

State-sponsored retirement  
plans and alternative options

401(k) plan version



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GROUP®** | **AMERICAN  
FUNDS®**

## Choose the retirement plan that's best for your business



Some states require, or are considering requiring, private-sector employers to join a state-controlled program if they don't already offer their workers a retirement plan. But that doesn't mean you don't have options.

State-sponsored programs vary in scope and structure, but they all aim to reduce the retirement coverage gap among working Americans.

But although these state-run retirement programs can help more people save for retirement, a one-size-fits-all solution may not always be in participants' best interests.

34%

of small-business employees do not have access to a retirement plan to help themselves prepare for the future.\*

## It can pay to shop around

A state-sponsored retirement plan may be a good fit for your business, but it's not your only option. There are **several low-cost and low-maintenance retirement plan alternatives** that are specifically designed to create a comfortable retirement for employees with a minimum amount of employer involvement.

As a leading provider of retirement plan solutions for small businesses, Capital Group, home of American Funds, offers **a range of options** that can be tailored to **fit your company's needs**.

## The advantages of providing a plan

Offering a retirement plan – either your state's program or one from another provider – can help both you and your employees, even if you're not required to provide a plan.



### Help employees achieve financial security

Employees may be more likely to meet their retirement goals with access to a retirement plan through their employer.



### Save for your own future

Some plan types are designed for small business owners, making it easier for you to save.



### Boost your recruitment efforts

A retirement plan – especially with an employer contribution, if the plan type allows – can help you attract and retain employees.



### Take advantage of tax breaks

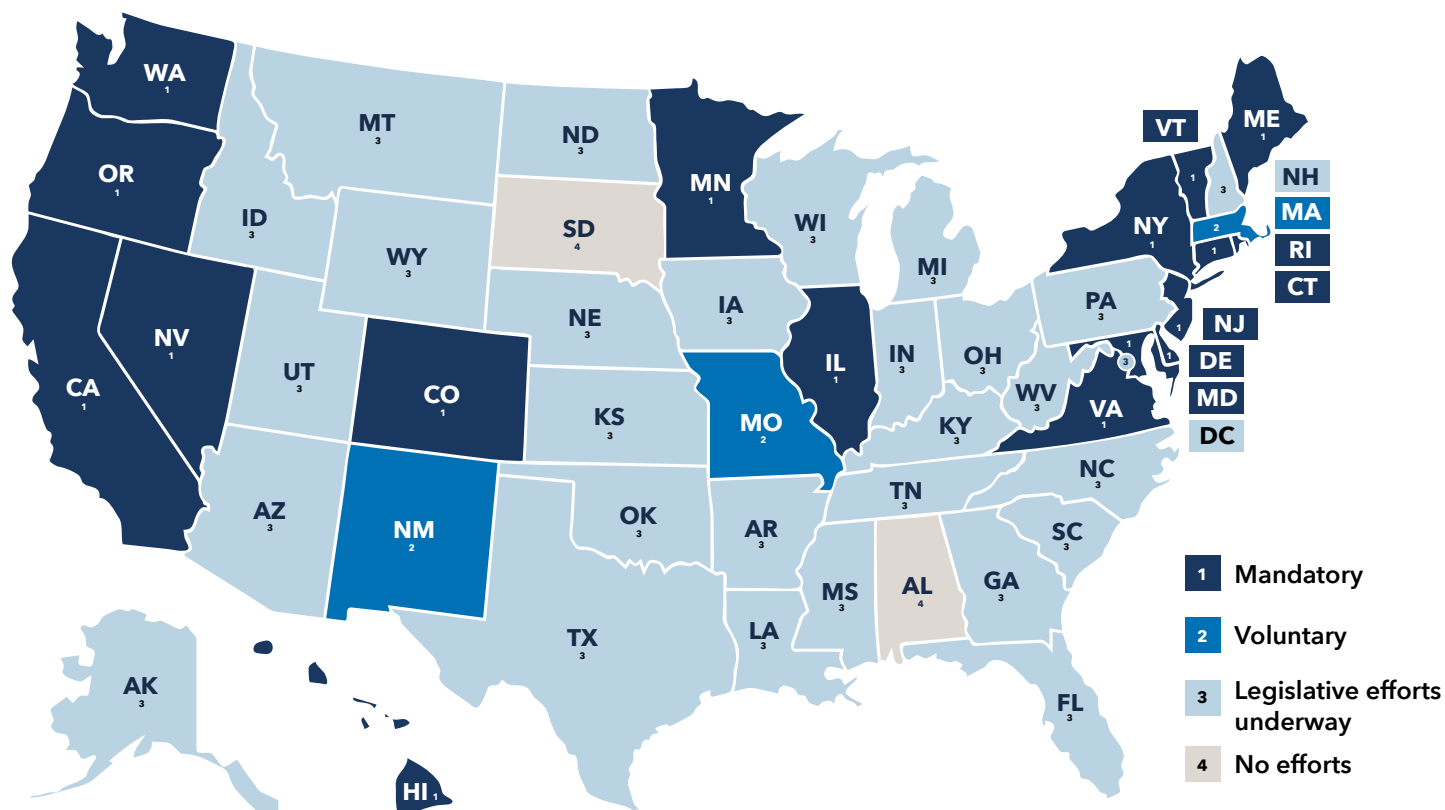
New federal tax incentives can significantly reduce the cost of offering a plan.

