

CALIFORNIA EMPLOYMENT LAW CalSavers Retirement Savings Program



Beginning July 1, 2019, eligible employers may start participating in California’s state-sponsored retirement program – [the CalSavers Retirement Savings Program](#) (CalSavers). CalSavers offers a Roth Individual Retirement Arrangement (IRA) to eligible employees in California who do not have access to a tax-qualified retirement plan through work. CalSavers is:

- ✓ Funded by employee after-tax contributions (through payroll withholding);
- ✓ Voluntary for employees (they can opt in or out of participation); and
- ✓ Administered by a private-sector financial services firm and overseen by a public board chaired by the State Treasurer.

While covered employers do not need to pay costs or fees in connection with CalSavers, they must facilitate enrollment in the program, set up payroll deductions and remit employee contributions. The deadline for covered employers to register with CalSavers is staggered based on employer size, with a registration deadline of **June 30, 2020** for employers with more than 100 employees.

COVERED EMPLOYERS

California employers must participate in CalSavers if they have **five or more eligible employees** and do not offer an employer-sponsored retirement plan. The requirements are the same for non-profit and for-profit employers.

An employer-sponsored retirement plan includes a tax-qualified retirement plan under the federal tax code, such as a 401(k) plan, 403(b) plan, a SEP plan, a SIMPLE IRA plan, a pension plan or a payroll deduction IRA with automatic enrollment.

ELIGIBLE EMPLOYEES

Eligible employees who must be enrolled in CalSavers include all employees of a covered employer who are **at least age 18**, have the status of an employee under California law (for unemployment insurance) and receive an IRS Form W-2 with California wages from their employer.

STATE RESOURCES

CalSavers Retirement Savings Program
<https://www.calsavers.com/>

FAQs
[Frequently asked questions](#) about CalSavers.

Employer Resources
Information and tools for employers about CalSavers are available [here](#).

Employee Resources
Resources for savers, including fact sheets, a calculator and tools are available [here](#).

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Business owners that are also employees of their business are eligible to participate. Business owners that are not employees may enroll as individuals and make automatic contributions from their bank accounts.

EMPLOYER REGISTRATION DEADLINE

Covered employers can register with CalSavers at any time. There are deadlines for eligible employers to either begin to offer their own retirement plan or register for CalSavers. The deadlines vary depending on the size of the business, as follows:



An employer’s compliance deadline is based on its average number of employees throughout the year. This number is calculated by averaging the number of employees reported to the [California Employment Development Department](#) on the employer’s previous four [DE 9C filings](#).

Employers will receive a welcome notification from CalSavers through e-mail or U.S. mail to begin their registration. Once an employer receives this notification, it can go to CalSavers’ [website](#) and enter its access code to register its business or indicate its exemption. An [employer checklist](#) that provides an overview of each step in the registration process is available from CalSavers.

As part of the registration process, employers create a payroll list and add eligible employees to the list so they can be notified by CalSavers about the program and enrolled automatically if they do not opt out. Whether an employer registers early or closer to its deadline, it must add eligible employees within 30 days of completing registration.

Covered employers that do not allow their eligible employees to participate in CalSavers may be subject to penalties under California law, including a penalty of \$250 for each eligible employee who is not enrolled within 90 days of receiving notice of its failure to comply. An additional penalty of \$500 per eligible employee applies if the employer does not comply within 180 days after the notice.

EMPLOYER RESPONSIBILITIES

Employers that register with CalSavers have a limited role with the program’s benefits and operations. CalSavers does

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not include any employer fees or employer matching contribution. Employers' ongoing responsibilities include only the following:

- ✓ Adding new employees as they become eligible and marking employees as inactive when they leave or are terminated;
- ✓ Processing payroll contributions;
- ✓ Updating employee contribution rates with the employer's payroll software or provider; and
- ✓ Timely remitting employee contributions. Employee contributions should be sent to CalSavers within seven days of taking the money out of employees' paychecks. These contributions can be made by ACH debit, wire transfer or check.

RETIREMENT BENEFITS

CalSavers contacts employees after they are enrolled by their employer. Employees then have 30 days to customize their accounts or opt out of the program. If they do not make changes after 30 days, they are automatically enrolled in a Roth IRA with the program's standard contribution rate and investment fund options.

The standard contribution rate is 5% of an employee's gross pay, which is deducted on an after-tax basis. CalSavers includes an automatic increase feature that increases employees' automatic contribution rate by 1% each year until the employee's savings rate reaches 8%. Employees can opt out at any time or choose to change the amount that they contribute to the program.

Employee contributions must stay within the Roth IRA contribution limits set by the federal tax code. If an individual earns more than the [Roth IRA income limits](#) set by the federal government, he or she may need to opt out of CalSavers.

What Is a Roth IRA?

A Roth IRA is an individual retirement plan that is subject to many of the same rules that apply to a traditional IRA. However, unlike a traditional IRA, an individual cannot deduct contributions to a Roth IRA. But, if he or she satisfies certain requirements, qualified distributions are tax-free. Individuals with higher incomes may not be eligible to contribute to a Roth IRA. For more information on Roth IRAs, including the federal limits on annual contributions, see [IRS Publication 590-A](#).

To pay for CalSavers' operation and underlying fund expenses, participants are charged an asset-based fee of approximately \$0.83 - \$0.95 per year for every \$100 in the employee's account (depending on the employee's investment choices). More information for employees on CalSavers is available through the program's website, including a description of available [investment options](#) and a [savings calculator](#).

Source: [CalSavers Retirement Savings Program](#)