

California Employers: What you need to know about the new state-mandated IRA program, CalSavers

Formerly known as Secure Choice, CalSavers is a mandated state-run payroll deduction IRA program. Employers are required to offer a 401(k) retirement savings plan or enroll in the CalSavers program. This paper serves to provide detailed information about this program.

Employer Enrollment Dates

Covered employers (those that will need to enroll) will be notified prior to their corporate size implementation date:

Voluntary Enrollment:

- 11/1/18 - Voluntary Pilot Program
- 7/1/19 - Available to all employers

Mandatory Phase-In:

- 9/30/20 – Over 100 employees (Covid extension)
- 6/30/21 – Over 50 employees
- 6/30/22 – Over 5 employees

Employee Enrollment Eligibility

- Eligible Employee – Age 18 and W-2 earners with California taxable income and a Valid SSN or US Taxpayer Identification Number
- Employee Information Packet – employer must provide this within 30 days of eligibility or hire date
- Auto-enrolled 30 days following hire date or date of eligibility
- Auto-enrollment plan so employee must opt out or select a different deferral amount
- Open enrollment is annually from 10/1-11/30 to opt-in or opt-out
- Employer has to re-enroll employees that opt-out on an annual basis

Provisions

- Pre-Tax or Roth-IRA: EE is responsible for determining if he or she is eligible for Roth based on income limits
- Employee can opt for pre-tax IRA, Roth, or some of both
- 5% default contribution amount at auto-enrollment
- Auto-escalation of 1% per year up to 8% (Each Jan. 1st following 180 days of participation)
- Can choose own contribution rate
- Can opt-out of auto-escalation
- \$10 minimum employee deferral per pay period
- No employer contributions permitted
- Normal IRA contribution limits apply (\$6,000/yr 2021)
- If an employee leaves, the CalSavers IRA can go with them



Costs and Fees

After a thorough RFP process, Ascensus won the Administration and Recordkeeping business for the CalSavers program and State Street is the Investment Manager. Ascensus costs are as follows:

- .75% maintenance fee per year
- Lowered as plan assets grow
- .15% floor when assets reach \$35B

State Street will offer investments to the program and the investments range from .025% to .12%. Each investment option is subject to a State Fee (.05%) payable to the Board to offset expenses related to establishment, oversight and administration of the program. The investment options that will be available are:

- CalSavers Money Market Fund
- CalSavers Core Bond Fund
- CalSavers Target Retirement Fund Series
- CalSavers Global Equity Fund

California companies with Federal EIN numbers within the state of California are subject to participate in CalSavers if they do not offer a retirement savings plan. Qualifying plans are: 401(k), 403(b), SIMPLE IRA, payroll deduction IRAs with automatic enrollment, and SEP IRA. Exempt companies are those with 5 or fewer employees and government entities.

Failure for eligible employers to enroll in CalSavers after their mandatory phase-in date may be subject to penalties of \$250/employee within 90 days' notice; Additional \$500/employee if not in compliance after 180 days.

All information can be found on the CalSavers website at calsavers.com. The purpose of this paper is to explain the basics of the CalSavers program. It was created by Statheros Financial Solutions in 2020. It is not meant or intended to persuade its readers to utilize or not utilize the CalSavers program. Please refer to the CalSavers web page for any questions. If you would like to discuss your options on setting up a 401(k), please call 916-932-1213.