

TITLE 10, CHAPTER 15, CALSAVERS RETIREMENT SAVINGS BOARD

NOTICE OF PROPOSED RULEMAKING ACTION

AMENDMENT TO CALIFORNIA CODE OF REGULATIONS, TITLE 10, CHAPTER 15,  
REGARDING THE CALSAVERS RETIREMENT SAVINGS PROGRAM

Notice published September 29, 2023

The CalSavers Retirement Savings Board (“Board”) proposes to adopt the regulations amendments described below after considering all comments, objections, and recommendations regarding the proposed action.

WRITTEN COMMENT PERIOD

Any interested person, or their authorized representative, may submit written comments relevant to the proposed regulatory action to the Board. Comments may be submitted by email to [CalSavers@sto.ca.gov](mailto:CalSavers@sto.ca.gov), or by mail:

Regular Mail

CalSavers Retirement Savings Board  
Re: Rulemaking for the CalSavers Retirement Savings Program  
P.O. Box 942809  
Sacramento, CA 95815

Courier Delivery

CalSavers Retirement Savings Board  
Re: Rulemaking for the CalSavers Retirement Savings Program  
901 P Street, Suite 313B  
Sacramento, CA 95814

The written comment period will close November 13, 2023. The Board will only consider comments received by that time. All written comments received by the Board are subject to disclosure under the Public Records Act.

PUBLIC HEARING

A public hearing is not scheduled. A public hearing will be held if any interested person, or their duly authorized representative, submits a written request for a public hearing to the contact person listed below no later than 15 days prior to the close of the written comment period.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After considering all timely and relevant comments received, the Board may adopt the proposed regulations substantially as described in this notice. If the Board makes modifications that are sufficiently related to the original proposed text, it will make the modified text (with the changes clearly indicated) available to the public at <https://www.treasurer.ca.gov/calsavers/regulations/index.asp> for at least 15 days before the Board adopts the regulations as revised. The Board will accept written comments on the modified regulations for 15 days after the date on which they are made available.

AUTHORITY AND REFERENCE

Authority: Section 100048 of Government Code provides the CalSavers Retirement Savings Board the authority to adopt regulations to implement Title 21 of the Government Code.

Reference: Sections 100000, 100002, 100004, 100008, 100010, 100012, 100014, 100032, 100033, 100034, 100043, 100046, and 100048, Government Code.

## INFORMATIVE DIGEST

In 2012, the California Legislature enacted and the Governor signed Senate Bills (SB) 1234 and (Chapter 734, Statutes of 2012) and SB 923 (Chapter 737, Statutes of 2012,) which established the California Secure Choice Retirement Savings Investment Board (subsequently changed to the "CalSavers Retirement Savings Board" through Assembly Bill ("AB") 102 in 2020) and required the Board to conduct a market analysis to determine whether the necessary conditions for implementing the California Secure Choice Retirement Savings Program (subsequently changed to the "CalSavers Retirement Savings Program" through AB 1817 in 2018) could be met. The legislation required the Board to determine, based on the market analysis, if necessary conditions can be met and prohibited the implementation of the Program without subsequent legislation to authorize it.

In 2016, the California Legislature enacted and the Governor signed SB 1234 (Chapter 804, Statutes of 2016,) which, among other things, granted the Board the authority to take the steps necessary to implement the Program, including the adoption of regulations.

On October 31, 2019, the Office of Administrative Law approved permanent regulations for the Program that implement, interpret, and make specific the rules, policies, and procedures for the Program. Specifically, these regulations accomplish the following:

- a) Define terms used in the regulations and further clarify the meaning of definitions in statute;
- b) Define employer eligibility for the Program and establish the means by which the Program shall determine such eligibility;
- c) Establish the deadlines and processes by which eligible employers shall register for the Program;
- d) Define the duties for participating employers and the processes by which participating employers shall comply with the requirements of the Program;
- e) Establish processes for the enrollment of eligible employees into the Program;
- f) Define the default account settings for participants whom do not make an alternative election;
- g) Define the alternative elections available to participants;
- h) Establish the policies for the participation of individuals in the Program outside of an employment relationship with an Eligible Employer;
- i) Define the processes and policies for contributions, distributions, and transfer of savings; and
- j) Define how enforcement of employer compliance shall be conducted.

