

---

FEBRUARY 28, 2022

AGENDA ITEM 6  
ACTION ITEM

CALSAVERS RETIREMENT SAVINGS BOARD

*Resolution 2022-02: Board Position on Senate Bill 1126 to Expand CalSavers Eligibility*

---

***Summary***

The CalSavers Retirement Savings Board (“Board”) will consider taking a position on Senate Bill (SB) 1126 (Cortese), a bill that would expand eligibility, and the state mandate, for the CalSavers Retirement Savings Program (“CalSavers” or “the Program,”) to any California employer with at least one employee.

***Bill Components***

***Eligible Employers***

Currently, state law restricts employer eligibility for the CalSavers to employers with at least five employees that do not sponsor a retirement plan. If enacted, SB 1126 would amend CalSavers’ governing statute to expand eligibility for CalSavers, and the mandate for employers to facilitate CalSavers if they do not sponsor a retirement plan, to any employer with at least one employee. Governmental, tribal, and religious organization employers would remain exempt.

***Exclusions for Self-Employed and Sole Proprietorships without Employees***

The bill would exclude sole proprietorships and self-employed individuals that do not employ any individuals other than the business owners from the mandate. Because such employment relationships include only the business owner themselves, and because the option for individuals to join CalSavers directly already exists, this language assures business owners that they are not required to register and automatically enroll only themselves.

***Timing***

If enacted, the bill would take effect January 1, 2023. Upon that date, employers with at least one employee would become eligible to join CalSavers and would have a registration deadline of December 31, 2025. Penalty imposition for non-compliance would commence no sooner than spring 2026.

***Impact***

The bill would benefit the estimated three-quarters of a million employees of newly eligible employers who would gain access to CalSavers through passage of the bill.

The bill would expand coverage to an estimated 300,000 small employers with one to four employees. As expressed by employers in this size range who have requested access to the

program in recent years, allowing them to participate in CalSavers can help employers facilitate their employees' financial well-being and aid with recruitment and retention of employees. The bill would also simplify compliance for the many thousands of small employers whose eligibility for CalSavers fluctuates each year as the size of their workforce changes.

After passage of the bill, employers would have more than three years to comply with the registration deadline and the penalty imposition phase for noncompliant employers would commence no sooner than summer 2026.

### ***Process***

#### ***Legislative Status***

SB 1126 was introduced on February 16, 2022. As of February 18, 2022, the date this report was posted, the bill had not yet been referred to committee.

#### ***Expected Amendments in Committee***

Staff expect amendments will be made to the bill when it is introduced in committee to include a December 31, 2025, registration deadline for employers with one to four employees and language that would exclude self-employed and sole proprietors that do not employ any individuals aside from the owner of the business. The full text of the bill, including these expected amendments, are included in attachment 6B.

#### ***Potential for Legislation to be Carried through a Different Bill***

It is possible the legislative language could be passed through a vehicle other than SB 1126, through either a bill supported by another author, through a budget trailer bill, or simply be listed under a separate bill number. Resolution 2022-02, if enacted, would express support for SB 1126 specifically and any other bill that retains substantially the same language as in SB 1126.

#### ***Board Governance Policy Regarding Legislation***

Section 16 of the Board Governance Policy establishes “The board may take positions on any state or federal legislation, or any state or federal rulemaking, that alters the power and authority of the board, impacts the operations of the CalSavers Retirement Savings Program, or is relevant to the goals and objectives of the program.” The policy requires the executive director to obtain approval from the Board at a publicly noticed meeting unless there is insufficient time for the matter to be heard at a Board meeting.

If there are any significant amendments to the bill language, staff will seek the Board’s position on the amended language at a public Board meeting. If there is insufficient time for a formal Board vote, staff will consult with the Board chair before taking a position on the Board’s behalf and report on the position taken at the next Board meeting.

#### ***Staff Recommendation***

CalSavers staff recommend the Board adopt support for Senate Bill 1126, with the amendments described in this item, or a separate bill with the same or substantially similar legislative amendments, and submit a letter of support to any legislative committees set to hear the bill.

***Attachments***

- Attachment 6A: Copy of SB 1126 (as published February 16, 2022)
- Attachment 6B: Text of Expected Bill Language Including Amendments Regarding Registration Deadline and Exclusions for Sole Proprietorships and Self-Employed Without Additional Employees
- Attachment 6C: Resolution 2022-02: Resolution of the CalSavers Retirement Savings Board to Adopt a Support Position on SB 1126 or Related Legislation