

ILLINOIS

State-Mandated Retirement Plans: Exploring Your Options (6/11)

Your employees are the heart of your organization. Providing quality benefits is important for recruiting and retaining the people who keep your business humming, while supporting their financial futures.

Many employees – especially those who work for a smaller business – don't have access to a workplace retirement plan and are financially unprepared for retirement.

In 2021, the National Retirement Risk Index¹ found that roughly half of Americans age 55-59 have insufficient savings to maintain their pre-retirement standard of living.

To address the importance of saving for retirement, the State of Illinois created the **Secure Choice Retirement Savings Program** that follows a state-mandated Individual Retirement Account (Auto-IRA) model.² The plan requires employers with 5 or more employees to join, unless they offer another plan, such as a 401(k), SIMPLE IRA or SIMPLE 401(k).

All employers with 5 or more employees and who have not sponsored another qualifying retirement plan in the past two years are required to implement Secure Choice. There is a two-year deferral for new businesses.



DO I HAVE OTHER OPTIONS?

Yes. The law requires that your employees have access to a workplace retirement plan, but it does not require that you implement Secure Choice. A different plan, such as a 401(k), SIMPLE IRA, or SIMPLE 401(k), may meet the state's requirements while providing:

- More flexibility in plan design and investment options
- Deductibility of employer contributions
- Business tax credit
- Outsourcing of plan administration
- Greater opportunity for employees to save

A financial professional can help you evaluate the options and make the best decision for your business and employees.

¹ The NRRI is published by Boston College's Center for Retirement Research

² Roth IRA is the default election

Consider some key differences between Secure Choice and some other available options:

	Secure Choice	401(k)	SIMPLE IRA	SIMPLE 401(k)
Employer Match/ Contributions?	No	Optional	Mandatory	Mandatory
2023 Employee Contribution Limit	\$6,500	\$22,500 (\$30,000 for 50+)	\$15,500 (\$19,000 for 50+)	\$15,500 (\$19,000 for 50+)
Contribution Options	After-tax only	Pre-tax, after-tax	Pre-tax, after-tax	Pre-tax, after-tax
Who Selects Investment Menu?	State Board	Employer/ Financial Pro	Employer/ Financial Pro	Employer/ Financial Pro
Flexible Plan Design?	No	Yes	Limited	Limited
Business Tax Credit Possible?	No	Yes	Yes	Yes

WHAT IS SECURE CHOICE?

The program is a state-mandated retirement savings program for private-sector and self-employed workers who do not have a retirement plan available at work.

HOW DOES THE PROGRAM WORK?

- Automatic 5% deduction from gross pay, deposited into a Roth IRA with annual auto-escalation of 1% permitted to a maximum 10%
- Employees may select different savings rates
- Employees may opt out and opt in
- Employees may (but are not required to) withdraw their account if they leave their job

WHEN DO I HAVE TO IMPLEMENT THE PROGRAM?

While the registration deadlines for employers with 16 or more employees have passed, employers with 5-15 employees have until November 1, 2023 to register.

WHAT RESPONSIBILITIES DO I HAVE FOR THE PLAN?

You must maintain an accurate employee census. This includes updating and submitting contributions for all employees, adding anyone who is newly eligible, and removing those who terminated during the pay period.

VISIT THE SECURE CHOICE WEBSITE

[llsecurechoice.com](https://securechoice.com)

We have the knowledge and experience to help you select the right retirement plan for your employees. Contact us to learn more about how easy, flexible, and cost-effective it can be.

[Contact Information]

This information is a summary of the state’s plan and does not contain all details and requirements of the plan. We recommend speaking with your tax advisor or attorney for a complete understanding of how your business may be impacted by either joining or not joining the plan.