

**Colorado Secure Savings Board  
Draft Meeting Minutes  
November 18, 2019**

In Attendance:

Amy  
Rich  
Carolyn  
Quentin  
Dave  
Sean

Excused:

Demetrius  
Kameron  
Pete

**Dave:** Called the meeting to order at 8:05am

**Caroline:** Hi Dave, it's Caroline Crawford, I'm here with Anek Belbase.

**Dave:** Thank you all for getting on the phone with us, Mike, our Attorney General is also doing some legal work for another division within our Treasury Department. I want people to understand that we're not taking any votes today.

**Dave:** So, what we're going to do is hear from our partners with Boston college who are giving us an update on their work. Caroline, go ahead and introduce yourself again and members, I think we've got a copy of the powerpoint slide show that she has shared with Leah, and Leah sent out. So, based on that, why don't you start us off.

**Caroline:** Great, thank you Dave. Hi everyone, my name is Caroline Crawford, I'm assistant director here at our center for retirement research. I'm here with my colleague Anek Belbase. We are members of the research team here at the center that have been working on Study A and Study B for the Colorado Secure Savings Team Board. And today, I plan to speak to the progress we've been making on both studies. My goal today is to provide an overview of the work we've done, and to provide a clear understanding of where we're heading next.

So, slide one shows the board agenda for today's call. I will begin first with a discussion on Study A, summarizing progress made on the market analysis. Our conversation will then shift to Study B, and we will wrap up and discuss next steps forward. So first we will take a look at the employees who would benefit from Colorado Secure Savings.

Slide 2 shows that Colorado Secure Savings could expand coverage to over 900,000 employees. As written, the target population for a Colorado auto IRA program includes employers with five or more

employees that have been in business for more than two years. Just an aside, since our kick off call, we've been able to get more data on employers by firm size in Colorado, so some of these figures will look a little bit different from our kickoff call, but in no meaningful way does that affect the success of the program. Let's move to slide three. Knowing more about these 900,000 workers can help Colorado tailor its program. Demographic information such as age, education, race, and ethnicity, can help communication strategies be more targeted, knowing about workers' financial situations can show challenges, as well as inform the investment choices offered to participants. And earning levels—these will inform how much workers will have to save, as well as how much revenue the contributions will generate for the program.

What we've learned so far is that Colorado workers without a plan at work are more likely to be young, uneducated, and nonwhite. As can be seen in this figure, employees with and without a plan differ in a significant way across demographics. The most significant gap you can see here is within education. 55% of employees with a plan have a college education or higher compared to employees without a plan. So as you can see, these are two very different segments across Colorado to talk about.

These uncovered workers have more savings and limited experience with financial market. The data shows that in Colorado, only 38% of uncovered workers could come up with \$2,000 if needed, compared to 78% of covered employees, so again here, the difference between these two groups is very stark, and this not only highlights the need for increased retirement savings, but can also inform the structure that this program can best reach these employees. In addition, uncovered workers are much less likely to own non-retirement assets, to use credit cards, to pay for things online, in addition to these workers being less financially literate—we'll move to the next slide—these workers work fewer hours and earn less than covered workers. A greater percentage of workers without a plan in Colorado work part time, but what I find most interesting here, is that even among part time workers—so that first line, non-covered employees earn less. So even when you control for part time, these are people who still earn less on a per hour basis.

So on slide 8, Slide 8 shows that auto IRAs will help close this gap. The figure shows the same 42% replacement rate expected from social security would added savings from a potential auto IRA slack. As we can see, the black bars increase as the minimum employee contribution rate of a potential program, rises, and employees save more. So, once you get to all the way on the right, let's say a program used 5% default but it auto escalates to 10% - as you can see it allows employees the ability to get to the target range.

Summary of progress made to date - extended market analysis

### **Study A**

That will include the cost paid per account for both the administrator and the state, administrative costs will include

Costs are relatively constant throughout

Slide 22 shows the same graphic we saw earlier, this time with start up costs highlighted.

I'm happy to answer questions about what we've discussed (13:44)

**Sean:** I have a two part question, one is, are employers less than five or more than a hundred eligible to participate on a voluntary basis, and if so, how would that affect the model?

**Caroline:** So my impression is, that right now, the way the legislation is drafted, employers with more than five employees would be required, employers not required are able to volunteer, right now that's not built into the model, because typically, experience has shown that employers are not volunteering themselves, but we can definitely finagle that in, if that's something the board would be interested in seeing.

**Sean:** And one last one, the (14:39) the 730,000 of startup costs, is that reflective of a pretty robust marketing effort, as well, to get the word out to employers about what's coming and how it would benefit them?

**Caroline:** That's a great question. And I have a two part answer to that. The best start up costs to date, we take from Oregon, we feel like we can trust those numbers better than anything that's been done, and we scale up Oregon's start up costs and ongoing costs to reflect the size of a potential Colorado program. So that's where that number comes from, this did include communication costs for Oregon, and it's our impression that communication costs would be shared by both the state and the administrator. So the 730 would be what the administrator has. Does that answer your question?

**Sean:** Okay thanks. Yeah, I mean, we got information from other states at a conference recently, I guess it was kind of my approach, in the sense that they gave a lot of best practices and design help with some of the marketing materials, but I didn't think they actually contributed to any of the hard costs.

**Anek:** Hi, this is Anek. So, talking to that, what they have done is they had field representatives go out, so they didn't do a lot of the media advertising, but what they did do is they did employer outreach, so they had field representatives who would talk to employers after they had received an invitation to register, to inform them about their responsibilities, about the benefits of the program, and eventually to employees so that's a role that they have. So if you're thinking about actual media, like buying advertising, billboards and that kind of thing, you could spend a lot more than Oregon spent, and that's really every state, if you want a model of spending more, we could add that, because I think Illinois spent a little more than Oregon in that respect, and there are other states, like Washington would want to spend a lot more on advertising, so we could put that in our model as well.

