

## INITIAL STATEMENT OF REASONS

### **Specific Purpose of the Regulations and Factual Basis for Determination that Regulations are Necessary.**

#### Problem this Rulemaking is Intended to Address:

These amendments are necessary to improve protection of confidential employer data by requiring employers to provide their employer payroll tax account number in addition to their federal employer identification number in order to register with the Program.

### ECONOMIC IMPACT ANALYSIS

Program staff analyzed the economic impacts caused by a direct result of this rulemaking package. These amendments do not materially change the duties or requirements of participating employers, accessibility for eligible employees or eligible individuals, or impact the following:

#### The creation or elimination of jobs within the state

These amendments are not expected to cause any incentives for innovation in the private sector that could create new jobs, nor are they expected to create any need to increase volume for existing jobs.

#### The creation of new businesses or the elimination of existing businesses within the state

Similar to the reasons stated in the paragraph above, these amendments should have no impact on the creation of new businesses or the elimination of existing businesses within the state. These amendments make no impact on whether or not existing businesses should be eliminated, nor do they give cause for the creation of new businesses.

The operation of the program in general may create incentives for retirement plan providers to create or market products in the state. The operation of the program in general may also create an incentive for payroll providers or third-party human resource vendors to create or market products within the state. However, these amendments do not include any material impacts that would bolster or lessen those incentives.

#### The expansion of businesses currently doing business within the state

These amendments are not expected to have any impact on the expansion of businesses currently doing business within the state. The operation of the program in general may create benefits for smaller employers to recruit and retain employees by providing them an easy, no-fee way to help their employees save for retirement. As noted above, the program in general may also create an incentive for payroll providers or third-party human resource vendors to create or market products within the state. However, these amendments do not include any material impacts that would cause an expansion of those businesses.

#### The benefits of the regulation to the health and welfare of California residents, worker safety, and the state's environment

These amendments should have no effect on the health and welfare of California residents, worker safety, or the state's environment. These amendments improve protection of confidential employer data by requiring employers to provide their employer payroll tax account number in addition to their federal employer identification number in order to register with the Program.

#### Overall Benefit of this Rulemaking:

Nearly half of California workers are on track to experience significant economic hardship in retirement age. Without the ease and simplicity of regular payroll contributions to a retirement savings account at work, many simply do not save for retirement. Research shows that people are 15 times more likely to save when they have access to a payroll deduction savings vehicle at work.

CalSavers ensures California workers have access to a retirement savings program at their job.

As more Californians join the workforce in the decades to come; the program will ensure the next generation of working Californians has the ability to begin saving for retirement throughout their careers. The Program is self-sustaining, funded by participant fees, with no direct cost to employers or taxpayers, and, over time, should provide a net benefit to taxpayers as fewer elder citizens will require taxpayer-funded public assistance.

The Program provides some indirect benefits for participating employers by providing a retirement savings option that is simple and requires no direct costs or annual reporting with no fiduciary liability. By having an easy way to provide a popular employee benefit, the Program should help smaller employers improve their value in the labor market and help to recruit and retain employees.

These amendments will make no material impacts on the overall indirect benefits of the program, but will benefit employers by improving the protection of confidential employer data.

Evidence Supporting Finding of No Significant Statewide Adverse Economic Impact Directly Affecting Business:

Based on the Economic Impact Analysis stated above, CalSavers concludes that the proposed regulation will not have a significant statewide adverse economic impact directly affecting business, including ability to compete with businesses in other states.

Reasonable Alternatives to the Regulations and the Agency's Reasons for Rejecting those Alternatives:

*Alternative 1: Continue to not require employers to provide their employer payroll tax account number during the registration process.*

The Board declined this alternative, as it makes it more difficult to protect employer's confidential data and the simplification of the employer registration process this alternative would present would have only marginal benefit to employers.

**TECHNICAL, THEORETICAL, AND EMPIRICAL STUDY, REPORT, OR SIMILAR DOCUMENT ON WHICH THE AGENCY RELIES**

1. None for this rulemaking.

###

STATEMENT OF NECESSITY

The section of the regulations proposed for amendment is identified below including a description of the objectives and necessity for the amendment.

Section 10002. Employer Registration, subsection (f)(2)

Specific Purpose:

This section of regulations is necessary to define the information an “Eligible Employer” must provide in order to register with the CalSavers Program.

Factual Basis:

This amendment is necessary to require employers to provide their California Employer Payroll Tax Account Number to register with the Program, in addition to the Federal Employer Identification Number.