

# What is MN Secure Choice Retirement?

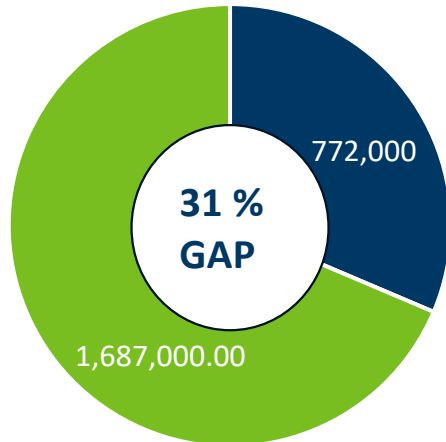
State-facilitated retirement program for private employers established by the Legislature in 2023

A way for private employees who do not have access to an employer-sponsored retirement plan to save for retirement

# Why is MN Secure Choice Retirement Important?

Many employees in Minnesota lack access to a retirement savings plan at work. Especially those working for the smallest employers.

2.46 Million Private Sector Employees Statewide



■ Coverage Access Gap ■ Access to Coverage at work

Workplace Access to Retirement Savings Among Private Sector Works (2020)

Source: ESI Analysis of Census Bureau and BLS Data

Minnesota Seniors Rely Heavily on Social Security



Share of Elderly Households in the State Relying on Social Security for at Least 90% of Their Income (2018-2019)

Source: ESI Analysis of Current Population Survey Data

# Key Features

Employers with five or more employees who do not offer a retirement plan are required to enroll.

Employer contributions are not permitted.

Employers will be required to deduct contributions from employees pay checks.

Employees will be able to opt out.

Proposing 5% contribution rate with annual automatic escalation of 1% until it reaches 8%.

Employees will be able to stop or change contributions at any time.

Employees will be able to withdraw their funds prior to retirement. The Program will handle all withdrawals and provide tax information.

The employees' contributions will be deposited into a Roth IRA. A traditional IRA will also be offered to contribute on a pre-tax basis.

# Timeline of Program Implementation

✓ RFP for Recordkeeper/Partnership Posted	March 2025
✓ Hire Permanent Director	June 2025
✓ Contract with Recordkeeper or Partnership and start Program implementation	July 2025
✓ Develop informational materials for employees and employers	October 2025
✓ Program up and running	1 <sup>st</sup> Quarter 2026
✓ Begin enrolling large employers and smaller employers who are interested to start early	1 <sup>st</sup> Quarter 2026

# Phased Enrollment and Compliance Timeline

**FIRST PHASE EXPECTED TO START THE 1<sup>ST</sup> QUARTER OF 2026**

Number of Employees	Phase in after Program Starts	Number of Employers in Phase	Number of Employees in Phase
100 and more	First 6 months	5,500	1,821,000
50 to 99	7 months to 12 months	2,861	179,818
25 to 49	3 months to 18 months	5,677	187,939
10 to 24	19 months to 24 months	14,962	223,243
5 to 9	25 months to 30 months	19,000	121,000
<b>Total</b>		<b>48,000</b>	<b>2,533,000</b>

# Information Needed From Another State Agency

FEIN

Employer Business Name

Physical Address

Mailing Address

Employer Contact Name

Employer Contact Email Address

Number of Employees

Employer Industry (NAICS code)

Employer Status (if applicable)

Employer Contact Phone Number

Keep it  
secure –  
we will!



Sharing  
data is  
the world  
we live in

- All retirement plans
- Banking
- Governmental transactions
- 15 other states are receiving the information from another state agency.

