

CALIFORNIA STATE-MANDATED CALSAVERS PROGRAM

In 2016, Governor Brown signed California Senate Bill 1234, which resulted in the creation of a workplace retirement savings program known as the CalSavers Retirement Savings Program (CalSavers). Here are some key features of CalSavers that eligible California employers should be aware of:



- CalSavers applies to private for-profit and non-profit employers, but not to federal or state governmental entities.
- Eligible employers with at least five employees that do not already have an employer-sponsored retirement plan will be required to begin offering one via the private market or provide their employees with access to CalSavers by the following deadlines:
 - Over 100 employees – September 30, 2020 (extended from June 30, 2020)
 - Over 50 employees – June 30, 2021
 - Five or more employees – June 30, 2022
- CalSavers will send a notice to eligible employers prior to their mandatory registration deadline containing an access code and a notice that may be forwarded to employees. Employers must log on to the CalSavers site and either certify their exemption or enroll in the program.
- CalSavers will contact the employees directly (using employer provided basic employee roster information) to instruct them about how to opt-out or enroll online.
- Employees receiving W-2 wages who are at least 18 years old must be automatically enrolled in the CalSavers program after 30 days of employment.
- The employer will deduct a default employee contribution rate of 5% of after-tax wages from each paycheck and deposit it into the employee's CalSaver account. The rate of contribution will automatically increase each year by 1% to a maximum contribution level of 8%. The maximum contribution limit for 2020 is \$6,000 (or \$7,000 for employees age 50 and older).
- Employer contributions are not permitted.
- The employer penalties per eligible employee for failure to comply are:
 - \$250 after 90 days of receiving the CalSavers notification
 - \$500 after 180 days or more after receiving the CalSavers notification

Employers that do not already have an employer-sponsored retirement plan may want to examine implementing one based on the following considerations:

- The administrative functions an employer must fulfill to participate in the CalSavers program are similar to those of a 401(k) plan.
- Employee 401(k) contributions are **tax deferred** and the savings limit is much larger (\$19,500 for 2020 and an additional \$6,500 for employees age 50 and older).
- Employer contributions are permitted and are deductible by the employer.
- Offering a plan can help attract and retain talented employees.
- Qualified plans offer increased retirement savings for business owners.
- The cost of CalSavers investments (consisting of an underlying fund fee, a state fee, and a program administration fee) could be approximately twice the cost of a typical 401(k) investment.

If you have any questions or would like more information, please contact Therese Cheevers at tcheevers@windes.com or **844.4WINDES** (844.494.6337).

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