

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON EDUCATION
Darshana R. Patel, Chair
AB 2197 (Valencia) – As Introduced February 19, 2026

[Note: This bill has been double referred to the Assembly Committee on Insurance and will be heard by that Committee as it relates to issues under its jurisdiction.]

SUBJECT: School employees: solicitation: financial services or products

SUMMARY: Prohibits financial solicitation of local education agency (LEA) employees on schoolsites, unless specified conditions are met. Specifically, **this bill:**

- 1) Defines solicitation as the act of selling, offering for sale, or advertising for sale a financial service or product.
- 2) Clarifies that these provisions apply to any person representing a business, defined as a provider of goods or services, for the purposes of financial solicitation. Exempts the following businesses:
 - a) The state, a state agency, or an LEA;
 - b) Any business contracted to work with the state, a state agency, or an LEA; and
 - c) A business or other organization that conducts solicitation for the purpose of nonprofit fundraising.
- 3) Prohibits financial solicitation of LEA employees to schoolsites, including the physical location of a school or a satellite facility, unless all of the following conditions are met:
 - a) The solicitor follows all security and safety measures required by visitors to the schoolsite;
 - b) The solicitor is not given access to areas in which students are regularly present;
 - c) The solicitor provides verifiable evidence to the LEA that demonstrates:
 - i) The solicitor's status as an employee, agent, or owner of the business offering the financial service or product; and
 - ii) The solicitor is licensed, if required by law.
 - d) The solicitation does not occur in locations regularly used for breaks by LEA employees; and
 - e) No resources of the LEA, including employee time or physical or electronic communications, are used to disseminate information for the solicitation.

- 4) Prohibits financial solicitors from providing inducements to an employee, including currency, goods, services, or in-kind gifts intended to change the recipient's behavior, before or during financial solicitation.
- 5) Requires financial solicitors to disclose, at the beginning and end of the solicitation, verbally and in writing, the method by which they are compensated, provided any part of their compensation is comprised of anything other than an hourly rate or salary.
- 6) Requires financial solicitors to provide written notice for any similar financial service or product available to an employee through the state or a public agency. The notice shall include:
 - a) The name of the similar financial product and the public agency offering it;
 - b) A statement conveying that the product may be offered at a total price that is in the employee's best financial interest; and
 - c) A statement that the representative and the business are not conducting solicitation on behalf of the state or a public agency.
- 7) Prohibits a representative or business from soliciting at a schoolsite while using graphics, colors, uniforms, or other articles of clothing reasonably construed as representing a business or agency other than the actual business or agency represented.
- 8) Requires any electronic mail from a representative or business related to financial solicitation to include the word "VENDOR" or "SOLICITATION" in all capital letters at the beginning of the subject line.

EXISTING LAW:

- 1) Requires the California State Teachers' Retirement System (CalSTRS) to establish a vendor registration process where information about tax-deferred retirement investment products will be made available to employees of local school districts, community college districts and county offices of education (COEs). Requires CalSTRS to maintain the information on its website. (Education Code (EC) 25100)
- 2) Authorizes any willing provider to sell 403(b) plans. (Insurance Code (IC) (770.3)
- 3) Authorizes local education agencies to enter into a written contract with a third-part administrator for services regarding 403(b) or 457(b) services. (EC 44041.5)

FISCAL EFFECT: This bill has been keyed non-fiscal by the Office of Legislative Counsel.

COMMENTS:

Need for the bill. According to the author, "AB 2197 requires representatives from a financial service vendor to provide proof of licensure and disclose if they are compensated from the sale of a financial product, that is also offered by a state or public agency. It will additionally prohibit solicitation from occurring in places where children are regularly present and in places where teachers regularly take breaks. This bill ensures our educators are protected from receiving

inaccurate financial advice and from purchasing financial products sold by impersonators who are not employed by an approved financial service vendor or a state agency.”

The Securities Exchange Commission (SEC), Government Accountability Office (GAO), and CalSTRS have found California educators are exposed to financial risk. As described below, investment products available to public school employees in California – including the 403(b) and 457(b) retirement plans – are not thoroughly regulated at the federal or state level.