\*2024 data on defined contribution retirement plan access for civilian workers in all industries, as of November 2024. U.S. Bureau of Labor Statistics, National Compensation Survey.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

## The state of state-sponsored retirement plans

To date, a number of states have already or nearly enacted state-sponsored retirement programs. Many other states have made efforts to consider their own programs.



State-by-state status is compiled from Georgetown University's Center for Retirement Initiatives as of September 10, 2024. For more details about your state's plan and its current legislative status, go to [cri.georgetown.edu/states/](https://cri.georgetown.edu/states/).

### How does your state's plan stack up?

To see how a 401(k) plan compares to an auto-IRA, the type of program most frequently used in mandatory state-sponsored programs, refer to the following two pages. For a list of current state plans, see pages 6 and 7.

# Is another option better for you and your employees?

See how a 401(k) plan stacks up against an auto-IRA, the type of plan offered in several states.

	Auto-IRA	401(k)
Eligibility	Varies by state	Any employer (except governmental entities)
Benefits	There is no cost to enroll employees in a state-run IRA. These IRAs also automatically enroll employees, and many feature automatic escalation of contributions.	With <b>greater flexibility and higher contribution limits</b> , 401(k)s may be attractive to business officers and other highly compensated employees. Many also offer safe harbor features, which can eliminate annual nondiscrimination testing required to ensure the plan doesn't favor business owners or highly paid employees.
Maximum participant contributions for 2025	<b>\$7,000<sup>1</sup></b> <b>\$1,000</b> catch-up for age 50 or older	<b>\$23,500</b> <b>\$7,500</b> catch-up for age 50 or older <b>\$11,250</b> higher catch-up for age 60 to 63 <sup>2</sup>
Employer contributions	<b>Not permitted</b>	<b>Discretionary</b>
Maximum total contributions for 2025	<b>\$7,000</b> (or <b>\$8,000</b> with age-based catch-up contribution)	Cannot exceed lesser of 100% of compensation or <b>\$70,000</b> (or <b>\$77,500</b> with catch up contributions, or <b>\$81,250</b> with higher catch-up contributions) <sup>2</sup>

<sup>1</sup> Income restrictions apply to Roth IRA contributions and to tax deductions on Traditional IRA contributions.

<sup>2</sup> The higher catch-up limit is effective January 1, 2025, and is only applicable to participants who attain ages 60, 61, 62, or 63 in 2025.

## Tax credits could lower your costs

Federal tax credits available for small businesses may make offering a 401(k) plan **more affordable than you think**. In fact, under the SECURE 2.0 Act, some smaller employers may qualify for a credit of 100% of their plan costs over the plan's first three tax years, up to a maximum of \$5,000 per year.