Due to the COVID-19 pandemic, the Board extended the first employer registration deadline from June 30, 2020, to September 30, 2020, in April 2020 through the emergency rulemaking process. On June 29, 2020, Governor Newsom signed AB 102, which made a variety of amendments to the Program's governing statutes. The amendments included a change to the name of the Program's governing board and the Program trust. Nonsubstantive changes to existing regulations were filed with the OAL on July 7, 2020, to change the Board and trust name, pursuant to Section 100 of Title 1 of the California Code of Regulations (CCR).

On July 27, 2020, the Board approved a variety of regulations amendments. The amendments added a new default investment fund for participants born January 1, 2003, to December 31, 2007, a change that was necessary to make before December 31, 2020; removed a feature in which eligible employees who previously opted out are subjected again to automatic enrollment; clarified the tax-qualified retirement plans that, if offered by an employer, would render them exempt; and made a variety of technical amendments that improve the clarity of the regulations.

At the October 19, 2020, Board meeting, the Board voted to authorize the executive director to develop amendments necessary to change the default investment option to one in which contributions are directed to the Capital Preservation Fund (referred to as the Money Market Fund) for the first 30 days of employee participation and, on the 31<sup>st</sup> day, have all funds directed into a Target Retirement Fund selected based on the Participating Employee's age. At the meeting, the executive director also informed the Board it would consider a package of regulations amendments, including the enforcement of employer compliance and reduction of the minimum contribution amount for non-payroll contributions at the subsequent meeting.

At the December 7, 2020, Board meeting, the Board voted to approve regulations amendments to change the default investment option as described above, clarify processes for enforcing employer compliance, reduce the minimum contribution amounts for non-payroll contributions, clarify the frequency for recurring non-payroll contributions, and clarify that rollovers and transfers into a CalSavers account, and amend the definition of a Tax-Qualified Plan.

The Board released a notice of proposed rulemaking March 19, 2021, to make permanent the three emergency rulemakings approved by the Board in 2020. The rulemaking was approved by the Office of Administrative Law January 13, 2022.

At the December 13, 2021, meeting, the Board approved a new set of regulations amendments to allow employers to register earlier than currently allowed in regulations, to specify the date by which newly eligible employers must register for the Program to maintain compliance, to correct a typographical error, to simplify the employer registration process, and to update language to account for longer delivery times by the United States Postal Service. The emergency rulemaking to make the amendments was notified on March 1, 2022. The OAL approved the emergency regulations amendments on March 18, 2022. The certificate of compliance for the rulemaking was posted in the notice register on November 11, 2022, and regular rulemaking process was completed on March 15, 2023.

Currently, an Eligible Employer must provide a Federal Employer Identification Number in order to register for the program. If this is not available, the employer has the option to submit a California Employer Payroll Tax Account Number. After implementation and subsequent discussion, it was resolved that one of the changes to the registration process could have an unwanted, negative effect on the privacy of employer's data. The proposed regulation will require an Eligible Employer to provide both the Federal Employer Identification Number and California Employer Payroll Tax Account Numbers. The benefits of this proposed regulation are to enhance security, and therefore further protect the privacy of employer data.

The Board is authorized under Government Code Section 100048 to adopt regulations it deems necessary to implement the Program consistent with the Internal Revenue Code and regulations issued pursuant to that code to ensure that the Program meets all criteria for federal tax-exempt benefits. Government Code Section 100048 deems the adoption, amendment, repeal, or readoption of such regulations to address an emergency for purposes of Government Code Sections 11346.1 and 11349.6 and thereby exempts the Board from the requirements of Government Code Section 11346.1(b).

### Pre-Rulemaking Activity

These regulations amendments were approved by the Board at the May 22, 2023, Board meeting. Staff posted a notification of proposed emergency rulemaking May 30, 2023, it was approved by the Office of Administrative Law (OAL) on June 19, 2023, and it went into effect on July 13, 2023.

In addition to the public comment periods involved in the rulemaking process and the public comment periods at each Board meeting, the Board also received and considered input from Program employers and participants that have already begun participating in the Program. Through our client services team, our internal outreach team, local chambers of commerce and other business associations, interactive webinars with the public that occur multiple times a week, and our social media platforms, the Board receives regular feedback about facets of the Program, thoughts on how the Program could be improved, as well as general praise and criticism.

### Anticipated Benefits of the Proposed Regulations:

These regulations amendments will make no material impacts on the overall indirect benefits of the program, but the improvements to the registration process will benefit employers by improving the protection of employer data, and that will benefit Eligible Employers' data security and improve the overall opinion of the program.