Multiple government agencies – including the SEC, GAO, and CalSTRS – have found that this relatively unregulated environment has led to the sale of financial products with unusually high-fees, which may be undisclosed, to educators in California. Their findings and report are described in detail below. Numerous accounts from educators show that these sales often happen on school grounds while they are at work, as reported by CalSTRS and union groups.

Stage agencies and unions warn California educators against impersonators that market and sell financial products in schools. For many years, teachers have reported salespeople approaching them in their classrooms or breakrooms to sell them financial products. These salespeople frequently suggest they have been sent by the school district or union, while in fact they are represent unvetted, third-party vendors.

The problem is extensive enough that unions and state agencies have begun issuing advisories to teachers. For example, CalSTRS published a warning to educators that salespeople were impersonating them at school. An excerpt of the article, entitled *Free Coffee Isn't Worth the Buzz*, reads:

We hear many stories from members who believe they met with a CalSTRS representative when they actually met with an impersonator. An impersonator is not bound by law to protect your best interests financially like we are.

California is an “any vendor state,” meaning employers can offer an infinite number of 403(b) and 457(b) retirement savings products from any company that offers them. These companies may also offer for-profit, costly annuities that may not be a good choice for you and your beneficiaries.

So, if you see a financial presentation at your school or a targeted social media post promoting free retirement planning advice for California’s public educators, be aware those are likely not from CalSTRS.

Even worse, impersonators may present an inaccurate picture of what your retirement benefits will be.

Outreach and sales tactics by these unaffiliated companies are getting more aggressive and sophisticated, including deceiving emails and social media posts; free coffee, pizza or snacks for those who attend an event; and flyers that use the CalSTRS logo illegally. Plus, there are many ‘boots on the ground’ representatives from these companies who have easy access to schools and other employers.

Union leadership has also become concerned that their members are being sold inferior financial products from salespeople who give the false impression that they have been vetted by union or

district officials. For example, an email sent by a Union president to local members is shared below, altered to protect anonymity:

Hello colleagues,

You recently received an invitation from your principal for a free lunch from [VENDOR].

Based on the long relationship between the District and [VENDOR], you might assume that they are a District or Union endorsed company.

They are not an endorsed company.

They have provided many free lunches over the years to teachers, and they have provided prizes for schools to provide to students. This long-term relationship means our principals have long believed—and reasonably so—that [VENDOR] is a District-endorsed company with free access to our members.

Although I'm sure they care about our local schools, this approach to provide free stuff is a business model designed to sign our teachers up for their financial products.

All teachers are free to choose who they wish to invest their money with, but the Union has serious concerns about the quality of the 403(b)s and other insurance products offered by [VENDOR].

A simple factual analysis shows that teachers can lose out on tens of thousands of dollars by choosing [VENDOR]'s high-fee products over other lower cost options.

Teachers are in a strange and unique position where the employer is not required to select retirement investment plans that are in the best interest of their employees. This is not District's fault. It's just the law.

Instead of choosing a 403(b) in the best interest of the employees, the District offers a menu of various 403(b)s. Some of the offered plans are low cost, and some are high cost. [VENDOR] offers a high-cost plan. Employers in other fields would not be allowed to offer [VENDOR] because it would not be in the best interest of their employees.

Individual stories underline the harm these practices can cause. Scott Dauenhauer, President of Meridian Wealth Management, shared the following:

When my wife was in her second year of teaching, a man knocked on her classroom door after school. He said he was sent by the school district and by CalSTRS to explain her retirement benefits. At the time, I was working for a brokerage firm in the hopes of one day starting my own financial planning business. We scheduled a meeting with the man in her classroom.

As we sat listening to him talk about retirement, it began to dawn on me that he didn't work for the district or CalSTRS. He was a salesperson selling financial products. Specifically, he was trying to sell us a 403(b) product...

I kindly interrupted the man and asked him who he worked for. He would not give a straight answer. I asked if the school district had directly asked him to approach my wife. He would not give a straight answer. I asked him whether he worked for CalSTRS or had been directly asked by CalSTRS to approach my wife. He said no.

The man who knocked on my wife's classroom door was a salesperson using the legitimacy of my wife's employer and retirement system to gain credibility and to sell her products that made him money, but would not be in my wife's best interest...

