

# Understanding CalSavers: How to advocate for your client

Presented By:



In Partnership with:



DIFFERENT by DESIGN

# Who is PDC, Inc.



## History

- Retirement plan administration since 1975
- Second generation family owned business
- Hosts of the RETIREHOLI(k)S!

## Quality People

- Professional staff with an average 20 years with PDC!
- Single Point of Contact for Plan Sponsors
- Dedicated Conversion Specialist for smooth installation process
- Second generation family owned business = *Accountability*

## Services

- 401(k), 403(b), Profit Sharing Plans, DB Plans, Cash Balance Combo
- Creative Designs, Smart Designs, Cutting Edge Concepts
- Affordable and Flexible Pricing
- Our smallest client has one employee and our largest has several thousand
- A **smarteasyawesome** process built on the needs of our clients

*Yup, that's 4 decades! 😊*

*3 factors of difference*



**easy**speak

We don't need to impress you with quoting IRS Code, instead we speak human!



**advisor**<3

Our advisors & their clients are our priority!  
Everything we do is focused on simplifying their lives!



**edu**tainment

Combining education and entertainment, PDC makes Retirement Plans fun.  
Yes, we said FUN!



**DIFFERENT by DESIGN**



# Why is CalSavers Needed?

**50%**

Nearly **50%** of Californians are projected to retire into economic hardship -- at or below two times the poverty level.<sup>1</sup>

**7.5 million**

**7.5 million** Californians lack a workplace retirement plan.<sup>2</sup>

**15X**

Workers are **15 times** more likely to save for retirement if they have access to a payroll deduction savings plan at work.<sup>3</sup>









# Senate Bill 1234



# What is CalSavers?

## California mandated retirement plan

### Employers



Do not offer an employer-sponsored retirement plan

Employers who fit these criteria will need to either:



5+ California employees



facilitate CalSavers

-or-



at least one of whom is eligible (age 18 or older)



begin offering an employer-sponsored plan

100+ Employees

Extended to September 30, 2020

**DEADLINE PASSED.  
REGISTER TODAY.**

50+ Employees

June 30<sup>th</sup> 2021

5+ Employees

June 30<sup>th</sup> 2022

July 1, 2019

June 30, 2020

June 30, 2021

June 30, 2022

A close-up photograph of a young child with blonde hair in pigtails, holding a yellow object. The image is slightly blurred, giving it a candid, home-video feel. A semi-transparent yellow banner is overlaid across the middle of the image, containing the text.

# They mean business!

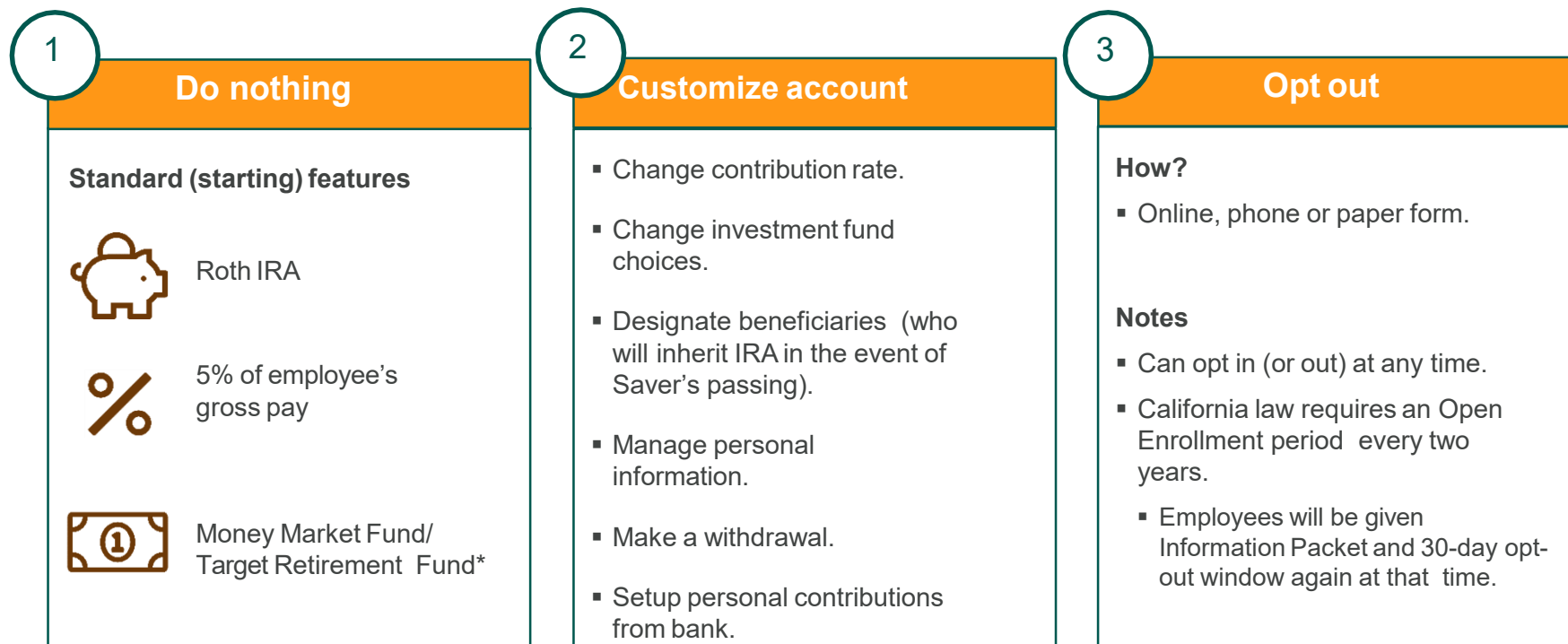
**Penalty of up to \$750 per eligible employee per year.**





