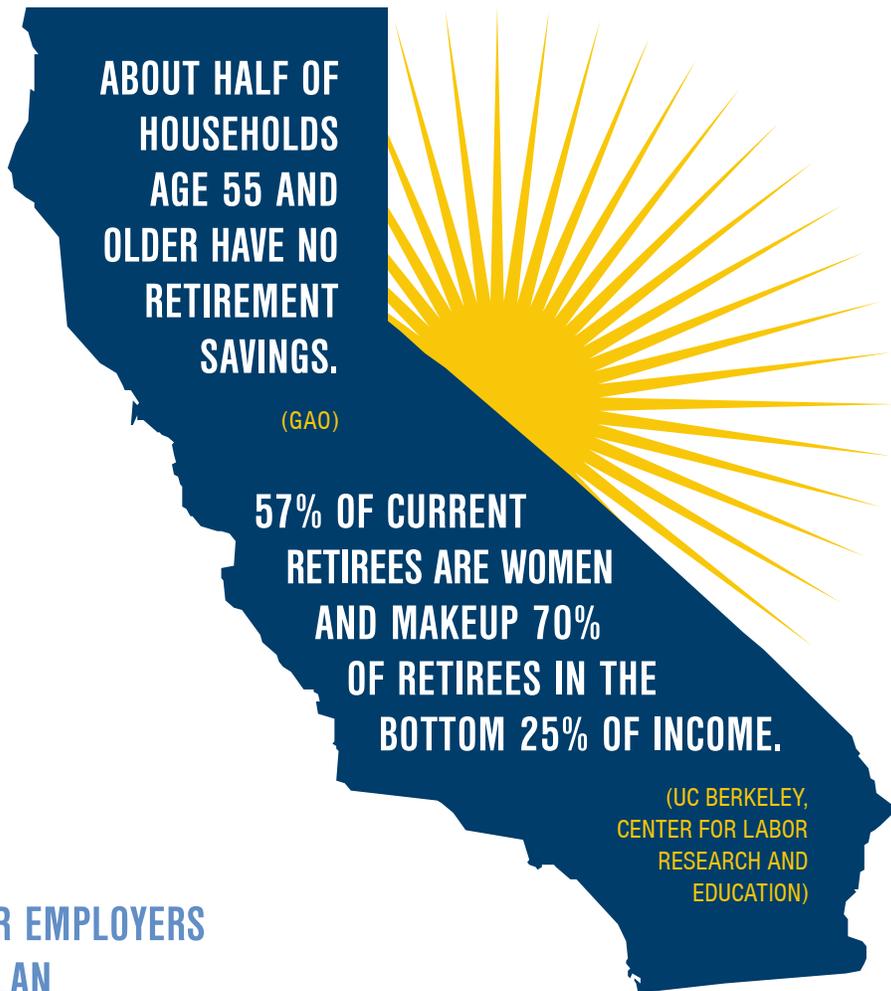


## THE PROBLEM:

Over 75% of California's low and moderate income retirees rely exclusively on Social Security leading to significant economic hardship. With each generation on track to retire poorer than the last, the strain on taxpayer funded health and human services will undermine the long-term financial stability of the state.

- 55% of young workers age 25-44 have projected retirement incomes of 200% below poverty; compared to 33% of workers aged 55-64. (UC Berkeley)
- At least 62% of retirees rely on Social Security for more than half their income.
- The average monthly Social Security retirement benefit is \$1,328.

## 7.5 MILLION CALIFORNIANS WORK FOR EMPLOYERS WHO DO NOT OFFER A RETIREMENT PLAN



OF THOSE:

2/3RDS WORK FOR SMALL BUSINESSES WITH LESS THAN 100 EMPLOYEES.

2/3RDS ARE WORKERS OF COLOR, ALMOST HALF OF WHICH ARE LATINOS.

58% ARE WOMEN. (AARP)

THE SOLUTION

# SECURE CHOICE

A voluntary retirement savings plan that encourages participation through automatic enrollment and facilitates contributions through payroll deductions.

## MARKET ANALYSIS KEY FINDINGS:

- About 6.8 million workers are potentially eligible for Secure Choice.
- Participation rates will be sufficient to enable the Program to be self-sustaining and financially feasible.
- Eligible participants are equally comfortable with a 3% or 5% contribution rate, and vast majority are also comfortable with auto-escalation in 1% increments up to 10%.

## WHAT SECURE CHOICE WOULD MEAN FOR EMPLOYEES:

- **SIMPLE.** Automatic payroll contribution of 2% - 5% of salary into a personal retirement plan, with the option to opt out. Automatic escalation of contribution rates up to 10% of salary with participant ability to stop or change the rate.
- **SAFE.** For the first three years of the program, the Board would establish managed accounts invested in U.S. Treasuries, and develop investment options that address risk-sharing and smoothing of market losses and gains. Participant fees would be low. The Board, and its contractors, would have a fiduciary duty to the participants of the Program.
- **PORTABLE.** Employees can contribute to their account throughout their working life.

## WHAT SECURE CHOICE WOULD MEAN FOR EMPLOYERS:

- Enables employers to offer employees access to an automatic IRA account with limited administrative duties and no fiduciary responsibility.
- Applies to employers, with 5 or more employees, who do not offer an employer-sponsored retirement plan. These employers will be required to offer an employer sponsored retirement plan, or enable employees to make an automatic payroll contribution to their Secure Choice account.
- Mandated employers would be exempt from ERISA (Employee Retirement Income Security Act), and liability would be limited.

## WHAT SECURE CHOICE WOULD MEAN FOR TAXPAYERS:

- There would be NO cost to the taxpayer. The Program would be self-sustaining through participant fees.
- The state would have no liability for the Program funding or performance.
- By enabling participants to save for retirement, they will be less reliant on taxpayer funded public services when they retire.

## KEY SUPPORTERS:

AARP  
Asian Business Association  
California Association of Nonprofits  
Church IMPACT  
National Council of La Raza  
SEIU California  
Small Business Majority  
Young Invincibles

**WORKERS WITH ACCESS TO A WORKPLACE RETIREMENT PLAN ARE 15 TIMES MORE LIKELY TO SAVE FOR RETIREMENT.**

(AARP)

**TWO-THIRDS OF SMALL BUSINESS OWNERS IN CALIFORNIA SUPPORT A STATE RETIREMENT SAVINGS PROGRAM THAT WOULD HELP SMALL BUSINESSES AND THEIR EMPLOYEES SAVE FOR THE FUTURE.**

**73 PERCENT OF RESPONDENTS THINK OFFERING SUCH A PROGRAM WOULD GIVE THEIR BUSINESS A COMPETITIVE EDGE.**

(2015 SURVEY OF CA SMALL BUSINESS BY AARP AND SMALL BUSINESS MAJORITY)



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