

NEW JERSEY SECURE CHOICE SAVINGS PROGRAM

The New Jersey Small Business Retirement Marketplace Act, signed into legislation in 2019, states that New Jersey employers (profit or non-profit) that do not offer a 401(k) or other qualified retirement plan option must automatically enroll employees in the state's program: the New Jersey Secure Choice Savings Program. Let's take a look at the details.



What is it?

Secure Choice requires that employers who have been in business at least two years with at least 25 employees offer a retirement savings plan. If they don't offer their own plan, they must join the state's plan by March 31, 2022.

How does it work?

The program auto-enrolls all W-2 employees (including part-time workers) into an IRA. Unless employees opt-out, they will automatically contribute 3% of their pre-tax income into the plan. The plan has several limitations, including an annual contribution maximum of \$6,000 (\$7,000 for those 50 or older), no Roth option, and no loans or employer contributions are allowed. In addition, participants earning over \$135,000/year cannot participate.

What if an employer has a retirement plan?

If the employer maintains a qualified retirement program already, the employer is exempt from this program.

What steps must employers take to comply?

If employers do not already have a plan in place, they must take the following steps to comply with the New Jersey Secure Choice Savings Program:

- Notify all employees of the program and provide enrollment packets 30 days after hire
- Track opted-out employees
- If employees have not opted out, auto-enroll them in the plan at a 3% contribution rate (payroll deduction)
- Repeat auto-enrollment process yearly for opted-out employees
- Hold open enrollment into the program every two years
- Submit an employee census file to New Jersey Secure Choice annually

What are the penalties for non-compliance?

If employers fail to set up the program and enroll employees by March 31, 2022, they will face penalties. In the first year, employers will receive a written warning from the State of New Jersey. Non-compliance in subsequent years will result in the following fines:

- 2nd year: \$100 per employee
- 3rd and 4th years: \$250 per employee
- 5th year and beyond: \$500 per employee

If employers receive employee contributions but do not deposit them into the program, they will receive a \$2,500 penalty for the first offense, and \$5,000 for any subsequent offenses.



EGPS HAS BETTER OPTIONS

Due to the administrative burden and penalties associated with this program, employers may be interested in seeking other options. Now is a great time for employers to look at setting up their own retirement plans. At EGPS, we specialize in helping find the perfect retirement plan solution for our clients. We're available and ready to guide employers to the best option that fits their organization's needs.

**Please note this information is not comprehensive. Review your state's specific guidelines for more information and updates.*