Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1405 (Smallwood-Cuevas) – As Amended April 13, 2026

Policy Committee: Judiciary Vote: 12 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill, sponsored by the State Controller's Office, amends the Unclaimed Property Law statute as it relates to employee benefit plan distributions and permits the State Controller to enter California into a multistate collaborative agreement for ensuring the delivery of escheated, or transferred, employee plan distributions.

FISCAL EFFECT:

Minor and absorbable costs to the State Controller's Office.

COMMENTS:

1) **Purpose**. According to the author:

> SB 1405 is about something simple but essential: helping Californians reclaim the retirement money they earned. Too often, seniors lose track of retirement accounts after a lifetime of work. Each year, millions of dollars in required retirement distributions go unclaimed—often because people move, change jobs, or lose contact with plan administrators. Once these checks go uncashed, the funds cannot be reinvested and remain out of reach of the people who need them. At the same time, retirement plans face costly, ongoing efforts to locate missing beneficiaries, with no efficient way to return these funds.
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> SB 1405 allows California to participate in the States' Unclaimed Retirement Clearinghouse, enabling unclaimed funds to be transferred to the State Controller's Office and returned to rightful owners through the Unclaimed Property Program. This bill helps restore financial security, dignity, and peace of mind for California's seniors by reconnecting them with their hard-earned savings.

2) **Background**. California's Unclaimed Property Law requires holders of abandoned property to transfer the property to the State Controller after a statutory dormancy period, generally three years, after which the state either retains or liquidates the property pending an owner's claim — a structure meant both to reunite owners with their property and to allow the state to use the property for public benefit in the meantime. Existing law prohibits certain employee benefit plan distributions from escheating, reflecting the U.S. Department of Labor's position

that the federal Employee Retirement Income Security Act preempts state escheatment of those funds, with the result that uncashed retirement checks owed to participants who cannot be located go unclaimed. The Department of Labor has since issued guidance stating that the department will not pursue fiduciary violations where a plan voluntarily transfers those payments to a state unclaimed property fund, provided the fund qualifies as an "eligible state fund," which requires participation in the States' Unclaimed Property Clearinghouse operated by the National Association of State Treasurers. California does not participate, and according to the sponsor, whether the Controller has authority to do so under existing law is unclear. This bill permits that participation and adds a condition to the existing escheatment prohibition, allowing more unclaimed retirement checks to be reported to the state and listed where owners can find them.

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