My next steps were to call the district to report the incident. To my surprise, they didn't think there was an issue. I was shocked.

A man with no affiliation with the school district is allowed to walk onto campus without a district background check and simply approach employees to sell them financial products that are not in their best interest?

Teachers receive inaccurate information from financial solicitors. Many teachers have reported that they were sold financial products, while working at school, by solicitors who did not fully disclose who they worked for, the fees associated with the product, or the expected returns.

Solicitors on school property give the impression that they have been vetted by the school district. However, districts are not legally required or administratively equipped to verify financial credentials or monitor financial marketing to teachers, and many do not.

The nonprofit 403bwise, which works to educate teachers on harmful financial products, has received thousands of stories from teachers that were solicited while at school. A selection of these stories is included below:

- “I have a friend who is a teacher. When she was 25 one such ‘financial advisor’ came to her school. Thinking she was doing the right thing, she started putting \$500/month of her limited teacher salary into the product he recommended. It was a high-fee annuity. 10 years later when I saw it, she had paid in about \$60,000 and it was worth much less than that. She would have been better off putting that \$500 under her mattress. If she actually invested it in an index fund over those 10 years she would have over \$100,000 and growing. If she kept going beyond 10 years the gap would have gotten exponentially wider.

That story, while anecdotal, is representative of EVERY story I have heard about teachers getting pitched financial advice in schools, so please beware!” – Jeremy Schneider, personal finance advisor in San Diego.

- “I originally was with [VENDOR]. [VENDOR] doesn't typically set up in the staff lounge and recruit teachers like I hear about in other districts. They currently only come around to campuses once per year and have people sign up for ‘free sandwiches.’

When they signed me up, they came in to our math department meeting and presented information about Donor's Choose after our department chair invited them. They passed out a card that asked if we would like more information about CalSTRS/403(b)/other insurance products. I filled it out and they contacted me the following week and signed me up for a

403(b). The plan they put me in had 2.07% in fees.” – Greg Ford, current teacher in central California.

- “A colleague of my wife asked me to review a policy she had been sold. The agent who sold the policy said to expect annual returns of 8-12%. After analyzing the policy, I concluded it would be unlikely to return much more than the 3% guarantee. Worse, the policy had a 16-year surrender period. If my wife’s colleague surrendered the policy in the first year, she’d face a 15% surrender charge. The surrender charge went down by 1% each year. The agent also failed to disclose that the upside of the market excluded dividends.

The policy was predatory. It was sold to generate large commissions.” – Scott Dauenhauer, Meridian Wealth Management

- “Several months into the job, the students had left for the day and I was at my desk desperately trying to get ready for the next day's instruction when a woman appeared at my classroom door. I'll never forget what she said: "Do you care about your financial future?" What a question. There is only one answer: Yes. She took that as an invitation to pitch financial products I had no idea about (high-cost investments) in a retirement vehicle (a 403(b) plan) I had never heard of. She told me how she helped other teachers at my school. She told me all I had to do was sign paperwork she had already filled out. I declined her offer.

I also wondered: *How* did she get on campus and was she *endorsed* by the school district?” – Dan Otter, 403bwise.

The 403bwise nonprofit runs a Facebook group dedicated to helping teachers out of harmful financial products. This group currently has over 22,000 members, the majority of whom joined to seek help combatting this issue.

California teachers may invest in 403(b) or 457(b) retirement plans to supplement a pension.

Defined contributions are financial products that individuals may choose to invest in to help generate savings. There are several types of defined contribution plans, each one named for a section of the Internal Revenue Code. The best-known defined contribution plans are 401(k), 403(b), and 457(b) plans. Contributions to defined contribution plans are generally made through payroll deductions and are not subject to either the state or federal income tax. Contributions (and earnings on invested contributions) are held in the account tax free until funds are withdrawn from the account (generally in retirement) when they are subject to both state and federal income tax.

