

Fact Sheet:
AB 125 (De Leon) CA Employee Savings Program
2009 State Legislative Session

Summary: AB 125 is a retirement savings program that offers a voluntary, universal, portable retirement account for California workers who do not have access to a workplace retirement savings plan.

What AB 125 Does: AB 125 would give six million California workers and their families an opportunity to have their own workplace retirement savings plans to supplement their basic Social Security benefits. AB 125 would also give hundreds of thousands of California small businesses an easy, low-cost, voluntary way to offer a retirement savings plan to their employees. Any worker who wanted to participate could elect to have tax-deferred contributions deducted directly from each paycheck. Employers could choose to contribute to employee accounts independently or match employee contributions.

Need: Far too many Californians do not have the option to save for retirement through payroll deductions. Currently, approximately six million Californians, roughly 43 percent of the state's workforce, go to work at a job that does not offer them a pension or a retirement savings plan to supplement Social Security. Nationally, more than 75 million Americans and 10 million California workers do not participate in an employer-sponsored retirement plan. As a result, approximately 40 percent of today's baby boomers rely on Social Security benefits for more than 90 percent of their retirement income. However, Social Security payments alone, which average to \$1,081 per month in California, will not be enough to sustain Californians in their retirement. This lack of retirement savings may result in higher costs for government services, as seniors without savings are more likely to require government assistance with housing, medical care and other necessities.

People save best through payroll deductions. California workers need a seamless, lifelong retirement savings system, providing them with the opportunity to build their assets and help attain financial stability through a secure, portable savings account.

Many states, including Maryland, Michigan, New Hampshire, Pennsylvania, and Vermont, have proposed or are considering legislation to create various forms of voluntary retirement accounts. If enacted, California would be the first state to establish such accounts.

Fiscal Impact: AB 125 would be financed entirely through fees collected from accountholders. While the state may need to allocate funding for start up costs, fees can be calibrated so that the general fund is repaid in full.

Support: New America Foundation (Sponsor), AARP (Co-sponsor), American Federation of State, County and Municipal Employees, California Communities United Institute, City of Los Angeles, Small Business California

Opposition: Association of California Life and Health Insurance Companies, National Association of Insurance and Financial Advisors of California, National Federation of Independent Business, Securities Industry and Financial Markets Association

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