

Colorado Secure Savings Program

Investment Structure Discussion

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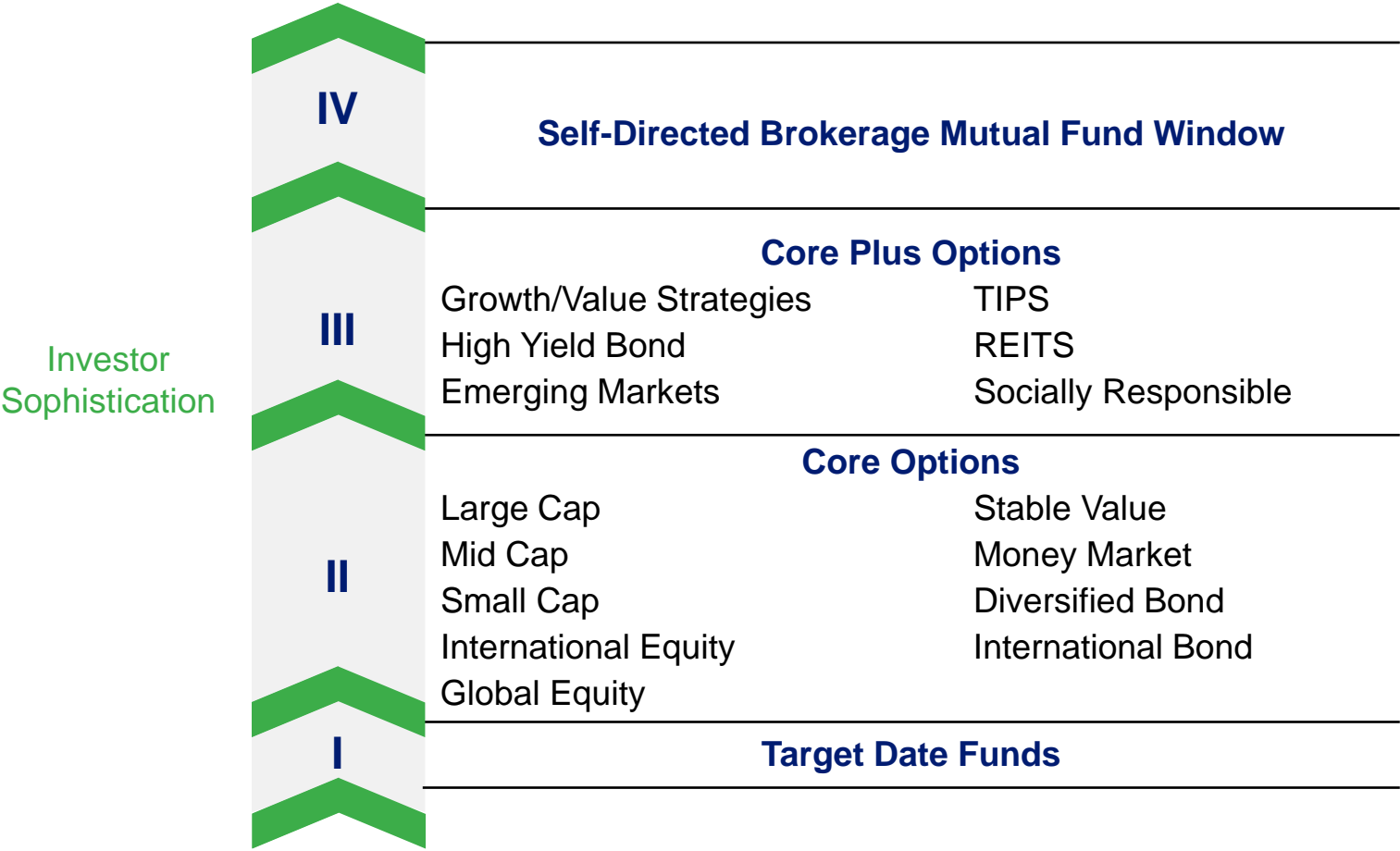
Overview - The Active Programs