According to the Securities and Exchange Commission (SEC), 403(b) and 457(b) plans are the most common plans offered to public school employees. They estimate that nearly \$1 trillion is currently invested in these two plans. A comparison of key features of defined contribution plans is below:

| | 401(k) | 403(b) | 457b(b) |
|-----------------------------|--------------------------|---|---|
| Typical participants | Private sector employees | Employees of tax-exempt organizations, including public schools | Employees of tax-exempt organizations, including state and local government employees |

| | | | |
|---|--|--|--|
| Contributions | Pre-tax contributions generally made through payroll deduction | Pre-tax contributions generally made through payroll deduction | Pre-tax contributions generally made through payroll deduction |
| ERISA coverage and fiduciary standards | Almost always required | Almost never required | Almost never required |
| Employer contributions | Common | Uncommon | Uncommon |
| Typical investment choices | Wide range of mutual funds, ETFs, stocks, target-date funds | Often limited to annuity contracts issued by insurers, and custodial accounts invested in mutual funds | Usually mutual funds and sometimes annuities |

403(b) plans are not protected under federal ERISA regulations. A key distinction between defined contribution plans is the level of fiduciary protection they offer. 401(k) investors are protected by the Employee Retirement Income Security Act (ERISA), a federal law that protects employees' retirement savings from mismanagement. According to the US Department of Labor, ERISA provides the following protections to participants:

- Requires plans to provide participants with plan information, including features and funding;
- Sets minimum standards for participation, vesting, benefit accrual, and funding;
- Provides fiduciary responsibilities for those who manage and control plans;
- Requires plans to establish a grievance and appeals process for participants to get benefits from their plans
- Gives participants the right to sue for benefits and breaches of fiduciary duty; and
- Guarantees payment of certain benefits if a defined benefit plan is terminated.

None of these protections are extended to educators who invest in 403(b) and 457(b) plans, because those plans are not covered by ERISA.

Lack of fiduciary responsibility means educators are not protected from misleading sales tactics. Under ERISA, 401(k) providers are required to meet fiduciary responsibilities.

According to the US Department of Labor, fiduciary responsibilities require plan providers to:

- Run the plan solely in the best interest of the beneficiaries, and for the exclusive purpose of providing benefits and paying plan expenses;
- Act prudently and diversify the plan's investments to minimize the risk of large losses;
- Follow the terms of the plan documents to the extent that the terms are consistent with ERISA;

- Avoid conflict of interest;
- May not engage in transactions on behalf of the plan that benefit parties related to the plan, such as other fiduciaries, service providers, or the plan sponsor; and
- Fiduciaries who do not follow these principles may be personally liable to restore any losses to the plan, or any profits made through improper use of plan assets. Courts may take whatever action is appropriate against fiduciaries who breach these duties, including their removal.

None of these protections are extended to educators who invest in 403(b) or 457(b) plans. These plan providers are not required to act in the best interest of beneficiaries, and as such, they are able to enroll educators in high-fee or otherwise detrimental plans without facing legal recourse.

In 2017, the SEC San Francisco Regional Office (SFRO) launched the Teacher Investment Outreach Initiative, in order to better understand the investment education needs of public school employees. According to the Office of Government Accountability (GAO), the SFRO research found that educators face a number of challenges when selecting 403(b) plans:

- Investment education tools with incomplete information;
- Overwhelming investment product choices offered by employers;
- Aggressive marketing efforts by some of the vendors offering investment products;
- Possible conflicts of interest due to affiliations between plan administrators and vendors; and
- No fiduciary requirement on 403(b) plans.

SEC warns teachers of high fees which are not disclosed. As there is no requirement for 403(b) providers to disclose summary fee data, many plans have hidden fees that educators are unaware of when they sign up. The SEC current guidance for teachers warns:

If a vendor tells you an investment product has “no fees,” it may mean there are no upfront fees when buying the investment product. But most investment products in 403(b) and 457(b) plans have expenses related to their operation that come out of their investment returns on an ongoing basis (e.g., an expense ratio for mutual funds or administrative expenses for annuities). These ongoing expenses can have a major impact on the investment product’s overall investment return. *(Source: Updated Investor Bulletin: Retirement Investing Through 403(b) and 457(b) Plans)*

In 2022, the SEC sued Equitable Financial Life Insurance Company. Equitable gave investors, primarily teachers, the impression that all fees had been disclosed in a document entitled “Fees and Expenses.” However, the most significant fees were not shown on that document. Equitable settled with victims for \$50 million.

