

ASSEMBLY THIRD READING

AB 2650 (Pellerin)

As Amended May 18, 2026

2/3 vote

SUMMARY

Enacts the Savings Access and Vested Empowerment (SAVE) for All Workers Act to make changes to the CalSavers Retirement Savings Trust Act (CalSavers Act), including expanding the definition of “eligible employer” to include household employers, as specified.

Major Provisions

- 1) Enacts the SAVE for All Workers Act to make changes to the CalSavers Act.
- 2) Expands the definition of "eligible employer" under those provisions to include household employers, defined as those who have hired or contracted someone to work in or around their home for the benefit of their personal household and who provide the employee a W-2 federal tax form to evidence tax deductions at the federal and state level.
- 3) Eliminates the authority of the CalSavers Retirement Savings Board (CalSavers board) to invest in the federal myRA retirement savings program (myRA) and would make related conforming changes.
- 4) Requires the CalSavers Retirement Savings Program (CalSavers program), with CalSavers board approval, to establish an Individual Retirement Account (IRA) on behalf of participants who are eligible to receive federal or state retirement benefits, as specified, and notify participants at least 30 days prior to the creation of the account.
- 5) Expands the CalSavers board's power and authority to additionally authorize the board to assess the feasibility of multi-state or regional agreements to administer the CalSavers program and to disseminate information concerning tax credits available to small business owners for allowing their employees to participate in the successor to the federal Retirement Savings Contribution Credit (Saver’s Credit), known as the Saver's Match.
- 6) Eliminates the requirement for the CalSavers board to establish a retirement investments clearinghouse on its website and a vendor registration process, and instead requires vendors that would like to contract with the CalSavers board to provide specified information to the CalSavers board and the CalSavers board to post that information on its website; makes related conforming changes.
- 7) Extends until December 31, 2027, and by December 31 of each calendar year thereafter, the deadline for eligible employers with one or more eligible employees that do not offer a retirement savings program, as specified, to have a payroll deposit retirement savings arrangement to allow employee participation in the program.
- 8) Authorizes the CalSavers board to implement annual automatic escalation of employee contributions, as specified, up to 10% of salary, rather than up to 8% of salary under current law, and requires the CalSavers board to notify participating employees about this change.

- 9) Subjects each eligible employer that fails to allow its eligible employees to participate in the CalSavers program after the penalties under current law have been assessed to a penalty of \$500 per eligible employee; prohibits the penalties assessed from being imposed more than once every 180 days since the last violation.
- 10) Changes the requirement that the CalSavers board include live presentations to business associations as part of the CalSavers program's comprehensive employer education and outreach, to instead just require presentations (removing "live") to business associations.
- 11) Makes other minor, technical and conforming changes.

COMMENTS

Established by legislation in 2016 and officially launched for all eligible employers in July 2019, the CalSavers program was created to address the retirement savings crisis by ensuring all Californians have access to a workplace retirement savings account. The state-run retirement program requires employers that do not sponsor a retirement plan to facilitate IRA payroll deductions for their employees. Employees of eligible employers are automatically enrolled and able to opt-out, change contributions, or keep the account if they switch jobs, with no employer fees or fiduciary liability. Individuals can also participate in the program on their own outside of employment.

This measure is sponsored by the State Treasurer and aims to make several reforms to the CalSavers program:

- 1) *Authorizes the CalSavers board to open IRA investment accounts for participants that qualify for federal or state benefits that must be deposited into a specified IRA account.* This allows the CalSavers board to automate a key hurdle to participants claiming federal benefits such as the Savers Match, which provides a 50% matching contribution (up to \$1,000 annually). This federal benefit is distributed to the retirement accounts of individuals who earn less than \$20,500 per year and/or joint filers earning less than \$41,000, who contributed to an IRA account that year.
- 2) *Clarifies that household employers must offer the CalSavers program to their employees.* The current definition of "eligible employer" has caused some household employers to assert that they are not a "business, industry, profession, trade, or other enterprise in the state" and thus do not have to offer the program to their employees. The perceived ambiguity in the law has limited household employees' access to the program and the State Treasurer's Office has advised CalSavers that this issue must be addressed in statute.
- 3) *Adds ongoing penalties for repeat violators of the CalSavers law.* Current law authorizes the Franchise Tax Board to levy two penalties on employers that fail to give their employees access to the CalSavers program. However, there is no express penalty for employers that repeatedly fail to give their employees access. This measure specifies that the ongoing penalty cannot be assessed more than once every six months. According to the author, roughly 20% of non-compliant employers who receive a penalty are repeat violators. The author adds that the CalSavers board has attempted to address this issue in administrative law and has implemented an ongoing penalty for repeat offenders on an annual basis, which has improved compliance among repeat offenders.

- 4) *Changes the contribution automatic escalation cap from 8 percent of employee pay to 10 percent of employee pay.* 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.
- 5) *Modernizes the CalSavers Act by removing outdated language that is no longer applicable, and conforming the law with industry best practices.* This measure achieves this by 1) eliminating references to the defunct federal myRA program; 2) conforming the legislative language to how the program is actually being implemented by eliminating references to a clearinghouse model and replacing outdated participation deadlines with a continual annual participation deadline for newly eligible employers; and 3) changing the prescriptive live presentation requirement to a performance based standard of presenting to business administrations.

According to the Author

"Retirement is something everyone should plan for, and plan for early. As of 2020, over one-fourth of non-retired adults and two-thirds of Millennials do not have any form of retirement savings. Recognizing that access to a retirement program can be especially daunting for individuals in low-to-mid wage sectors, in 2019, the state launched the CalSavers Retirement Savings Program. However, since then, the State Treasurer, who manages the program, has received complaints from both employers and employees about shortcomings with the program.

AB 2620, the Savings Access & Vested Empowerment (SAVE) for All Workers Act, 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, and increasing the max contribution limits to promote program sustainability. These changes create positive impacts for the participants and makes the program sustainable and truly accessible for all workers."

The author adds that the measure promotes equity, per HR 39 (Gipson), 2021 in that "The vast majority of participants in CalSavers are low- to middle-income wage earners working in industries that have long been overlooked by the retirement services industry due to low revenue potential. By strengthening and enhancing the CalSavers program as the bill proposes to do, the proposed legislation provides benefit to this cohort of participants.

These enhancements, notably improving the uptake of federal benefits targeted toward underserved populations and providing access to savings vehicles to which the 401K industry has access, help level the playing field for Californians who lack access to these resources. The bill would require Board staff to work in the best interests of CalSavers participants who qualify for federal Savers Match benefits which are targeted towards low-income earners by streamlining the administrative process to claim these benefits."

Arguments in Support

The State Treasurer, sponsor of this measure, writes that "This bill updates outdated parts of the CalSavers law, clarifies employer participation requirements, and makes it easier for participants to access federal tax benefits, address financial insecurity and participant retirement savings fund

leakage through automatic (opt-out) IRA accounts alongside sidecar emergency savings accounts. Overall, this bill expands economic opportunity and financial security for working Californians, especially underbanked and low- to moderate-income workers—by improving access to retirement savings and helping close the wealth and retirement preparedness gap."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 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 new type of account. 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.

VOTES

ASM LABOR AND EMPLOYMENT: 6-0-1

YES: Ortega, Alanis, Elhawary, Kalra, Lee, Ward

ABS, ABST OR NV: Chen

ASM APPROPRIATIONS: 11-3-1

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Dixon, Tangipa

ABS, ABST OR NV: Ta

UPDATED

VERSION: May 18, 2026

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