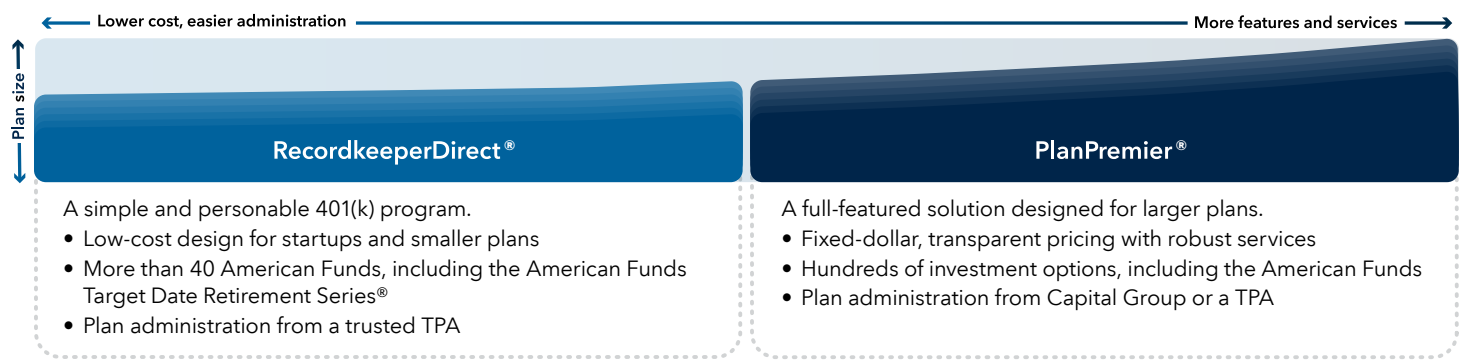
Additionally, small businesses can receive a tax credit reimbursing a portion of the amount of employer contributions made. For smaller plans (those with 50 or fewer employees\*), the tax credit starts at 100% of employer contributions, up to \$1,000 annually per employee; the credit phases down over five years from plan adoption. For larger plans (those with 51-100 employees\*), the tax credit also phases down but is subject to additional reductions.

Contact us or ask your financial professional for more details on available tax credits.

\* Employees who received compensation of \$5,000 or more in the preceding year. Credit applies to contributions made for employees earning less than \$100,000 per year.

# Trust a retirement leader

Capital Group offers **best-in-class service and support** for both plan sponsors and participants,\* with retirement solutions to serve a range of clients. Speak with your financial professional to evaluate your options and choose the retirement plan that's **best for your business**. Select from two 401(k) solutions, designed with the below plan sizes in mind but with the flexibility to fit plans as they grow:



## Offer quality investments

Returns matter – even a small increase in returns can improve retirement outcomes. Help your employees reach their retirement goals with the American Funds Target Date Retirement Series®.

**“The American Funds Target Date Retirement Series continues to stand out as one of the best target-date options.”**

Morningstar Analyst View, Jason Kephart, January 2024.

**Not all plans are created equally**

Different retirement plans offer different features for participants and employers. Capital Group’s 401(k) plans offer a range of the features below – does your state plan have the options you need?

- ✓ Financial professional support
- ✓ Loans
- ✓ Online enrollment
- ✓ Educational materials and interactive tools
- ✓ Administrative support
- ✓ Payroll integration



### Dedicated to investors

More than **2.7 million** plan participants count on us to pursue their retirement goals.†



### A trusted recordkeeper

More than **370,000** businesses and their employees rely on our retirement plan services.†



### A top asset manager

With more than **\$2.5 trillion** assets under management, we’re one of the world’s largest investment management organizations.†

\* Escalent, Cogent Syndicated, Retirement Plan Advisor Trends™, October 2024. Methodology: 411 respondents participated in a web survey conducted September 9-17, 2024. For “Ownership” of Core Brand Attributes – Tiers 2 and 3, among 195 financial advisors managing more than \$50 million in defined contribution (DC) assets under management (AUM), Capital Group | American Funds was ranked among the top three plan providers in response to the question, “Which – if any – of these DC plan providers are described by this statement... “best-in-class participant service and support” and “best-in-class plan sponsor service and support”? Capital Group has provided input on some questions to be included in Cogent surveys over time. Additionally, Capital Group made a subscription investment to Cogent Syndicated to access a detailed version of the Retirement Plan Advisor Trends Report.

† As of 12/31/23. Participants and businesses in Capital Group 401(k), 403(b), SEP IRA and SIMPLE IRA plans.