	OregonSaves	Illinois Secure Choice	CalSavers	Colorado Secure Savings
Eligible Population	1,000,000	2,000,000	7,400,000	900,000
Employer Size Threshold	1 employee	5+ employees	5+ employees	5+ employees
Contribution Types	<ul style="list-style-type: none"> Roth Pre-tax option available to recharacterize prior year contributions 	<ul style="list-style-type: none"> Roth Pre-tax option available to recharacterize prior year contributions 	<ul style="list-style-type: none"> Roth Pre-tax option available to recharacterize prior year contributions 	<ul style="list-style-type: none"> Roth
Contribution Rates	<ul style="list-style-type: none"> Initial: 5% Auto-increase: 1% per year up to 10% 	<ul style="list-style-type: none"> Initial: 5% Auto-increase: N/A 	<ul style="list-style-type: none"> Initial: 5% Auto-increase: 1% per year up to 8% 	<ul style="list-style-type: none"> Initial: TBD Auto-increase: TBD
Default Investment Structure	If no investment choice: <ul style="list-style-type: none"> 1st \$1,000 to capital preservation Amounts over \$1,000 to age-appropriate TDF 	If no investment choice, 90 days in money market & then moved to age-appropriate TDF	If no investment choice, 30 days in money market & then moved to age-appropriate TDF	TBD
Average Contribution	5.50% / \$131/month	5.04% / \$109/month	5.09% / \$143/month	N/A
Allocation of Assets	68.0% Cash / 30.0% TDF / 2.0% Other	2.5% Cash / 94.0% TDF / 3.5% Other	78.2% Cash / 20.5% TDF / 1.3% Other	N/A

- Source: Secure Choice Program websites and Georgetown Retirement Institute

Standard DC Line-up Design

TIERED FRAMEWORK



Secure Savings Investment Line-up Implementation

Oregon Saves

Target Date Funds

- **Vehicle:** Mutual funds
- **Asset class:** Age-based
- **Implementation:** Active glidepath & passive underlying investments
- **Net expense ratios:** 0.09%

Capital Preservation

- **Vehicle:** Mutual fund
- **Asset class:** Money market
- **Implementation:** Active
- **Net expense ratio:** 0.12%

Growth Fund

- **Vehicle:** Mutual fund
- **Asset class:** Large cap core
- **Implementation:** Passive
- **Net expense ratio:** 0.02%

Illinois Secure Choice

Target Date Funds

- **Vehicle:** Mutual funds
- **Asset class:** Age-based
- **Implementation:** Active glidepath & passive underlying investments
- **Net expense ratios:** 0.09%

Capital Preservation

- **Vehicle:** Mutual funds
- **Asset class:** Money market
- **Implementation:** Active
- **Net expense ratios:** 0.15%

Conservative Fund

- **Vehicle:** Mutual fund
- **Asset class:** Core fixed income
- **Implementation:** Passive
- **Net Expense Ratio:** 0.04%

Growth Fund

- **Vehicle:** Mutual fund
- **Asset class:** Large cap core
- **Implementation:** Passive
- **Net Expense Ratio:** 0.02%

CalSavers

Target Date Funds

- **Vehicle:** Mutual funds
- **Asset class:** Age-based
- **Implementation:** Active glidepath & passive underlying investments
- **Net expense ratios:** 0.09%

Sustainable Balanced

- **Vehicle:** Mutual fund
- **Asset class:** Balanced, ESG
- **Implementation:** Active
- **Net expense ratio:** 0.15%

Money Market

- **Vehicle:** Mutual fund
- **Asset class:** Money market
- **Implementation:** Active
- **Net expense ratio:** 0.12%

Core Bond

- **Vehicle:** Mutual fund
- **Asset class:** Core fixed income
- **Implementation:** Passive
- **Net expense ratio:** 0.025%

Global Equity

- **Vehicle:** Mutual funds
- **Asset class:** Large cap core & international
- **Implementation:** Passive
- **Net expense ratio:** 0.043%

Investment Structure Considerations

- Behavioral finance studies have shown people are overwhelmed by too much choice
- As a mandatory program, most participants will be enrolled without actively making choices regarding savings amounts or investments
- Most participants will be low to moderate income earners, which may lead to lower account balances
- Participants may only be enrolled in the Program for short periods, which may lead to less decision making and lower account balances
- Active investment management is more expensive and makes adhering to the fee cap harder
- More investment options results in more administrative complexity

Investment Structure



Decision Points

Asset categories
Investment vehicles
Number of options
Default option
Active/Passive



Impacts

Participation
Fee transparency
Cost structure
Diversification
Participant service
Simplicity



Metrics

Participation risk
Asset-weighted expenses
Participant diversification
Risk-adjusted returns
Cash flow/deferrals
Asset retention
Retirement readiness



Proposed Investment Structure



- Fewer options makes employee decision making easier while still providing the ability to fully diversify
- Administrative burden should be lower
- Most options would be passively implemented helping keep the Program under the fee cap
- Fees are one of the largest impacts on absolute results so lower investment fees should result in higher account balances all else equal
- Existing programs have shown that most participants are not actively moving their money from the defaults
- Includes an Environmental, Social and Governance conscious option