

California Retirement Plan Mandate

The state of California has implemented a mandate that requires certain companies offer a retirement savings plan. This is intended to help employees gain access to a program they can use to build a nest egg for retirement.

CalSavers retirement savings program

California requires employers who don't offer a qualifying employer-sponsored retirement plan, such as a 401(k), 403(b), Pension Plan, SEP or SIMPLE Plan, to offer the CalSavers program. The program includes the following features:



Employees are automatically enrolled at 5% per pay (employees may opt out)



Employee contribution rates are increased by 1% each year and capped at 8% per pay



All contributions are classified as a non-deductible Roth IRA



Five available investments (money market fund, target date series, 1 ESG fund, 1 bond fund, 2 stock funds)

Penalties for non-compliance

Regulators review DE9C filings each spring to determine eligibility and to confirm if companies that meet the requirements have set up a plan on time. Any eligible employer that, without good cause, has failed to comply within 90 days of the deadline **will be fined \$250 per eligible employee**. If found to be in non-compliance 180 days or more, there is an **additional penalty of \$500 per eligible employee**.

You may be fined up to \$750 per eligible employee!



DEADLINES FOR PLAN COMPLIANCE

100+ Employees	September 30, 2020
50+ Employees	June 30, 2021
5+ Employees	June 30, 2022
1-4 Employees	December 31, 2025

CalSavers vs. 401(k)

While the CalSavers program boasts simplicity, 401(k) plans allow for greater savings and they're customizable, so you can make it a truly powerful benefit that can help attract and retain top talent.

	CalSavers	401(k)
Contribution limit ¹	\$7,000	\$23,000
Catch contribution limit ¹	\$1,000	\$7,500
Employer contributions	Not permitted	Permitted (match and profit sharing)
Contribution type ²	Roth IRA	Pre-tax and/or Roth (no income limits)
Eligibility	Immediate	Flexible
Default contribution rate	5%	As low as 3%
Investment options	Limited	Open architecture, wide variety

The SECURE 2.0 Act has made it more affordable than ever for a business with 100 or fewer employees to start a 401(k) plan. Employers may be eligible for up to \$5,000 for each of the first three plan years to offset startup and administration costs. In addition, there are additional tax credits available to offset employer contributions for the first five plan years (up to \$1,000 per participant for the first and second plan years and reduced amounts for the subsequent three years).

How USI Consulting Group can help

USI Consulting Group has extensive knowledge of the small-to-mid market space. Our dedicated team can help you evaluate your options to help you determine the best fit for your organization. To learn more, please reach out to **Chris Moreton**, VP of Retirement Plan Services, at chris.moreton@usi.com or **Kim Youngerman**, VP of Retirement Plan Services, at kim.youngerman@usi.com.

¹ Dollar limits are for 2024 and are subject to [cost-of-living adjustments](#) for future years.

² CalSavers accounts are Roth (post tax) IRAs, and employees with higher incomes may not be eligible to contribute. For those who earn more than the Roth IRA income limits set by the federal government, they may need to opt out of CalSavers or recharacterize to a Traditional IRA.

Connect with us today | information@usicg.com | 860.633.5283 | usicg.com | 

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