Navigating State Retirement Mandates

COMPARE YOUR RETIREMENT OPTIONS

Many states have passed legislation that requires employers to offer retirement benefits to their teams. States pair the legislation with a state-run Roth IRA option. Businesses aren't required to use the state IRA, but they do have to provide some kind of retirement plan.

How does a state IRA program work?

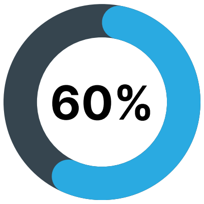
When a business opts to use a state IRA program, employees are automatically enrolled into a Roth IRA. These are not employer-sponsored plans with ERISA protections, but individual accounts that employees pay for and own. Employers are involved only to facilitate payroll deduction.

Here are important details that are common to almost all state IRA programs.

- **Employees are automatically enrolled.**
  If they don't wish to participate, they must opt out.
- **Contributions are limited.**
  Contributions are limited to $7K per year (in 2025) and employer contributions are not allowed.
- **Program fees are paid by employees.**
  Costs are covered by charging asset fees and quarterly fees to participants, which are automatically removed from account assets.
- **Participating employers take on tasks.**
  In many states, employers must keep rosters up to date, facilitate payroll deductions, inform employees, and perform other day-to-day management tasks.
- **Investment options are limited.**
  Most states have a money market account, a suite of target-date funds and little else to choose from.
- **Employers get no tax benefits.**
  Unlike other plan types, state IRA programs come with no tax credits or deductions.

State Mandate Pain Points

Over 60% of working Americans are now subject to state retirement mandates. Many small business owners that were previously using a state-sponsored IRA are moving to a 401(k) because they recognize the significant weakness in state plans.



State-run IRA programs are NOT an employee benefit.

The employer doesn't sponsor them.

- State plans offer none of the design flexibility that make other retirement plans so powerful. Employers can't make contributions or tailor a state IRA to the needs of their workforce.
- Employers have no input on the investment options of state programs, which are typically very limited.
- Employers have no fiduciary responsibility or oversight of state programs to help ensure proper running for their employees.

They are not well protected.

- ERISA was created to ensure retirement plans are administered fairly and in the best interest of employees. State plans are not bound by these regulations.
- Some states do not protect IRAs from bankruptcy creditors, so financial problems could threaten retirement readiness.

They often have poor customer service.

- Customer reviews cite confusion about how plans operate,
- State programs have low star ratings and are often slow to respond to customer support requests.

The employer doesn't pay for them.

- Employees do not get a retirement benefit provided by the employer. They only get an individual account that is paid for by the employee.
- States remove their fees from account assets, affecting the long-term ability of employees to save.
- While they are free to the employer, businesses still pay with their time and attention. Employers must:
  - Facilitate employee enrollment
  - Manage payroll contributions
  - Update employee information

Most state plans have limited payroll integration options, reducing their ability to automate work for employers.

They have very limited tax advantages.

- Federal tax credits available to employers through SECURE Act 2.0. do not apply to state IRA programs.
- Employees only have a Roth (post-tax) contribution option under most state programs, which isn't the best fit for everyone.

401GO

Why Choose a 401(k)

Businesses that want to attract and retain top talent need a retirement plan that goes beyond compliance. A 401(k) offers flexibility, control, and real value — for both employers and employees.

401(k) plans are a true employee benefit.

Unlike state-run IRAs, a 401(k) allows employers to contribute to their team's future, strengthening loyalty and satisfaction. Employees recognize and appreciate this benefit — it's one of the top factors in choosing where to work.

Employers control plan design.

With a 401(k), you decide eligibility and vesting schedules, investment lineup, employer matching amount and which provider you will use. That means you can tailor the plan to fit your company's goals and your employees' needs.

They have greater tax advantages.

Employers get federal tax credits to offset startup and contribution costs. Employees can choose between pre-tax or post-tax (Roth) contributions. And contributions grow tax-deferred, helping everyone save more over time.

Administration is easy with 401GO.

Our automated platform makes managing your 401(k) easy and affordable.

- ✓ Payroll integrations with automatic contributions
- ✓ Same-day setup, streamlined onboarding and compliance support
- ✓ Financial wellness suite included with every plan

We're here when you need us.

We automate everything but relationships, ensuring you get the support you need.

- ✓ Dedicated support for plan sponsors
- ✓ Best-in-industry live support for employees

4.8 STAR RATING

SUMMER 2025 Best Support

SUMMER 2025 High Performer

SUMMER 2025 Fastest Implementation

With 401GO, businesses get the best of both worlds—compliance made simple and a meaningful benefit that drives retention.