# Recommended Penalties for Non-compliance Required under laws of MN 2023, chapter 187.10 sec.12

## Why Impose Penalties?

Increases Enrollment

Vendors and Partnerships are more likely to respond to RFP

Reduces the cost of the Program

## What Causes Penalties to be Imposed?

Employer doesn't enroll in program

Employer fails to provide information to employees

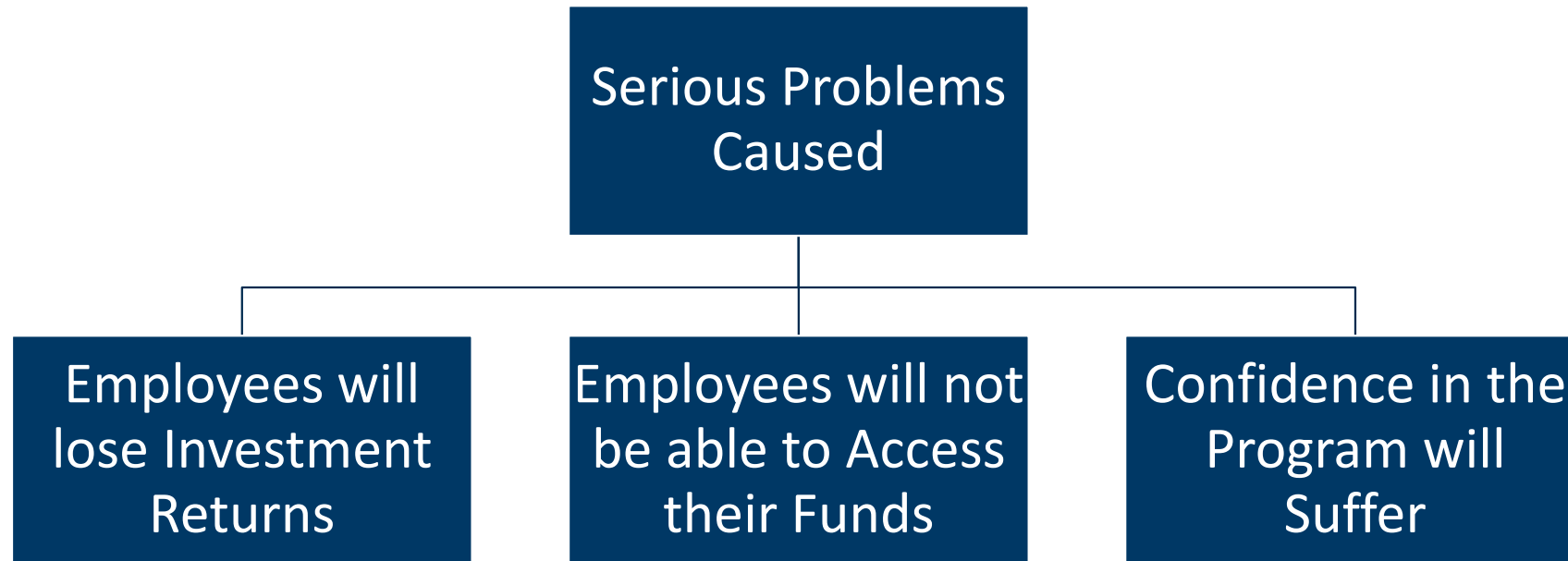
# Proposed Penalties for Non-compliance

Period	Action
1 month prior to open enrollment	Notify employer of upcoming enrollment window.
Months 1 – 6	Employer is reminded about their open enrollment window.
Months 7 – 18	Written notices of non-compliance to employer.
Months 19 – 24	Contact employer and send certified letters explaining that penalty will be imposed after the 24-month period.
➤ Penalty Imposed	Impose penalty of \$100 per employee with a maximum penalty of \$4,000*.
Months 25 – 36	Continue to contact employer and warn of upcoming penalty.
➤ Penalty Imposed	Impose penalty of \$200 per employee with maximum penalty of \$6,000*.
Months 37 – 48	Continue to contact employer and warn of upcoming penalty.
➤ Penalty Imposed	Impose penalty of \$300 per employee with no maximum penalty.
Each ongoing year	Continue to contact employer and warn employer of upcoming penalty.
➤ Penalty Imposed	Impose penalty of \$500 per employee with no maximum penalty.

\*Penalty will not be imposed if employer complies within 30-days of receipt of penalty letter.



# Proposed Penalties for Contributions Withheld but not Remitted



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## When Should Payrolls Be Remitted?

- Usually within a few days of when employee receives their paycheck
- Employers will have 30-days after an employee is paid to remit deductions to the Recordkeeper
- The MN Secure Choice staff will contact employers immediately if they don't remit contributions within 30 days
- Employers will have 10 additional days to remit contributions

# Proposed Penalties for Contributions Withheld but not Remitted

## Penalties

If remitted within 10 days of being contacted, employer will make up contributions, plus 7% annual interest

If an employer willfully or intentionally refuses to remit contributions after 10 days of being contacted, it could be considered wage theft and could be considered a misdemeanor

By law, the Attorney General would have the right to enforce these penalties

If Employers fail to remit contributions with a 30-day period for a second time, a financial penalty of \$250 per employee will be assessed



MINNESOTA

SECURE CHOICE  
RETIREMENT PROGRAM

# State Program Comparison

State	Total Assets as of Feb 2025	Total Funded Accounts FEB 2025
California	\$1.8B	\$546K
Colorado	\$106M	\$73K
Connecticut	\$39M	\$31K
Delaware	\$1.9M	\$5K
Illinois	\$236M	\$156K
Maine	\$10.6M	\$13K
Maryland	\$15.5M	\$12K
Oregon	\$346M	\$133K
Virginia	\$11.3M	\$15K
Massachusetts	Program just starting	
New Jersey	Program just starting	
Washington	Program just starting	

*States enacted, not yet active: Hawaii, Missouri, Nevada, New Mexico, New York, Pennsylvania, Vermont*

