



California Passes Legislation to Expand Retirement Plan Mandate

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In 2016, California passed legislation stating that employers who do not sponsor an employee-retirement plan must participate in a state-run retirement program. This program became known as CalSavers.

Feedback

While there have been legal challenges to CalSavers, the program persists. CalSavers provides an opportunity for employees to defer wages, through payroll deductions by the employer, to a state-run individual retirement savings account program.

An employer is not required to participate in CalSavers if it sponsors or participates in a retirement plan, such as a 401(k) or pension plan. To be exempt from CalSavers, an employer may sponsor a retirement plan for any of its employees. California employees need not enroll in the retirement plan for the employer to be exempt.

Previously, under the statute "eligible employer" was defined as a person or entity engaged in a business, industry, profession, trade, or another enterprise in the state, excluding specified federal, state, and local governmental entities, with five or more employees and that satisfies certain requirements to establish or participate in a payroll deposit retirement savings arrangement.

On August 26, Gov. Gavin Newsom signed Senate Bill (SB) 1126, which expands the definition of eligible employer to include a person or entity, as described above, that has at least one eligible employee and that satisfies the requirements to establish or participate in a payroll deposit retirement savings arrangement, and would additionally exclude from the definition of "eligible employer" sole proprietorships, self-employed individuals, or other business entities that do not employ any individuals other than the owners of the business.

Also, the bill requires that eligible employers with five or more employees that do not offer a retirement savings program to have a payroll deposit saving arrangement to allow employee participation in the program within 36 months after the board opens the program for enrollment.

Moreover, by Dec. 31, 2025, all eligible employers with one or more employees would need to have a payroll deposit savings arrangement, if they do not provide a retirement savings program.

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Feedback