### EVALUATION OF INCONSISTENCY/INCOMPATIBILITY WITH EXISTING STATE REGULATIONS:

The Board evaluated whether or not there are any other regulations that may be adversely impacted by the adoption of these proposed regulations. Because these regulations are solely for the purpose of operating the Program, and no other regulations exist in the California Code of Regulations pertaining to the operation of the Program, the proposed regulations are neither inconsistent nor incompatible with existing state regulations.

### DISCLOSURES REGARDING THE PROPOSED ACTION

*The Board has made the following determinations regarding fiscal impact:*

- Mandate on local agencies and school districts: none.
- Cost to any local agency or school district that must be reimbursed in accordance with Government Code Sections 17500 through 17630: none.
- Cost or savings to any state agency: none.
- Other nondiscretionary cost or savings imposed on local agencies: none.
- Costs or savings in federal funding to the state: none.
- Cost impacts on a representative person or business: For participating employers, the Program requires no direct costs or fees to participate. Although participating employers' role in facilitating the Program requires minimal activities, employers will be required to perform some duties upon the initial registration and ongoing maintenance to facilitate payroll deductions and assist with the enrollment of new employees. For those duties, the

Board estimates approximately \$157 in opportunity costs for the staff time necessary to register and annual ongoing opportunity costs of \$135.

Participation in the Program is completely voluntary for eligible employees. Participating employees will pay an administrative fee taken from their contributions and investment interest. Those fees currently range between 0.32 and 0.49 percent depending on the investment option selected by the participant, with a \$18 annual account fee (\$4.50 quarterly account fee) and two optional fees of \$5 annually for receipt of withdrawals via paper check or \$5 annually for receipt of statements via regular mail.

The amendments included in this rulemaking do not materially change the duties of participating employers nor do they impact the administrative fees for participants, and, therefore, cause no changes to the cost impacts on a representative person or business.

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

- Small Business Determination: The amendments included in this rulemaking do not materially change the duties of participating employers nor do they impact the administrative fees for participants, and, therefore, cause no changes to the cost impacts on a representative person or business or small business.
- Significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states: none.
- Significant effects on housing costs: none.
- The proposed regulations do not require a report to be made.

## RESULTS OF THE 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 so there is no expected change to those business impacts as a result of this rulemaking. The following list identifies the estimated impacts by each category of potential impacts.

The creation or elimination of jobs within the state: no impact.

The creation of new businesses or the elimination of existing businesses within the state: no impact.

The expansion of businesses currently doing business within the state: no impact.

The benefits of the regulation to the health and welfare of California residents, worker safety, and the state's environment: see previous section on anticipated benefits.

## CONSIDERATION OF ALTERNATIVES

In accordance with Government Code Section 11346.5 (a)(13), the Board must determine that no reasonable alternative considered by the agency or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the

proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Board invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations during the written comment period.

## CONTACT PERSONS

Inquiries concerning the proposed administrative action may be directed to:

Jonathan Herrera  
Director of Strategic Stakeholder Engagement and Customer Experience  
CalSavers Retirement Savings Board  
901 P Street, Suite 313B  
Sacramento, CA 95814  
Telephone: (916) 653-1744  
Email: [CalSavers@sto.ca.gov](mailto:CalSavers@sto.ca.gov) CC: [Jonathan.Herrera@sto.ca.gov](mailto:Jonathan.Herrera@sto.ca.gov)

Please direct any inquiries regarding the regulatory process to Mr. Herrera at the above address. The designated backup contact person is Jessica Stroing, who can be reached at [Jessica.Stroing@sto.ca.gov](mailto:Jessica.Stroing@sto.ca.gov) or by phone at (916) 653-1744.

## AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, AND RULEMAKING FILE

The Board will have the rulemaking file available for inspection online at <https://www.treasurer.ca.gov/calsavers/regulations/index.asp>. To request a physical inspection of the rulemaking file, please contact the contact persons identified above and they will schedule a time and location for the inspection.

As of the date of this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulations, the economic and fiscal impact analysis, and the initial statement of reasons. Copies may be obtained by contacting Jonathan Herrera at the email address or by calling the phone number listed above.

## AVAILABILITY OF THE FINAL STATEMENT OF REASONS

After it is completed, a copy of the Final Statement of Reasons may be obtained by submitting a written request to the contact person identified above.