The GAO finds that CA teachers may pay extremely high fees. The GAO has identified 403(b) products in California with annual expense ratios as high as 3.74% (GAO-23-105620). By

contrast, the expense ratios in CalSTRS 403(b) plans available in March 2025 ranged from 0.05% to 0.2%.

Teachers that would like to leave their 403(b) may have to pay fees. An analysis by the Teachers Insurance and Annuity Association of America (TIAA) found that in California, 80% of fixed annuity products and 97% of variable annuity products are subject to a surrender charge (Clark et al., 2010).

California provides minimal protections for educator 403(b) plans. According to TIAA, states generally take one of two paths to regulate 403(b) plans not federally protected by ERISA:

- Closed-access management limits the number of providers in the plan. Plan sponsors typically use a competitive bidding process that requires potential vendors to submit proposals that include information on the investment product menu and associated fees. Fees are often a key factor in the review process. States and school districts using the controlled access model tend to have a relatively small number of choices of providers and investment products, and relatively low overall fees.
- Open-access management typically allows “any willing provider” access to plan participants. Plan sponsors offer 403(b) plans with limited screening and oversight of the vendors seeking certification. Plan sponsors typically do not negotiate fees prior to certification nor do they monitor the vendors after certification. States using the open access model generally have supplemental 403(b) plans with a large number of providers and investment options, a broad range of relatively high fees.

California is an open-access state, meaning any vendor can provide investment options with minimal oversight from the state or school district. A 2010 TIAA report entitled *Who’s Watching the Door: How Improving 403(b) Administrative Oversight Can Improve Educators’ Retirement Outcome* noted the following detriments of open-access management:

Participants in open access states have a higher likelihood of paying loads (either front-end or back-end) and being subject to surrender charges. The loads significantly increase the total cost to own assets in a retirement plan. Surrender charges reduce liquidity and flexibility to move assets to more cost-competitive providers... Our simulations indicate that over a 30-year career, an educator in a controlled access state can accumulate between \$60,000 and \$100,000 more in real (constant 2010 dollars) retirement wealth. On an annuitized basis, this is equivalent to about \$4,000 in yearly real retirement income, accounting for an additional 7 percent income replacement rate on the final year’s salary.

A 2023 report by the GAO found that open-access states have higher 403(b) fees than closed-access states (GAO-23-105620). In California, they found 403(b) annual expense ratios were as high as 3.74%. GAO then identified a number of steps states could take to protect non-ERISA plan participants, such as teachers, from financial harm. They compared the status of these protections across 5 states, including California:

| Financial protections for 403(b) plans by state | | | | | |
|--|-------------------|-------------|----------|--------|-------|
| | California | Connecticut | Delaware | Kansas | Texas |
| Fiduciary measures | None | None | Yes | Yes | None |

| | | | | | |
|--|--------------------------------|-----|-----------|------|----------------|
| Conflict of interest prohibition | None | Yes | Yes | Yes | None |
| Protections under state regulation of annuities | Limited | Yes | Yes | None | None |
| Aspects of ERISA adopted as best practices | None | Yes | Yes | Yes | Not applicable |
| Request for proposal process for service providers | Only for CalSTRS Pension2 Plan | Yes | Yes | Yes | None |
| State registry of vendors and products | Yes | Yes | No | Yes | None |
| Summary fee data | Only for CalSTRS Pension2 Plan | Yes | Partially | Yes | None |

Source: Office of Government Accountability, 2023

This comparison reveals that California teachers lack many protections afforded to 403(b) participants in other states.

Arguments in support. According to the California Teacher’s Association, “CTA is committed to the fiscal health of our school districts and the professional well-being of the educators and staff who serve our students. We believe that school employees deserve a secure environment where their financial interests are protected from aggressive or misleading marketing tactics.

AB 2197 addresses several critical vulnerabilities in the current system. Currently, the lack of a uniform screening process allows for significant disparity in the quality and legitimacy of financial products offered to school personnel. AB 2197 establishes a rigorous vetting process to ensure that all vendors meet essential benchmarks for transparency, fair fee structures, and ethical conduct before they are granted access to district employees.