## Mandatory programs

A number of states have passed laws requiring employers of a certain size to sign employees up for a state-run individual retirement account if the business does not already provide a qualified retirement plan.<sup>5</sup> These state-run plans are also known as auto-IRAs, as participants are typically automatically enrolled at a default contribution rate.

STATE	Who is affected?	Implementation timeline	Default contribution rate	Penalties for non-compliance
<b>California</b> CalSavers <a href="https://calsavers.com">calsavers.com</a>	Employers with at least 1 employee that don't offer a qualified retirement plan. <sup>1</sup>	Registration of employers with 5 or more employees took place in earlier phases. Employers with 1 to 4 employees are required to register by 12/31/25.	Auto-IRA, traditional or Roth. 5% with auto-escalation of 1% per year, <sup>3</sup> capped at 8% of salary. <sup>2</sup>	\$250 for the first violation and, if found in noncompliance 180 days or more, an additional penalty of \$500 per eligible employee.
<b>Colorado</b> Colorado SecureSavings Program <a href="https://coloradosecuresavings.com">coloradosecuresavings.com</a>	Employers with 5 or more employees that have been in business for at least 2 years and do not offer their own qualified retirement plan. <sup>1</sup>	All employers were required to register in earlier phases.	Auto-IRA, Roth only. 5% with auto-escalation of 1% per year, <sup>3</sup> capped at 8% of salary. <sup>2</sup>	Up to \$100 per eligible employee per year; not to exceed \$5,000 in a calendar year.
<b>Connecticut</b> MyCT Savings <a href="https://myctsavings.com">myctsavings.com</a>	Employers with 5 or more employees that do not offer their own qualified retirement plan. <sup>1</sup>	All employers were required to register in earlier phases.	Auto-IRA, Roth only. 3%	Employees or state labor commissioner may bring a civil action to enforce enrollment.
<b>Delaware</b> Delaware EARNs (Expanding Access for Retirement and Necessary Savings) <a href="https://earnsdelaware.com">earnsdelaware.com</a>	Employers with at least 5 or more employees that don't offer a qualified retirement plan. <sup>1</sup>	Registration ended on October 15, 2024.	Auto-IRA, Roth only. 5% with auto-escalation of 1% per year, <sup>3</sup> capped at 10% of salary. <sup>2</sup>	Up to \$250 per employee per year, to a maximum total penalty of \$5,000 per year.
<b>Hawaii</b> Hawaii Retirement Savings Program (HRSP)	Employers with 1 or more employees that have not offered a qualified retirement plan <sup>1</sup> in the past 2 years.	Implementation deadline to be determined.	Optional-IRA, traditional or Roth. 5% <sup>4</sup>	Up to \$500 per violation; not to exceed \$5,000 in a calendar year.
<b>Illinois</b> Illinois Secure Choice <a href="https://ilsecurechoice.com">ilsecurechoice.com</a>	Employers with at least 5 or more employees that have been in business at least 2 years and do not already offer a qualified retirement plan. <sup>1</sup>	All employers were required to register in earlier phases.	Auto-IRA, traditional or Roth. 5% with auto-escalation of 1% per year, <sup>3</sup> capped at 10% of salary. <sup>2</sup>	Up to \$500 per eligible employee.
<b>Maine</b> MERIT (Maine Retirement Investment Trust) <a href="https://meritsaves.org">meritsaves.org</a>	Employers with 5 or more employees that haven't offered a qualified retirement plan <sup>1</sup> in the 2 previous calendar years.	All employers were required to register in earlier phases.	Auto-IRA, Roth only. 5% with auto-escalation of 1% per year, <sup>3</sup> capped at 10% of salary, <sup>2</sup> adjustable by employee.	Up to \$100 per eligible employee per year.
<b>Maryland</b> Maryland\$aves <a href="https://marylandsaves.com">marylandsaves.com</a>	Employers that have at least 1 employee, haven't offered a qualified retirement plan in the previous 2 years, and use an automated payroll system of service. The service must offer Maryland\$aves or another qualified retirement plan. <sup>1</sup>	Registration is open.	Auto-IRA, Roth only. 5%, adjustable by employee.	Employers that do not comply will not qualify for a waiver of the \$300 annual filing fee for Maryland businesses.
<b>Minnesota</b> Minnesota Secure Choice	Employers with at least 5 employees that have been in business for at least 12 months and don't offer a qualified retirement plan. <sup>1</sup>	Program will open in phases beginning no later than January 1, 2025.	Auto-IRA, traditional or Roth. Contribution rate to be determined.	To be determined.
<b>Nevada</b> Nevada Employee Savings Trust Program	Employers with at least 5 employees that have been in business for at least 3 years and don't offer a qualified retirement plan. <sup>1</sup>	Program to begin no later than July 1, 2025; may be implemented in phases.	Auto-IRA, traditional or Roth. Contribution rate to be determined.	To be determined.
<b>New Jersey</b> RetireReady NJ <a href="https://nj.gov/treasury/securechoice/program/">nj.gov/treasury/securechoice/program/</a>	Employers with 25 or more employees that haven't offered a qualified retirement plan in the last 2 years. <sup>1</sup>	Implementation deadline has passed.	Auto-IRA, traditional or Roth. 3%	Up to \$500 for each unenrolled employee, and up to \$5,000 for unremitted contributions.