# What is CalSavers?






- An automatic enrollment payroll deduction ROTH IRA (**qualifications apply**)
  - Savers may opt out or adjust their objective at any time (Max of \$6k or if over age 50 then \$7k)
  - Auto enroll starts at 5% and increases by 1% until you hit 8%
    - First \$1k goes into State Street Money Market Fund – Then to a State Street Target Date Fund
  - Ascensus is the provider and administrator



CalSavers is not intended to replace or compete with employer-sponsored plans

# Investment option details



Investment Options	Description	Total Annualized Asset-Based Fee	Investment Manager
 <b>CalSavers Money Market Fund</b>	Seeks to maximize current income, to the extent consistent with the preservation of capital and liquidity.	0.92%	<b>STATE STREET</b> GLOBAL ADVISORS
 <b>CalSavers Target Retirement Fund</b> (Age-based Funds for 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060 2065)	<p>Investment Options that correspond with the year closest to when you will be the target retirement age, defined as age 65.</p> <p>This option seeks to provide for retirement outcomes based on quantitatively measured risk. The portfolios will be broadly diversified across global asset allocations becoming more conservative over time.</p>	0.89%	<b>STATE STREET</b> GLOBAL ADVISORS
 <b>CalSavers Core Bond Fund</b>	The total return of an index composed of the total U.S. investment grade bond market.	0.83%	<b>STATE STREET</b> GLOBAL ADVISORS
 <b>CalSavers Global Equity Funds</b>	Invest substantially all of its investable assets in two SSGA FM-advised stock equity index funds.	0.84%	<b>STATE STREET</b> GLOBAL ADVISORS
 <b>CalSavers Sustainable Balanced Fund (Environmental, Social, Governance)</b>	Generate capital appreciation by investing in the equity securities of companies that demonstrate sustainable business practices and issuers of U.S. investment grade fixed income securities that satisfy certain environmental, social and governance (ESG) criteria.	0.95%	<b>NEWTON</b> Investment Management

Administrative fees: annual asset-based  
 Accrue daily and are factored into each Investment Option's Unit Value  
 Approximately \$0.83-\$0.95 for every \$100 in your account





# To join or not to join.....

## Employers **will** receive (or can request) a CalSavers access code

- You use your EIN/TIN and access code to join or claim exemption on the CalSavers site
  - Exemption – You are a religious organization, don't have enough employees or have a “qualified plan”
    - 403(a) - Qualified Annuity Plan or 403(b) Tax-Sheltered Annuity Plan
    - 408(k) - Simplified Employee Pension (SEP) plans
    - 408(p) - Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA Plan
    - 401(a) – Qualified Plan (including profit-sharing plans and defined benefit plans)
    - 401(k) plans (including multiple employer plans or pooled employer plans)
    - Payroll deduction IRAs with automatic enrollment
  - To Join – You must register and follow these steps
    - Use your EIN/TIN and Access Code to register on the CalSavers site
    - Set up your business portal by inputting a variety of company data points
    - Input or upload your employees census information for all w2 staff in Cali
    - Employees will receive information directly from CalSavers
      - 30 days later the employee will need to be automatically enrolled unless they chose otherwise
      - Employer must start the withholding and contribution processing (sending \$'s to Ascensus)
      - Employer must track enrollment, escalation, changes and maintain active census

The Employer is not a Fiduciary..... hmmm

**70% of audits uncover operational errors**

# The Flow

- I think this is a good thing – Workers need access that they will use
- **BUT** we need to make sure that CalSavers is the **RIGHT THING FOR YOU!**
- **WARNING** – Made up statistic from Chad
  - 80% of plan design is based on employer objectives..... 20% is based on employee demographics

Retirement Plan Options							
Eligible Owners	Compensation	CalSavers	SIMPLE IRA Maximum	SEP Maximum	401(k) SH 4% Match	401(k) Maximum	401(k)/DB Combo Maximum
Owner #1	\$125,000	\$7,000	\$16,500	\$31,250	\$31,000	\$64,500	\$200,000
Owner #2	\$125,000	\$7,000	\$16,500	\$31,250	\$31,000	\$64,500	\$200,000
Contribution to Staff	\$750,000	\$0	\$15,000	\$187,500	\$30,000	\$37,500	\$56,250
Administration Costs		\$0	\$0	\$0	\$1,000	\$2,515	\$6,015
Gross Tax Savings (40% Bracket)		\$5,600	\$19,200	\$100,000	\$37,200	\$67,606	\$184,906
Estimated Net Tax Savings (Gross Tax Savings - COSTS)		\$5,600	\$4,200	-\$87,500	\$6,200	\$27,591	\$122,641

# Components of the Decision

- Design is a big starting point
- Employee perception of this benefit – Your client does take on liability
- Access to resources and education
- Investment options and helping your money grow
- Flexibility – eligibility, employer contribution, vesting, loans and hardships

	CalSavers	SIMPLE IRA	401(k)
Employee Maximum Deferral	\$6,000	\$13,500	\$19,500
Catch-Up (age 50+)	\$1,000	\$3,000	\$6,500
Employee Contribution Type	ROTH Only	Pre-Tax Only	Pre-Tax and/or ROTH
Employer Contribution	No	Required	Optional
Profit Sharing	No	No	Optional
Combined Contribution Limit	Up to \$7,000	Up to \$25,200	Up to \$64,500
Loans	No	No	Optional
Vesting	No	No	Optional
Compliance Costs	None	None	Minimal
Investment Flexibility	None	Minimal	Very Flexible



# Find Us



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