

# CalSavers – An Important Update

By E McClements, CLU ChFC

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You missed the deadline for CalSavers (9/30/2020) and now you are getting emails and letters indicating your company is going to face a penalty – is there anything you can do?

GREAT QUESTION! And I promise we will get to the answer below, but first, for those who are unsure what we are talking about, let me start with a bit of background...

CalSavers (created by legislation passed in 2016) is a statewide effort to ensure all working Californians have a path to financial security in retirement by providing a simple, portable, low-cost way for workers to invest in their future. Under the CalSavers rules, California employers (with 5 or more employees) must (sooner or later):

1. Offer a retirement plan to workers (and certify that status with CalSavers) or
2. Must make CalSavers available to their workers or
3. Face a penalty that starts at \$250 per worker

The deadline for employer action depends on employee count:

1. Employers with 100+ workers, the deadline WAS 9/30/2020
2. Employers with 50+ workers, the deadline IS 6/30/2021
3. Employers with 5+ workers, the deadline IS 6/30/2022

If the employer decides that operating their own retirement plan is too burdensome or costly, CalSavers is an option that offers employees an automatic enrollment individual retirement account (IRA) which is professionally managed by private sector financial firms with oversight from a public board chaired by the State Treasurer. When using CalSavers, employers make no contributions and have no fees. Also, if employers abide by the CalSavers rules, they face no “fiduciary liability” (whereas most business sponsored retirement plans do expose employers to such costs, contributions, and fiduciary liabilities).

Now on to the UPDATE...

CalSavers reports (as of 10/20/2020) that more than 4,600 large employers have met the compliance deadline and either signed up with CalSavers or have certified their use of an alternative retirement plan to meet their workers needs.

So far CalSavers reports 36,000 employee retirement accounts have been established, and that number grows significantly on a daily basis.

CalSavers also reports that – based on their research (in which they cross referenced CA employer tax records with Federal Government retirement plan records) - there is a total population of approximately 8,500 CA employers who SHOULD be subject to the CalSavers mandate. In another important recent development, CalSavers has formally determined that it will be the **Franchise Tax Board (FTB)** who will be tasked with collecting penalties from non-compliant employers.

Which leads us back to the first line of this article... **What do you do if you are a large employer that missed the 9/30/2020 deadline?**

The answer is simple and direct – PLEASE TAKE ACTION IMMEDIATELY.

CalSavers has reported that it is not planning on submitting a list of non-compliant employers to the FTB until the start of 2021. In other words - if you act quickly - there is still a great chance you can avoid the penalty for non-compliance.

In addition to signing up directly with CalSavers, these are the options that employers have:

- 403(a) - Qualified Annuity Plan or 403(b) Tax-Sheltered Annuity Plan
- 408(k) - Simplified Employee Pension (SEP) plans
- 408(p) - Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA Plan
- 401(a) – Qualified Plan (including profit-sharing plans and defined benefit plans)
- 401(k) plans (including multiple employer plans or pooled employer plans)
- Payroll deduction IRAs with automatic enrollment

All the above programs have various eligibility rules and contribution requirements that must be fully understood by the employer. Selecting the best option for YOUR company will take an investment of your time. If you want an efficient way to investigate the alternatives – we have built a website that helps you do that: [www.ezsavings4u.com](http://www.ezsavings4u.com). This website was created by three employee benefit professionals with over 100 years of combined experience. The website is unaffiliated and completely independent of CalSavers.

If you decide the best option for your company is to participate in CalSavers – then we recommend you visit the official CalSavers website today and start your research about the program and how to get signed up. That website is: [www.calsavers.com](http://www.calsavers.com)

You can reach us via phone call/text (949-232-9178) or email ([ed@mcclementsins.com](mailto:ed@mcclementsins.com)). We have helped dozens of employers find the right option for their company.

**Bottomline: If you have over 100 employees and have no current retirement plan – your company will be penalties assessed VERY SOON. So, don't delay – get your company set up with CalSavers or an alternative program ASAP.**

*About the Author:*

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