TRANSAMERICA®

Understanding the options:

STATE-FACILITATED OR EMPLOYER-SPONSORED RETIREMENT PLANS

Small business owners are accustomed to calling the shots — and with good reason. Many built their businesses from scratch and achieved success through dedication, determination, and hard work.

So why would they opt to have a state-run bureaucracy administer a retirement plan for their employees? Currently, 20 states have passed legislation to create state-facilitated retirement programs, and twelve are fully active or in the pilot stage. Legislation has been introduced in another 27 states plus the District of Columbia proposing such programs. Private employers in states with mandated plans would be required to join if they don't offer a plan on their own.[1]

Business owners can preserve their autonomy by selecting and sponsoring a retirement plan for their employees.

KNOW THE OPTIONS

Eighty-nine percent of workers view an employer-sponsored retirement plan as an important benefit,[2] meaning employers can help attract and retain talented workers when they offer a retirement plan. In addition to defined benefit and 403(b) plans, here are common plan types available to business owners:

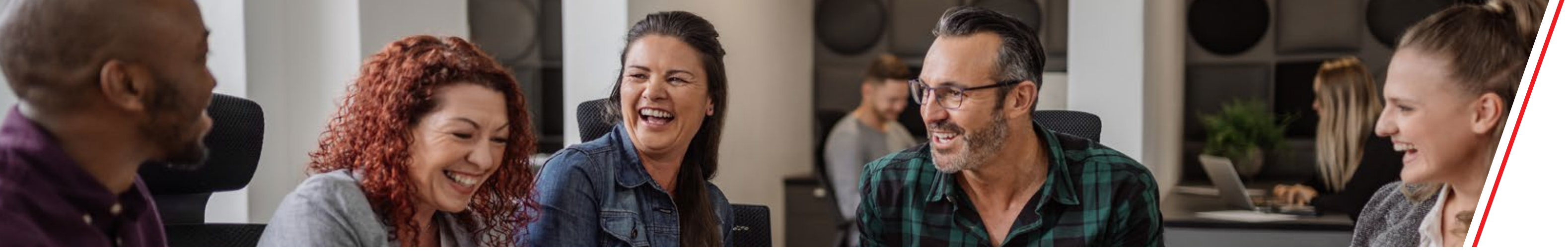
- Traditional 401(k)
- Multiple employer plan (MEP)
- Pooled employer plan (PEP)
- Pooled plan arrangement (*Group Plan Solution*℠ or *Retirement Plan Exchange*® solution)
- Simplified employee pension plan (SEP-IRA)
- Savings incentive match plan for employees (SIMPLE 401(k) or IRA)

89%

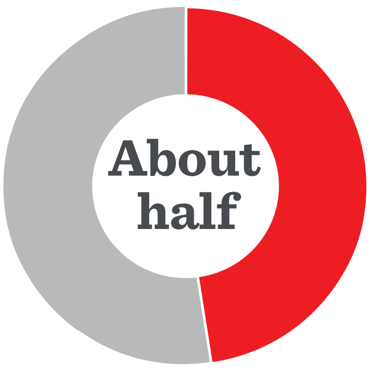
of workers view a 401(k) or similar plan as an important benefit[2]

HOW STATE-RUN PLANS COMPARE TO PRIVATE PLANS:

	STATE-RUN IRA	WORKPLACE 401(k)
IRS CONTRIBUTION LIMIT	$7,000	$23,000
MATCHING CONTRIBUTION OPTION	No	Yes
VESTING REQUIREMENTS	No	Yes
FINANCIAL ADVISOR SUPPORT	No	Yes
EMPLOYER ADMINISTRATIVE TASKS	Yes	Yes/No



LIMITED ACCESS



of small employers offer a 401(k) or similar plan to their employees.[2]

COVERAGE GAP

43%

OF EMPLOYEES WORKING FOR A SMALL BUSINESS DO NOT HAVE ACCESS TO AN EMPLOYER-SPONSORED RETIREMENT PLAN.[3]

CURRENT STATE-FACILITATED PLANS

Here are the 20 states and two cities that have approved or enacted state-facilitated retirement programs. Some are mandatory and call for penalties for non-compliant employers.[1]

STATE	PLAN TYPE
California	Auto-IRA
Colorado	Auto-IRA
Connecticut	Auto-IRA
Delaware	Auto-IRA
Hawaii	Auto-IRA
Illinois	Auto-IRA
Maine	Auto-IRA
Maryland	Auto-IRA
Massachusetts	Multiple employer plan
Minnesota	Auto-IRA
Missouri	Multiple employer plan

STATE	PLAN TYPE
Nevada	Auto-IRA
New Jersey	Auto-IRA
New Mexico	Hybrid
New York	Auto-IRA
New York City	Auto-IRA
Oregon	Auto-IRA
Rhode Island	Auto-IRA
Seattle	Auto-IRA
Vermont	Auto-IRA
Virginia	Auto-IRA
Washington	Auto-IRA, Marketplace

STATES CONSIDERING LEGISLATIVE PROPOSALS

Legislation has been introduced in 27 states plus the District of Columbia proposing the establishment of a state-facilitated retirement savings program:[1]

STATE		
Alaska	Louisiana	Pennsylvania
Arizona	Michigan	South Carolina
Arkansas	Mississippi	Tennessee
District of Columbia	Montana	Texas
Georgia	Nebraska	Utah
Idaho	New Hampshire	West Virginia
Indiana	North Carolina	Wisconsin
Iowa	North Dakota	Wyoming
Kansas	Ohio	
Kentucky	Oklahoma	

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[1] "State Programs 2024," Georgetown University Center for Retirement Initiatives

[2] "Workplace Transformations: Employer Business Practices and Benefit Offerings," nonprofit Transamerica Institute, March 2024

[3] "Employee Benefits in the United States," Bureau of Labor Statistics, March 2023

Before adopting any plan, you should carefully consider all of the benefits, risks, and costs associated with a plan. Information regarding retirement plans is general and is not intended as legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace retirement plans. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.

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While a multiple employer plan (MEP) arrangement offers adopting employers the ability to delegate fiduciary functions to the MEP provider, employers should be aware that they still retain fiduciary responsibility for selecting and monitoring the MEP provider. Adopting employers of a MEP must share a commonality — a connection among the adopting employers such as a trade, professional organization, or PEO — and the MEP is treated as a single plan. A violation of the qualification rules by an adopting employer would not affect the qualified status of the plan as a whole (known as the "one bad-apple" rule or the "unified plan" rule) provided the plan document addresses how to spin-off a non-compliant employer.

Pooled employer plans (PEPs) are a new type of multiple employer plan for which the Department of Labor (DOL) and IRS guidance is still pending in a number of areas. An employer participating in the plan retains certain fiduciary responsibilities, including responsibility for retaining and monitoring the Pooled Plan Provider (PPP), for determining the reasonableness of its fees, and for periodically reviewing the plan as a whole. Among other responsibilities, the PPP acts as the 3(16) plan fiduciary. Transamerica does not act as a 3(16) plan fiduciary.

The *Retirement Plan Exchange*® solution/ *Group Plan Solution*SM (*GPS*) is not a multiple employer plan (MEP). Unlike a MEP, certain plan qualification and ERISA requirements are applied at the individual plan level. An employer participating in the plan retains certain fiduciary responsibilities, including responsibility for retaining and monitoring the 3(16) plan administrator, for determining the reasonableness of its fees, and for periodically reviewing the plan as a whole. Transamerica does not act as a 3(16) plan fiduciary.

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