

# Summary of Aon Hewitt Response – California Secure Choice Retirement Savings Program

March 2014



**AON** Hewitt

# Aon Hewitt Summary of RFI Response

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## Agenda

- Introduction
- Plan Design
- Investment Option Structure
- Leakage
- Rollovers
- Plan Administration
- Q&A

## Themes

- Leverage Scale – Move from individual to pooled
- Simplicity - For Employers and Employees
- Efficiency – Benefit from technology and automated processes

## Suggestions Regarding Plan Design

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### Eligibility

- Immediate when in a participating employer
- Open to individuals not part of participating employers

### Contributions

- 3% default

### Escalation

- 1% (unless opt out)
- On demand escalation for an individual to elect at any time.
- Whole percentages up to 15%

### Distribution Flexibility

- Allow participants to receive a lump sum distribution, or a series of lifetime payments, or any combination of these two choices

### Tax Diversification

- Consider Including a Roth option to provide participants with the opportunity for tax diversification and non-taxable investment gains.

### Investments

- Tiered Investment Strategy
- Pooled Purchasing Power

## Suggestions Regarding Investment Option Structure

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We find that offering participants a “tiered” plan provides the highest probability for participants to form appropriate and efficient portfolios.

### Sample Tiers

Tier 1:  
Premixed  
Funds

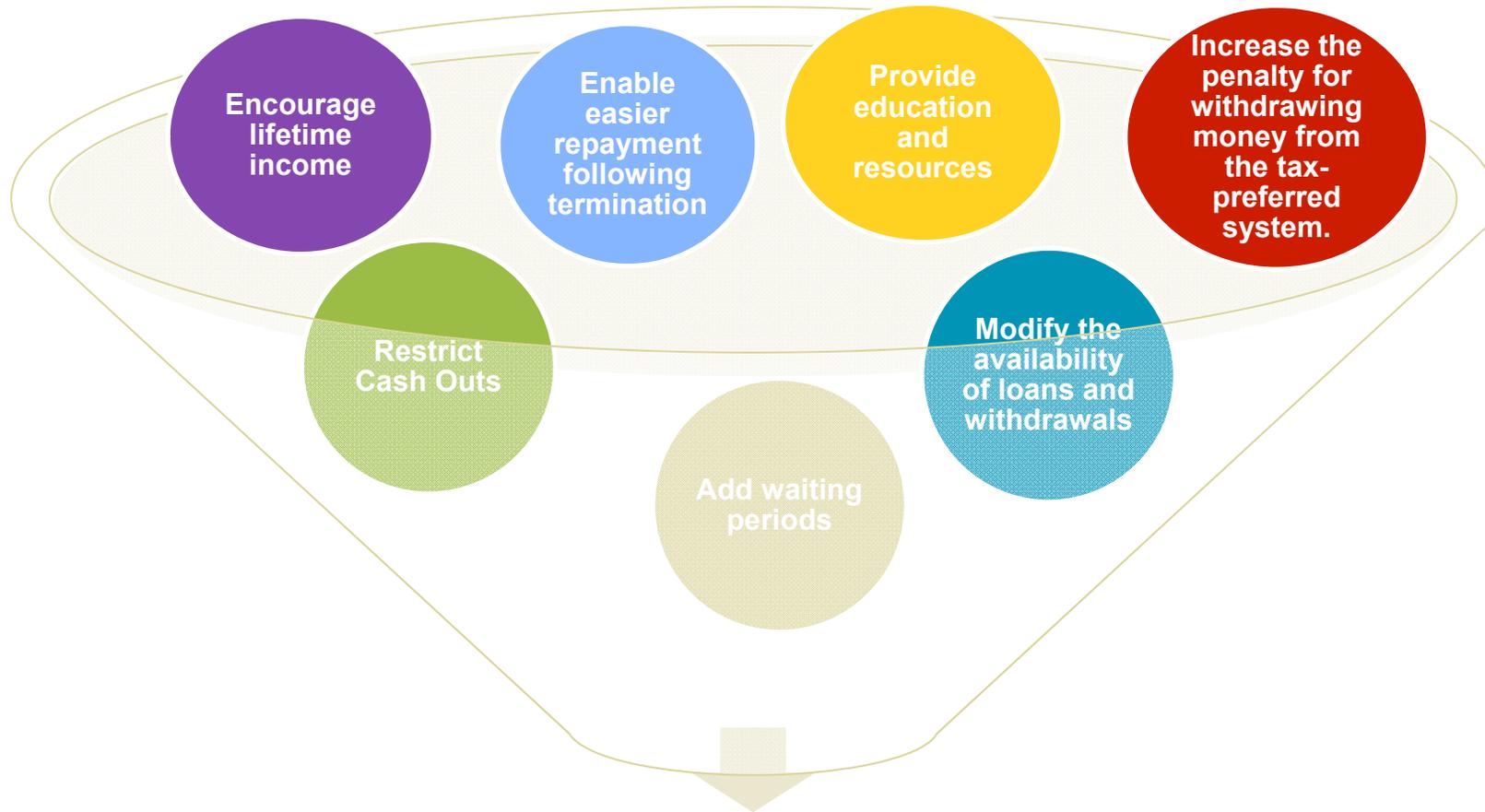
Tier 2:  
Passively  
Managed and  
Capital  
Preservation  
Funds

Tier 3: Actively  
Managed  
Funds

Tier 4: Self  
Directed  
Brokerage

## Suggestions to Minimize Leakage

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## Minimize Leakage

*Reference Aon Hewitt's testimony on Leakage before the U.S. Senate HELP Committee on March 19, 2013*

## Suggestions Regarding Rollovers

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For participants who are nearing retirement or changing jobs and who choose to roll over, education should be provided throughout the process that helps them understand the following:

- Advantages of keeping their assets in the plan
- Advantages of rolling their current assets into the plan
- Rollover options available to them if those choose to withdraw their assets
- Negative consequences of cashing out of the plan, if applicable

### Rollover Out Highlights

- Quick and easy process to discourage cash outs
- Education provided to discourage cash outs and lead the participant to the best option for their needs
- Pre-populate data to avoid errors
- Electronic forms to shorten processing time
- Access is provided throughout participant website to alleviate the needs for yet another login
- Two to three processing days from start to finish to minimize the time balances are in the market

## Suggestions Regarding Plan Administration

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### Automation

- Electronic Data Exchange
- Integrated Rollovers
- Robust Reporting
- Enrollment Simplicity

### Efficiency

- Scalable data Interface
- Easy to navigate employer data upload process
- Streamlined participant transactions

### Security

- Single user ID/Password
- Common Authentication
- Audit Logs
- Secure Administrator access

## Overcoming Administration Challenges

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Multiple Employers

Out of State Employees

Employee Interactions

Efficient Data Uploads

Payroll Funding

Questions?

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