

What is CalSavers?

7 Things California Employers Need to Know

With upcoming registration deadlines approaching for CalSavers, you are probably hearing a lot about California's retirement savings program. This guide provides an overview of the CalSavers program and how it compares to other retirement savings options.

Here are the top things California employers need to know about finding the right retirement savings plan for their business:

WHAT IS CALSAVERS?

Formerly known as Secure Choice, CalSavers is California's retirement savings program for private sector workers who do not currently have a way to save for retirement at work. CalSavers stipulates that employers must offer a retirement savings plan AND, if they fail to offer one of their own, then they must offer their employees CalSavers.

HOW DOES CALSAVERS WORK?

CalSavers gives employers a way to set up an Individual Retirement Account, or IRA, for each eligible employee. CalSavers IRAs will use these default features, unless otherwise specified:

- Employee deductions are automatically set to 5% of an employee's gross pay.
- Employees can adjust their settings.
- Employees can also opt out, though they have to re-opt out every two years.

IS CALSAVERS MANDATORY?

Enrolling in CalSavers is NOT mandatory. However, what is mandatory is that all employers in the state with at least five W-2 employees offer a qualified retirement savings plan, or else face fines.

WHAT'S THE DEADLINE?

Registration deadlines depend on company size:

- June 30, 2020 - employers with >100 employees
- June 30, 2021 - employers with >50 employees
- June 30, 2022 - employers with 5+ employees

WHAT IF AN EMPLOYER DOESN'T COMPLY?

Employers who don't offer a plan by the deadline may face financial penalties: Each eligible employer that fails to allow its eligible employees to participate in CalSavers, on or before 90 days after service of notice of its failure to comply, shall pay a penalty of \$250 per eligible employee. If noncompliance extends 90 days or more after the notice, and if found to be in noncompliance 180 days or more after the notice, an additional penalty of \$500 per eligible employee.

WHAT IS THE DIFFERENCE BETWEEN A 401(K) AND CALSAVERS?

In short, compared to CalSavers, a typical 401(k):

- can let you save more money each year
- offers contributions that could reduce your taxable income (since contributions are made pre-tax)
- has no eligibility restrictions in terms of household income and
- may incur tax benefits for both employees and employers

WHAT RETIREMENT PLAN IS RIGHT FOR MY COMPANY?

There are many providers out there who offer a range of retirement savings plans, including IRAs, 401(k)s, 403(b)s, and more. Employers have options when it comes to choosing a retirement savings plan for their employees, and the best place to start is by identifying what is most important to you and your employees, from the total amount you and employees can save each year, to the time and effort to set up and manage a plan, to plan costs, to specific features in a plan, etc.