401GO

Explore small business 401(k) plans.

ALTERNATIVE TO A STATE IRA PROGRAM

	STATE ROTH IRA	401(K)
Contribution limit (2026)	$7,500/yr	$24,500/yr*
Employer contribution	not allowed	allowed
Automatic enrollment	required	required
Federal tax benefits for new plan	none	up to $16,500
Tax options for employees	Roth only	Roth + traditional
Employer-sponsored qualified plan	no	yes
Employer can set eligibility requirements	none	yes
Investment options	few	diverse
15-minute setup	✗	✓
Automated management	✗	✓
Guided portfolio builder	✗	✓
Mobile app	✗	✓
Financial wellness tools	✗	✓
Highly-rated customer support	✗	✓

*Additional contributions available if age 50+

$139
per month

$7 per participant
0.3% AUM fee

We automate everything but relationships.

No one wants customer service from a robot. A team of live agents is available by phone, email or chat.

4.8 STAR RATING

SUMMER 2025 Best Support

SUMMER 2025 High Performer

SUMMER 2025 Easiest Setup

SUMMER 2025 Easiest Admin

California	ACTIVE	Last deadline: 1-4 EEs, 31 Dec 25 For all with 1+ employees Penalties: $250 - $500 per eligible employee
Colorado	ACTIVE	All deadlines passed For all businesses 2+ years old that have 5+ employees Penalties: $100 per eligible employee, up to $5K/yr
Connecticut	ACTIVE	All deadlines passed For all businesses 1+ years old that have 5+ employees Penalties: $500 for 5-24 ees, $1000 for 25-99 ees, $1500 for 100+ ees
Delaware	ACTIVE	All deadlines passed For all businesses 6+ months old that have 5+ employees Penalties: $250 per eligible employee, up to $5K/yr
Hawaii	COMING SOON	Launch date expected to be mid-2026 For all businesses with 1+ employees State will match up to $500 of the first 50K covered employees
Illinois	ACTIVE	All deadlines passed; offering **both Roth and traditional IRAs** For all businesses with 5+ employees Penalties: $250 per eligible employee first year; $500 second year
Maine	ACTIVE	All deadlines passed For all business 2+ years old that have 5+ employees Penalties: $20 - $100 per employee
Maryland	ACTIVE	For all businesses 2+ yrs old that have 1+ employees and that use a payroll service or system No penalties; $300 annual filing fee waiver for participating businesses
Massachusetts	ACTIVE	MEP (401(k)), only for nonprofits with 20 or fewer employees *Legislation for a typical Roth IRA program is waiting governor signature* *For all businesses with 25+ employees*
Minnesota	ACTIVE	Deadlines range from June 2026 to Dec 2027 For all businesses that have 5+ employees

Information compiled March 2026. Subject to change.

Missouri	ACTIVE	Not a Roth IRA; it is an MEP (401(k)) Not mandated, it is a **voluntary program** Launched Sept 2025
Nevada	ACTIVE	Deadline is Sept. 1, 2025 For businesses 3+ years old that have 5+ employees
New Jersey	ACTIVE	All deadlines passed For all businesses with 25+ employees Penalties: $100 - $500 per eligible employee
New Mexico	ACTIVE	**Voluntary IRA** within marketplace of options Open to all NM businesses Partnering with Colorado for efficient administration
New York	ACTIVE	Deadlines range from March - July of 2026 For all businesses 2+ years old that have 10+ employees Penalties: $250 - $1000 per employee
Oregon	ACTIVE	All deadlines passed For all businesses that have 1+ employees Penalties: $100 per eligible employee, up to $5K/yr
Rhode Island	ACTIVE	Deadline December 12, 2025 For all businesses with 5+ employees Penalties: $250 per employee
Vermont	ACTIVE	Meant to be MEP; changed to Roth IRA before established Deadlines: 3/25 for 25+ employees; 1/26 for 15+; 7/26 for 5+ For all businesses with 5+ employees
Virginia	ACTIVE	All deadlines passed For all businesses 6+ months old that have 25+ employees Penalties: $250 per eligible employee, up to $5K/yr
Washington	COMING SOON	Previously a voluntary program; launch of IRA expected 2027 For businesses 2+ yrs old with 10,400 in combined workforce hours in the prior year

Information compiled March 2026. Subject to change.