School employees are frequently targeted at their worksites by third-party vendors who gain access through informal channels. This physical presence often creates a halo effect, which often leads staff to believe these vendors possess a formal endorsement or level of legitimacy from the district that may not exist. This bill clarifies these relationships to prevent such harmful misconceptions.

Our current system often leaves employees susceptible to providers who prioritize high commissions over the long-term financial security of public servants. AB 2197 provides the necessary guardrails to distinguish between legitimate financial partners and those utilizing high-pressure tactics. This would ultimately help protect the hard-earned savings of our members.”

Arguments in opposition. According to California’s Credit Unions, “AB 2197 is drafted in a broad manner to loop in standard practices and services offered by credit unions on school campuses. For instance, one major concern with the bill is that it does not exempt in-school branch operations or ATMs on campus. There are credit unions in California that operate branches directly on campus of schools. These in-school branches are staffed by students who assist members with checking and savings accounts, deposits, withdrawals, and more financial transactions. Not only do these branches on campus provide convenient and accessible financial services to both school employees and students but they also teach students important money management skills. ATMs on campus or in school administration buildings could be a potential violation of the bill due to the advertisement of financial services. Credit unions also offer financial literacy programs that are completely free, but even providing complimentary pens or financial education materials could be a potential violation of an ‘inducement’ under the bill. As longstanding providers of financial services and education in schools, credit unions should be exempt from the scope of the bill.

In addition, AB 2197 would restrict a credit union from conducting membership development and community support programs on school grounds given the broad definitions of “solicitation” and “inducement” under the bill. Credit unions partner with schools in numerous ways and are often invited by the school to attend events and set up information tables for professional development days or staff recognition ceremonies. These types of visits would be classified as ‘solicitations’ and are resource intensive, but the language in AB 2197 would prohibit any resources of the local educational agency from being used in a solicitation. Even if the credit union provides something as minimal as snacks or lunch for staff, that could be classified as an ‘inducement’ under the bill.

Finally, credit unions partner with local educational agencies to offer retirement services and payroll services, but due to the ambiguity in the bill language, it is unclear if these services would be exempted or not for having existing agreements with school districts. CCU remains concerned that these important services for students and educators could be disrupted by the unintended consequences of AB 2197.”

Recommended Committee Amendments. Staff recommends that the bill be amended as follows:

- 1) Specify that these provisions apply to representatives of 403(b) or 457(b) vendors.
- 2) Exempt LEAs that have self-administered, employer-controlled funds.
- 3) Specify that these provisions apply to all goods, products, and services sold by representatives of 403(b) or 457(b) vendor.
- 4) Clarify that LEAs may prohibit financial solicitation on school grounds, and that these provisions only apply in the case that they choose to allow financial solicitation.
- 5) Clarify that LEAs may adopt additional policies to regulate vendor solicitation or commercial activity, if they so choose.
- 6) Clarify that vendors must disclose if they are paid on commission, fees, or both.

- 7) Require vendors to provide a link to the 403bcompare website maintained by CalSTRS.
- 8) Exempt the following groups from these provisions:
 - a) Representatives discussing employee health benefits, including medical, dental, and vision insurance
 - b) Representatives providing education only
 - c) Students who provide peer-to-peer education only

Related legislation

AB 2506 (Steinberg), Chapter 1095 of the 2002 Session, requires the California State Teachers' Retirement System (CalSTRS) to establish a vendor registration process where information about tax-deferred retirement investment products will be made available to employees of local school districts, community college districts and county offices of education. CalSTRS will maintain the information on its website.

AB 1949 (Cedillo) of the 2012 Session would have permitted a school district to restrict the investment products offered in its 403(b) plan based on a competitive review process. This bill was held in the Insurance Committee.

AB 2462 (Mullin), Chapter 780, Statutes of 2006, authorizes the Teachers' Retirement Board to supply, or contract to supply, fiduciary, recordkeeping, and administrative services for employer-sponsored deferred compensation plans to school districts, community college districts, and county offices of education that elect to contract with CalSTRS to provide those services.

REGISTERED SUPPORT / OPPOSITION:

Support

403bwise
American Federation of State, County and Municipal Employees
California School Employees Association
California Teachers Association
California Federation of Teachers
Meridian Wealth Management

Opposition

California's Credit Unions

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