

State of Maine Retirement mandate (MERIT)

What does it mean to me?

Employers:

As of **1/1/2024**, all established businesses (in business 2 or more years) with 5 employees or more **MUST** offer their employees a retirement plan (ie SIMPLE IRA, Safe Harbor 401K, etc) **OR** accept the state solution of a payroll deduction Roth IRA. Registration deadlines will be based on the number of employees the business has- 15 or more must register with the state by April 30, 2024, 5-14 employees must register with the state by June 30, 2024.

Employers can opt out of the Maine program **IF** they offer their own qualified employer-sponsored retirement plan for their employees. They will need to certify that a qualifying plan is offered through meritsaves.com by the dates above.

Employers will be required to automatically enroll employees in the MERIT plan at regular intervals, ex annually, and re-enroll them if employees have previously opted out.

Employers are not able to offer a match to their employees with the MERIT program.

Noncompliance penalties are yet to be finalized and are proposed to increase 7/1/2025, 7/1/2026 and 7/1/2027 for continued noncompliance.

MERIT will send a report prior to each payroll that will include any needed adjustments for that period.

Employers may start with the MERIT program, then later pivot and offer a qualified plan with 30 days notice to MERIT.

Employees:

Employees will have 5% of their salary automatically contributed each paycheck unless they take action to opt out or make a change.

Employees can make changes to their account at any time - increasing/decreasing their contribution rate, starting/stopping/restarting, etc, throughout the year.

If no action is taken, employee contributions will automatically increase each January by 1% annually until they reach 10%.

Secure Act 2.0 Tax Credits

SIMPLE IRA

Safe Harbor 401K

How much am I eligible for?	Plan contributions: up to \$1,000 per employee. 1-50 employees - 1st & 2nd year 100%, 3rd year 75%, 4th year 50%, 5th year 25% 51-100 - same structure but less 2% for each employee over the 50-employee limit. ie. In the 1st & 2nd year, a business with 55 employees would qualify for 90% credit (100% - (2%*5 employees) over the 50 limit).	Start up costs: \$500-\$5,000 per year for the first three years of the plan. 1-50 employees : 100% of plan costs incurred or paid during a tax year 51-100 employees: 50% of plan costs incurred or paid during the tax year. If greater than \$500 total fees, multiply \$250 by the number of non-highly compensated employees to the max of \$5,000.
Are there any other credits available?	\$500 additional tax credit for each of the first 3 years that an eligible automatic contribution arrangement (EACA) into their qualified retirement plan or SIMPLE IRA plan. Available for new or existing plans that adopt an EACA. Up to \$500 for employing the spouse of an active military member (must meet conditions), per military spouse.	\$500 additional tax credit for each of the first 3 years that an eligible automatic contribution arrangement (EACA) into their qualified retirement plan or SIMPLE IRA plan. Available for new or existing plans that adopt an EACA.

SIMPLE IRA and Safe Harbor 401K

What's the difference?

	<u>SIMPLE IRA</u>	<u>Safe Harbor 401K</u>
Who is eligible to participate?	Any employee who will earn \$5,000 or more this year AND has earned \$5,000 or more in one of the prior two years. Employer may choose less restrictive requirements.	Varies by plan, but generally any employee who has completed 1 year of service and is at least 21 years of age. Employer may choose less restrictive requirements and the waiting period CANNOT exceed 1 year.
How much can my employees contribute?	For 2024, the maximum salary deferral is \$16,000 (\$19,500 for account holders age 50 and older).	For 2023, the maximum salary deferral is \$23,000 (\$30,500 for employees age 50 and older).
What will adding this benefit cost our company?	No direct plan cost to employers.	Year 1- \$3,000-\$8,000 dependent on the number of participants and plan choice (includes start up fees). Year 2- \$2,300-\$6,000 dependent on the number of participants and plan choice.
What will adding this benefit cost my staff?	Employees generally pay around 1% of the invested balance, plus an annual account fee, currently \$10. This fee includes ongoing access to Allen Financial advisors for plan questions, college savings planning, etc at no additional charge.	Generally 0.2%-1.5%, depending on plan set up. This fee includes ongoing access to Allen Financial advisors for plan questions, college savings planning, etc at no additional charge.
Is there a matching requirement?	Employers MUST match employee contributions dollar-for-dollar up to 3% of compensation OR make a 2% contribution to all eligible employees.	At a minimum, employers are required to make either a 3% nonelective contribution OR match 100% employee deferrals up to 3%, PLUS 50% of employee deferrals up to 5% (for a total 4% match). The total combined employee and employer contributions cannot exceed \$66,000 (\$73,500 for employees age 50 and older). Non safe harbor 401K's do not require a match, and are subject to testing.
When must the match be deposited into my employees account?	Employer contributions must be contributed by the employer's tax-filing date (including an extension period if applicable).	Employer contributions must be contributed by the employer's tax-filing date (including an extension period if applicable).
When must the plan be established?	By 10/1 to be eligible for the current year, with 60 day notice to employees.	By 10/1 to be eligible for the current year.
When must employee salary deferrals be put in my employees accounts?	By 7th day of the month following the month of deferral, ex \$100 contributed in January must be deposited by February 7th.	By 15th day of the month following the month of deferral, ex \$100 contributed in January must be deposited by February 15th.
Can my employees adjust their contribution rate throughout the year?	Yes! Adjustments may be made throughout the year, depending on plan set up and at most on a monthly basis.	Yes! Adjustments may be made throughout the year, generally on a monthly basis.

What happens if my employees need to make a withdrawal?	<p>Penalty-free distributions may be made if:</p> <ol style="list-style-type: none"> 1. Reached age 59.5 2. Death or permanent disability 3. Higher education expenses 4. First-time home purchase (with a \$10,000 lifetime limit) 5. Qualified childbirth or adoption expenses (up to \$5,000, additional conditions may apply) 6. Payment for medical expenses (income thresholds may apply) 7. Payment of health insurance if unemployed <p>**Additional penalties apply if none of the above are met and distributions occur before the account has been funded for two years.</p> <p>** Will generally be taxed as ordinary income.</p>	<p>Penalty-free distributions may be made if:</p> <ol style="list-style-type: none"> 1. Reached age 59.5 2. Death or permanent disability 3. Separation of service at age 55 4. Reaching the plan's normal retirement age 5. Qualified childbirth or adoption expenses (if allowed by employer- up to \$5,000, additional conditions may apply) <p>** Will generally be taxed as ordinary income.</p>
Are there reporting requirements?	No annual filing.	IRS 5500 must be filed annually and ERISA requirements must be met.