**Sean:** Speaking just for myself, I think supplying the legislature with a range of numbers and some idea about what was included and not included in that range would be helpful.

**Caroline:** Sure, no problem.

**Dave:** Thank you for asking Sean, that was a great question. Members, any other questions?

**Rich:** Caroline, thank you for the information. On slide 25, you talked about assumptions of the employee and employer behavior and who would sign up and by how much—we talked about gathering some specific information about Colorado employers. Would you be able to utilize that or include that into the model as well?

**Caroline:** We're definitely happy to integrate any supplementary information you might have. I think the assumptions that we've used are based on how employers are actually responding when a program is implemented and when a mandate is present. Our concern at the center, based on experience, is asking employers *in the future, would you potentially want this program?* Has been that employers are generally optimistic about the program, and wanting it and opting in, and typically what you actually get for enrollment at the end of the day is much lower, so a concern would be over optimistic, but we're happy to integrate it as a possible scenario.

**Rich:** And I think you answered my second question which is, this is based on what you've seen in Oregon, and in some of the federal programs?

**Caroline:** That is correct.

**Rich:** Thank you.

**Caroline:** No problem.

**Dave:** To piggy back on what Rich was just saying, we're sending Corona around the state to talk to individual employers and employees, and the board requested they come up with specific marketing ideas that would work in their areas, so a more tailored approach to how we market to both employers and employees. So we'll see what they come back with. I understand that people, when they're not on the line to give a decision, often don't consider all the ramifications and are a little overly optimistic. But hopefully the experience in Oregon will help temper that a little bit.

**Anek:** That's great because one thing we noticed in Oregon is that the employers that have been kind of reluctant have been categorized kind of by industry. So, farming, ranching, mining, and construction are some of the industries that have taken longer than expected to actually go through this process. But it might be good to know about their particular concerns.

**Rich:** I have another question-- Oregon experience hasn't been successful because the employers in these industries either don't know about this or don't want to participate, so looking at potential penalties?

**Anek:** We only know the behavior, we don't know why. So that's why it's really interesting that you guys are doing this because it has insight into what might be potential reasons why.

**Dave:** Members, any other questions at this point? Alright, hearing none, please proceed.

**Caroline:** Alright, thanks Dave. I will now transition into our progress made on Study B. 21:06

## **Study B**

**Caroline:** That concludes our progress update for today. Feel free to forward any written comments that may come up after this call by Friday of this week, if possible. Anek and I thank you for your time and we look forward to our next conversation in December.

**Dave:** I want to back up a little bit to the marketplace plan. We only have this one example that's up and running in Washington State. And I appreciate the comments that we're not trying to recoup costs. Did Washington do anything like provide an incentive for employers to participate or any additional marketing? Is that going to come up in the report or do you know that already?

**Anek:** So, in conversations with the folks there, we know that they don't have a financial incentive, so they don't give anything beyond the federal credit that. But they did say that advertising was an area they tried to get more into. So, they invested heavily in their website to make that easy to use. They marketed almost exclusively through networks the state already had as opposed to buying media blocks or anything like that. They were wondering how much buying media like advertising and things like that and how that would affect k-cup. But that's where they were when they last heard from them.

**Dave:** And what happened in New Jersey? Did they ever implement or did they just back off and go the other direction?

**Anek:** So they had a democratic house that wanted to pass the IRA but they had a republican governor at the time that did not accept that, so they got a marketplace, but then there was an election, and they had a democratic governor and they scrapped the marketplace and I'm not sure where they are now.

**Dave:** So they never actually implemented the marketplace initiative.

**Anek:** No.

**Dave:** Alright, members, any other questions?

**Rich:** While the Boston College folks are on the line, I was thinking, they have the model and they will run various scenarios. Will we have the ability to ask them to either run analysis of different scenarios that we have? To what extent will we have the model and be able to play with it a little bit and test out different options?

**Dave:** Well, what I heard from Caroline is that they were looking for additional inputs in that regard by Friday. But between the lines, I think your question is, after Friday, if we come up with additional ideas, how is their ability to respond to that. So I will turn to Caroline and Anek to see how they will respond.

**Caroline:** Yeah, absolutely. We request additional information by Friday so we can incorporate them into the presentation, we are happy to share a copy of that model with you all after that point in time. We want to make sure the ball is where we want it and validated before we share it, but we'd be happy to forward that after our draft report is submitted to you.

**Rich:** Great, because I would anticipate that after we go forward, we've gotten the results from your study and the econsult folks, we start playing with it and start putting something together, I could see us thinking well what if we adjusted this piece or that piece, what would happen? So it'd be great to be able to do that down the road.

**Caroline:** Absolutely we'd be happy to.

**Dave:** How the board chooses to pull these pieces together I think will be interesting as well. Any other questions or comments? Alright, well, we're a little ahead of time, but I'm going to turn to the public, and see, this is your opportunity to speak up and if you have questions for the Boston College partners, then they'd be happy to answer. So, when you chime in, please tell us who you are and who you represent, and feel free to make your comments. Alright. Well, for the members of the public, the slides are up on the website where meeting announcements are located. Caroline, I think you were gonna go back and look at a few of the slides and make sure the numbers are accurate, so if there's a change, please ship it to us and we'll be happy to repost that.

**Caroline:** Thank you.

**Dave:** Great, thank you so much for your time and the work you're continuing to do, and I'm excited about the progress so far. So, with that, I will conclude this meeting, meeting adjourned.