



# UNDERSTANDING THE NEW JERSEY SECURE CHOICE PROGRAM: WHAT DOES THIS MEAN FOR OUR COMPANY AND OUR EMPLOYEES?

## **WHEN DID IT START:**

The expected mandate for implementing this program was March 28, 2021, but was allowed up to a 1 year extension due to Covid-19. The current deadline to begin implementation is March 8th, 2022, with 9 months from the start date to complete the roll out, although an official schedule has not been formally announced.

## **DO EMPLOYERS HAVE TO PARTICIPATE IN THE NEW JERSEY SECURE CHOICE PROGRAM?**

The New Jersey Secure Choice program is a mandated state-sponsored savings program requiring all New Jersey employers (both for-profit and not-for-profit) who have been in business for 2 or more years and who have employed 25 or more employees during the past calendar year to either sponsor a qualified retirement plan or adopt the state-run New Jersey Secure Choice retirement plan by December 31, 2021.

Employers do not have to offer the New Jersey Secure Choice Program if they already or will (before 12/31/2021) offer a 401(k) (or other qualified retirement plan) to their employees.

## **HOW DOES THE NEW JERSEY SECURE CHOICE PLAN WORK?**

The New Jersey Secure Choice plan is a payroll-deducted IRA that is run directly by the state of New Jersey. The New Jersey Secure Choice plan requires employers to auto-enroll all of their W-2 employees (including part-time workers) into the program at a minimum of 3% of their pre-tax earnings. Employees will have the option to opt-out of the program. Employers are required to notify employees of the automatic enrollment and to make timely deposits to the New Jersey Secure Choice. Employees upon separating from service can roll their balances into a traditional IRA.

## **WHAT ARE THE RESPONSIBILITIES OF THE EMPLOYER?**

Employers must handle the following responsibilities:

- Employers must provide information about the Program to their employees no later than December 1, 2021. Employer must also provide enrollment packets to all new employees within 30 days of hire.
- Employers must track the eligibility status of their employees and verify whether each employee has opted-in or opted-out of the New Jersey Retirement Choice program.
- For any employees who **DO NOT** opt-out within 30 days of notification and are eligible for the Secure Choice Savings Program, the employer must set up a 3% payroll deduction and deposit the deductions.
- Employers must hold an open enrollment period for the Program every two years.
- Employers must also auto-enroll any employee who has not participated or opted out for at least one year and track those employees' status for participation.
- Employers must submit an employee census to New Jersey Secure Choice Savings annually to ensure compliance with the rules of the program.
- Employer must be available to auto-enrolled employees to answer any questions about the New Jersey Choice retirement program.



**WHAT ARE THE PENALTIES FOR FAILURE TO COMPLY WITH THE NEW JERSEY SECURE CHOICE?**

The penalties for failure to comply are as follows:

<b>Failure</b>	<b>Penalty</b>
Failure to Comply – 1 <sup>st</sup> Calendar Year	Written warning from the State of New Jersey
Failure to Comply – 2 <sup>nd</sup> Calendar Year	Up to \$100 fine for each employee who is not enrolled in the plan and has not opted-out
Failure to Comply – 3 <sup>rd</sup> Calendar Year	Up to \$250 fine for each employee who is not enrolled in the plan and has not opted-out
Failure to Comply – 4 <sup>th</sup> Calendar Year	Up to \$250 fine for each employee who is not enrolled in the plan and has not opted-out
Failure to Comply – 5 <sup>th</sup> Calendar Year	Up to \$500 fine for each employee who is not enrolled in the plan and has not opted-out
Failure to Make Timely Contributions	Subject to a penalty of \$2500 for the first offense, and \$5000 for each subsequent offense

**HOW DOES THE NEW JERSEY SECURE CHOICE PROGRAM COMPARE TO 401(K) PLANS?**

There are several criteria to consider when deciding on which solution to offer your employees:

	<b>New Jersey Choice Retirement</b>	<b>401(k) Plans with SWP</b>
Annual Contribution Maximum	\$6,000 (\$7,000 if over age 50)	Up to \$19,500 (\$26,000 if over age 50)
Additional Owner Contributions Available	<b>NO</b>	<b>YES</b> up to \$58,000
Tax-Deferred Contributions	Pre-tax ONLY	Pre-tax and ROTH Contributions
Employer Contributions	NOT PERMITTED	PERMITTED
Loans Allowed	<b>NO</b>	<b>YES</b>
Costs	Low	Low to Moderate
Tax Credits to Employer to offset costs of plan	<b>NO</b>	<b>YES</b> - \$250 per employee with a max credit of \$5,000 per year for 3 years
Employer Administrative Responsibilities	Easy to start but difficult to operate and maintain	Easy to start, operate and maintain
Employee Exclusions	<b>NO</b>	<b>YES</b>
Investment Options	Very Limited	Unlimited

If you are an employer and need help setting up a 401(k) plan in order to comply with the New Jersey Small Business Retirement Marketplace Act/New Jersey Secure Choice Savings Program, please let us help you today.

**Please reach out to your Hafetz and Associates consultant.**