

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2650 (Pellerin) – As Amended March 24, 2026

Policy Committee: Labor and Employment

Vote: 6 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill expands the scope of the CalSavers Retirement Savings Program (Program) and makes various Program updates.

Specifically, this bill:

- 1) Expands the definition of an “eligible employer” under the Program to include a household employer, defined as an employer who has hired or contracted someone to work in or around their home for the benefit of their personal household and who provides the employee a W-2 federal tax form.
- 2) Delays by two years, from December 31, 2025, to December 31, 2027, the deadline for an eligible employer with one or more eligible employees that does not offer a retirement savings program to have a CalSavers payroll deposit retirement savings arrangement.
- 3) Imposes an additional penalty of \$500 per eligible employee on an eligible employer that fails to allow eligible employees to participate in the Program and prohibits the additional penalty from being imposed more than once every 180 days since the last violation.
- 4) Prohibits an employee contribution subject to automatic escalation from exceeding 10% of salary, instead of 8% of salary.
- 5) Requires the Program, with CalSavers Retirement Savings Board (Board) approval, to establish an Individual Retirement Account (IRA) on behalf of participants eligible to receive federal or state retirement benefits.
- 6) Requires the Program, with Board approval, to establish a payroll deposit emergency savings account (ESA) on behalf of participants for the purpose of preserving retirement investments and requires a participating employee to contribute 3% of the employee’s annual salary or wages to the account unless otherwise specified by the employee.
- 7) Requires the Program, for both the IRA and ESA, to provide a notification to a participant at least 30 days prior to the creation of the account, which must include information about the benefits and risks associated with the account and how to opt out of the account, among other provisions.
- 8) Eliminates the authority of the Board to invest in myRAs (a U.S. Treasury-sponsored retirement account designed for low-to-moderate-income workers), eliminates the

requirement for the Board to establish a retirement investments clearinghouse on the Board's website, and eliminates the requirement for the Board to establish a vendor registration process, instead requiring a vendor that would like to contract with the Board to provide certain information to the Board.

- 9) Authorizes the Board to assess the feasibility of multi-state or regional agreements to administer the Program.

#### **FISCAL EFFECT:**

- 1) The State Treasurer's Office, which administers the CalSavers program, cites minor and absorbable costs to implement this bill's provisions. However, the Budget Act of 2025 continues existing authority for the Department of Finance to transfer up to \$2 million as a loan from the General Fund (GF) to support the full-scale implementation and administrative costs of the Program. The Board will likely incur staff workload costs associated with expanding the Program to include household employers and establishing the two new types of accounts. CalSavers accounts are professionally managed through a program administrator, which receives payment only through a percentage fee on account assets through a "zero-dollar" contract with the Board. Generally, opening new CalSavers accounts will help grow assets and revenue to cover the Board's and program administrator's costs, but until the Program is fully self-sustaining, Program expansions, such as those proposed by this bill, will continue to increase GF cost pressures to support the Program.
- 2) Likely absorbable costs to the Franchise Tax Board (FTB) to impose additional penalties on repeat non-compliant employers pursuant to existing collection procedures. Such costs to FTB would be reimbursed by the Board.

The Legislative Analyst's Office recently warned of GF structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

#### **COMMENTS:**

- 1) **Purpose.** According to the author, since the launch of the Program in 2019, "the State Treasurer, who manages the program, has received complaints from both employers and employees about shortcomings with the program." The author contends this bill:

makes a number of key changes to improve implementation, benefits, and enrollment. This includes fixing vague legal terminology around which professions are eligible for enrollment, letting all workers who receive a W-2 form be automatically enrolled for a CalSavers account, increasing the max contribution limits to promote program sustainability, and allowing participants to create an emergency savings account. These changes create positive impacts for the participants and makes the program sustainable and truly accessible for all workers.

This bill is sponsored by State Treasurer Fiona Ma and supported by community groups and AARP California.

- 2) **Background. CalSavers.** SB 1234 (De León), Chapter 734, Statutes of 2012, created the initial statutory framework for CalSavers and SB 1234 (De León), Chapter 804, Statutes of 2016, provided final legislative approval to enact the program. CalSavers is a retirement savings program for private sector workers whose employers do not offer a retirement plan, giving employers an easy way to help employees save, with no employer fees or fiduciary liability and minimal employer responsibility.

During the Program's early years, employers without a qualifying retirement plan, with at least five employees, had to facilitate CalSavers enrollment for their employees by specified deadlines or face penalties for noncompliance, as follows: (a) employers with over 100 employees had to comply by September 30, 2020; (b) employers with over 50 employees had to comply by June 30, 2021; and (c) employers with five or more employees had to comply by June 30, 2022. Participation is voluntary for employees, but enrollment is automatic and employees must choose to opt-out.

SB 1126 (Cortese), Chapter 192, Statutes of 2022, expanded Program eligibility to an employer with at least one eligible employee and required such an employer that does not offer its own qualifying retirement plan to facilitate Program enrollment for their employees by December 31, 2025. This bill delays the SB 1126 enrollment deadline to December 31, 2027; expands Program eligibility, and thus the requirement to offer a retirement plan, to a household employer who provides an employee a W-2 form; and imposes an additional penalty on non-compliant employers.

**Payroll Deposit ESA and Automatic Escalation.** Additionally, this bill requires the Program, with Board approval, to establish an IRA and a payroll deposit ESA on behalf of participants. Similar to the original CalSavers retirement account, this bill requires an employee to contribute 3% of the employee's annual salary or wages to the ESA, unless otherwise specified by the employee, with the Board authorized to adjust the contribution up or down a certain amount via regulation. Although this bill requires the Program to provide a 30-day notice to participants prior to creation of the account inclusive of opt-out information, one notice may not provide sufficient warning to an employee that a portion of their salary will be automatically redirected. Similarly, this bill also increases the automatic escalation of an employee's contribution to their CalSavers retirement account to a maximum of 10% of salary, up from 8% of salary, which may result in further automatic redirection of an employee's salary without sufficient notice. According to the Assembly Labor and Employment Committee's analysis of this bill:

The author argues that this increase is in line with the majority of programs similar to the CalSavers program and the savings rates typically recommended by financial institutions. Furthermore, the author argues that raising the cap to 10 percent brings the CalSavers program closer to revenue solvency and ultimately no longer relying on taxpayer funding, as it currently receives start-up loans from the General Fund to sustain program operations.