

## CalSavers: The State's New Retirement Savings Program and What it Means for Business Owners

Are you worried about saving for your retirement? Do you want to provide a way for your employees to save for retirement but worry about the cost, liability, and administrative headaches? There is good news. A 2016 state law created CalSavers, a retirement savings program for California private sector workers designed to be easy and free for employers to offer. The program will provide a path to retirement security for the nearly seven million California workers who currently lack access to a retirement savings vehicle at work.

The business community worked closely with CalSavers staff to ensure that the new program protects employers from any fiduciary liability, will come at no cost to employers or taxpayers, and requires minimal administrative duties. CalSavers accounts will be managed by a private sector financial firm and overseen by a transparent public board chaired by State Treasurer John Chiang.

Self-employed, solo-entrepreneurs and persons who do not work for a participating business can also join as individual participants. Instead of payroll contributions, individual participants will contribute directly from their bank to their CalSavers retirement account.

CalSavers has been several years in the making. In 2012, under the legislative leadership of Senator Kevin de Leon, the California State Legislature called for a financial feasibility study and legal analysis, which concluded in early 2016 that the Program would be both financially sustainable and operated in accordance with state and federal law while exempting employers from the liability that comes from sponsoring a retirement plan. The final legislation (Senate Bill 1234) was passed in late 2016 and Treasurer Chiang, the governing board, and staff are hard at work preparing to launch the Program.

Program staff anticipates CalSavers will be implemented in late-2018 or early-2019. When CalSavers is operational, businesses with five or more employees will be required to either offer a retirement savings vehicle or enable their employees to make automatic payroll contributions to their CalSavers IRA. Once CalSavers is operational, employers with 100 or more employees will need to either offer a retirement plan or register for CalSavers within 12 months after the Program is open for enrollment; employers with 50 or more employees will need to comply within 24 months; and employers with five or more employees will need comply within 36 months.

For businesses joining CalSavers, administrative requirements are minimal. Participating employers will be required to distribute CalSavers-developed informational materials to their employees and facilitate the payroll deductions for employees that don't opt out of the program. Participating employees will then communicate directly with CalSavers for any questions and to make any changes to their account.

A poll by Small Business Majority and AARP found two-thirds of small business owners in California support a state retirement savings program that would help small businesses and their employees save for the future and nearly three-fourths of respondents think offering such a program would give their business a competitive edge.

The business community worked hard to protect employers from any liability as the legislation was being developed and have continued to working with the Board and staff to ensure that the Program is designed to be easy for employers to implement.

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