# Compliance Policies in Other States

State	Penalty
Hawaii	<ul style="list-style-type: none"> <li>• Missed contributions plus 6% interest to be paid to employee</li> <li>• In addition, a fee of \$35 to \$50/employee for each month</li> </ul>
California	<ul style="list-style-type: none"> <li>• \$250/Employee per year</li> <li>• \$500/Employee per year for sustained non-compliance</li> </ul>
Illinois	<ul style="list-style-type: none"> <li>• \$250/Employee per year</li> <li>• \$500/Employee per year for sustained non-compliance</li> </ul>
Rhode Island	<ul style="list-style-type: none"> <li>• \$250/Employee per year</li> </ul>
Delaware	<ul style="list-style-type: none"> <li>• \$250/Employee per year with an employer maximum of \$5,000 per year</li> </ul>
Virginia	<ul style="list-style-type: none"> <li>• Annual penalty not to exceed \$200 per eligible employee</li> </ul>
New Jersey	<ul style="list-style-type: none"> <li>• \$100/Employee in second calendar year</li> <li>• \$250/Employee for 3<sup>rd</sup> and 4<sup>th</sup> year</li> <li>• \$500/Employee for 5<sup>th</sup> year</li> </ul>
Washington	<ul style="list-style-type: none"> <li>• \$100 for first violation</li> <li>• \$250 for second violation</li> <li>• \$500 for subsequent violations</li> </ul>

State	Penalty
Minnesota	<ul style="list-style-type: none"> <li>• Impose penalty of \$100/Employee with a maximum penalty of \$4,000 in second year.</li> <li>• Impose penalty of \$200/Employee with a maximum penalty of \$6,000 in third year.</li> <li>• Penalties increase with continued non-compliance.</li> </ul>
Colorado	<ul style="list-style-type: none"> <li>• \$100/Employee per year with maximum employer penalty of \$5,000</li> </ul>
Oregon	<ul style="list-style-type: none"> <li>• \$100/Employee per year with maximum employer penalty of \$5,000</li> </ul>
Maine	<ul style="list-style-type: none"> <li>• \$20/Employee in first year</li> <li>• \$50/Employee in second year</li> <li>• \$100/Employee in third year</li> </ul>
Vermont	<ul style="list-style-type: none"> <li>• \$10/Employee in first year</li> <li>• \$20/Employee in second year</li> <li>• \$75/Employee each subsequent year</li> </ul>
Maryland	<ul style="list-style-type: none"> <li>• No penalties</li> <li>• Employer receives \$300 per year via a waiver of business filing fee</li> </ul>
Connecticut	<ul style="list-style-type: none"> <li>• Employers may be subject to an investigation and related penalties (not specified)</li> </ul>
Nevada	<ul style="list-style-type: none"> <li>• Penalties will be determined by the Board</li> </ul>
New York	<ul style="list-style-type: none"> <li>• No penalties currently. Board will facilitate compliance with Internal Revenue Code.</li> </ul>

# Default Contribution Rates, Default Escalation Rates, Maximum and Minimum Contributions

## Default Rates and Auto Escalation Rates in Various States with Similar Programs

State	Contribution Default	Annual Escalation	Default Cap
Oregon	5%	1%	10%
Illinois	5%	1%	10%
California	5%	1%	8%
Connecticut	3%	N/A	N/A
Maryland	5%	1%	10%
Colorado	5%	1%	8%
Virginia	5%	1%	10%
Maine	5%	1%	8%
<b>Minnesota (proposed)</b>	<b>5%</b>	<b>1%</b>	<b>8%</b>





Data Element	Purpose
FEIN	<ul style="list-style-type: none"> <li>Federal Employer Identification Number (FEIN) is the unique identification number that is used to identify each employer. The FEIN is used to confirm identity for employer registration or exemption, and for ongoing identification of each employer record.</li> <li>FEIN is also used by the State or its partners to identify employers who have a qualified retirement plan through matching FEIN to 5500 filing data. This allows the program to exempt employers on their behalf in advance of sending out registration notices.</li> </ul>
Employer Business Name	<ul style="list-style-type: none"> <li>Required for identification and all communications to employers and employees.</li> </ul>
Physical Address	<ul style="list-style-type: none"> <li>Required to confirm address in state</li> <li>Ideally divided into separate fields for street address, city, state, and zip</li> </ul>
Mailing Address	<ul style="list-style-type: none"> <li>For all Registration communications</li> <li>Ideally divided into separate fields for street address, city, state, and zip</li> </ul>
Employer Contact Name	<ul style="list-style-type: none"> <li>For all registration communications and registration or exemption processes</li> </ul>
Employer Contact Email Address	<ul style="list-style-type: none"> <li>For the program to be successful in contacting employers and driving them to action, an email address is required</li> </ul>
Number of Employees	<ul style="list-style-type: none"> <li>The number of employees determines the employers wave registration deadline and whether they are required by law to register or exempt</li> </ul>
Employer Industry (NAICS code)	<ul style="list-style-type: none"> <li>For program reporting and know your customer processes</li> </ul>
Employer Status (if applicable)	<ul style="list-style-type: none"> <li>To identify employers who have closed or no longer operating under their FEIN (i.e., change of ownership)</li> </ul>
Employer Contact Phone Number	<ul style="list-style-type: none"> <li>To facilitate out calls to employers, if necessary</li> </ul>