

# CALSAVERS

## Retirement Savings Program

### Summary of California's Retirement Savings Program

#### CalSavers

CalSavers is a state mandated program with penalties for non-compliance. All employers will eventually be required to participate if they do not have or do not adopt an exempted retirement program by the appropriate deadlines (discussed below).

#### What is CalSavers?

A state mandated automatic ROTH IRA contribution program

- ROTH contribution rate of (5%) of pay: age eighteen (18) and employed at least 30 days
- Automatically escalates by one percent (1%) per year to a maximum of eight percent (8%)
- The individual employee may elect a different amount, elect out of auto-escalation, or completely opt-out of the program.

#### What if the employer has a retirement plan?

If the employer maintains a retirement program exempted by the State, the employer may elect out of the CalSavers program. For a complete list of plans that will exempt employers visit [www.calsavers.com](http://www.calsavers.com).

Exemption currently exist for: SEP-IRAs, SIMPLE-IRAs, Payroll Deduction IRA programs with automatic enrollment, 401(k) plans, 403(a) plans, 403(b) plans, 457(b) plans, Profit Sharing plans and Pension Plans, Participation in a Multiple Employer Plan (MEP).

#### When: employers must register as follows:

- September 30, 2020 for businesses with 100+ employees
- June 30, 2021 for businesses with 50+ employees
- June 30, 2022 for businesses with 5+ employees

#### All Employers:

- Must register their business
- Must register for an exemption if they already have a listed retirement program
- Must create payroll list and add employees
- Must enroll any W-2 paid employee after 30 days and at least age 18 regardless of part-time or full-time status
- Must submit contributions or delegate an approved payroll provider to submit contributions
- Must add and remove employees once eligible or terminated



## All Employees will:

- Automatically be enrolled by the employer with a % deducted from their paycheck
- Be responsible for opting out, changing investment options, changing contribution rates, re-enrolling (all done through CalSavers)
- Be responsible for monitoring the Roth IRA limit (AGI Roth compensation limits apply)
- Select investments from listed funds
- All funds State Street Target Date, Money Market, Bond, Global
- Estimated Fees: 82.5 – 95 basis points (0.825%-0.95%) depending on investments

## Here's how it works for the employee:

The eligible employee is automatically enrolled by the employer in a Roth Individual Retirement Account (IRA) unless the employee opts out. The current maximum contribution limit is \$6,000 for those employees less than 50 years of age and \$7,000 for those over age 50. Enrolled employees are free to change their contributions or elect out. The employee will select from an array of investments or default into a target fund based on their estimated retirement date. All monies are always 100% vested.

## What happens if the employer doesn't take timely action?

Employers need to be aware, there is no option not to act. Lack of action whether registering for an exemption or failing to enroll employees may result in

penalties. Employers may face financial penalties for non-compliance. Fines range from \$250 per eligible employee after 90 days from a failure notification and an additional \$500 per eligible employee after 180 days after a failure notification from California.

## What's the alternative?

Employers should consult with their tax CPAs, financial advisors, and business consultants to determine whether they have adopted an exempted plan or investigate what retirement plan options are available to them and what retirement plan options will best suit their needs. There are many alternatives to the CalSavers mandated program that are beneficial for both employees and employers.

## Comparison

See how CalSavers compares to other private retirement plans like a 401(k):

	CALSAVERS	WORKPLACE 401(K)
IRA CONTRIBUTION LIMIT (2022)	\$6,000	\$20,500
MATCHING CONTRIBUTION OPTION	NO	YES
VESTING REQUIREMENTS	NO	YES
FINANCIAL ADVISOR SUPPORT	NO	YES
EMPLOYER ADMINISTRATIVE TASKS	YES	YES/NO
ADDRESSES EMPLOYEE RETENTION	NO	YES
CAN ALLOW FOR CREATIVE PLAN DESIGN	NO	YES
FIDUCIARY OPTIONS	NO	YES
TAX CREDITS	NO	YES
ELIGIBILITY OPTIONS	NO	YES
TAX DEDUCTIONS	NO	YES



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