



NYS Mandatory Retirement Plan Rules In Effect Soon

Several years ago, New York State enacted a law making the New York State Secure Choice Savings Plan (“Secure Choice”) mandatory for New York State private employers, including non-profits. The law provides covered employers must set-up payroll deposit IRAs for employees within nine months from the date that the Board opens Secure Choice for enrollment. The Secure Choice Board has been working to have the mandate “go live”, and a pilot program was recently launched for select employers to voluntarily try Secure Choice.

The Secure Choice mandate applies to any employer that:

1. Employed at least 10 employees in NYS at all times during the previous calendar year; and
2. Has been in business at least two years; and
3. Has not offered a retirement plan (e.g., 401k Plan, SIMPLE IRA Plan) in the preceding two years

Employers covered by the mandate must provide Secure Choice information and documentation to employees, must process employee enrollment elections, must implement payroll deductions on a ROTH after-tax basis, and must automatically enroll employees who do not make an enrollment election. The “automatic enrollment”, i.e. mandatory, employee ROTH after-tax payroll deductions must be equal to 3% of pay, unless the employee affirmatively opts out of the program or voluntarily chooses a contribution percentage that is more or less than 3% of pay.

The employer is then responsible for remitting payroll deductions to a state-approved ROTH IRA for the employee. We assume NYS will issue guidance regarding the process for remitting deposits and to what degree the employer will be responsible for ensuring participant compliance with IRS rules and regulations. Similar to other state-mandated IRAs, the employer will be prohibited from making any employer contributions (i.e. no employer match allowed).

NYS selected the Secure Choice investments and vendor, and announced four limited investment options that participants may choose from.

Now is the time to determine whether the retirement plan mandate will apply to you or your clients, and whether to consider other options for a start-up retirement plan that allows you to choose the plan terms and conditions, provides significantly greater contribution limits and the ability to make employer contributions, offers a much more robust investment menu, as well as the flexibility to work with the service providers that you prefer.

To learn more about Secure Choice and alternatives like 401k or 403b or SIMPLE Plans, please contact Novem Group at retire@novemgroup.com for a no-obligation conversation about your options.

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