STATE	Who is affected?	Implementation	Default rate	Penalties
<b>New York</b> New York State Secure Choice Savings Program <a href="https://securechoice.ny.gov">securechoice.ny.gov</a>	Employers with 10 or more employees that have been in business for at least 2 years that do not offer a qualified retirement plan. <sup>1</sup>	Implementation timeline is to be determined.	Auto-IRA, Roth only. The default contribution rate is to be determined.	Enforcement of penalties is to be determined.
<b>Oregon</b> OregonSaves <a href="https://oregonsaves.com">oregonsaves.com</a>	All Oregon businesses with 1 or more employees that do not offer a qualified, employer-sponsored retirement plan. <sup>1</sup>	All employers were required to register in earlier phases.	Auto-IRA, Roth. 5% with auto-escalation of 1% per year, <sup>3</sup> capped at 10% of salary. <sup>2</sup>	To be determined.
<b>Rhode Island</b> Rhode Island Secure Choice	All Rhode Island businesses with 5 or more employees.	Legislation signed September 5, 2024. Implementation to be determined.	Auto-IRA, Roth.	\$250 per eligible employee for failure to allow participation.
<b>Vermont</b> VT Saves	Employers with 5 or more employees that have been in business at any time during the current calendar year or 2 preceding years that don't already offer a qualified retirement plan. <sup>1</sup>	Registration is expected to take place in phases: - Employers with 25+ employees: 7/1/25 - 15-24 employees: 1/1/26 - Five to 14 employees: 7/1/26	Auto-IRA, Roth only. 5% with auto-escalation of 1% per year, <sup>3</sup> capped at 8% of salary. <sup>2</sup>	Up to \$75 per employee per year, starting after 10/1/26.
<b>Virginia</b> RetirePathVA <a href="https://retirepathva.com">retirepathva.com</a>	Employers with 25 or more eligible employees that have been in business for at least 2 years and don't offer a qualified retirement plan. <sup>1</sup>	All employers were required to register in earlier phases.	Auto-IRA, traditional or Roth. 5% with auto-escalation of 1% per year <sup>3</sup> , capped at 10% of salary. <sup>2</sup>	Up to \$200 per eligible employee per year.
<b>Washington</b> Washington Saves (mandatory – pending) Retirement Marketplace (existing voluntary program) <a href="https://retirement-marketplace.com">retirement-marketplace.com</a>	Washington Saves is expected to be comparable to other mandatory states. Enrollment in plans on the Retirement Marketplace is voluntary.	Washington Saves legislation passed in June 2024 with plans to begin in 2027. Retirement Marketplace implemented; registration is open.	Auto-IRA, type(s) to be determined. Default contribution rate must be between 3% and 7% with auto-escalation of no more than 1% per year, <sup>3</sup> capped at 10% of salary. <sup>2</sup>	Maximum noncompliance penalties for employers after January 1, 2030, vary from \$100 to \$500.

## Voluntary programs

Several states have passed legislation allowing employers to voluntarily participate in a state-run program. These programs are structured as either a Multiple Employer Plan (MEP), voluntary auto-IRA, or a marketplace where employers can select providers and plans from a state-approved list.

STATE	Who is affected?	Type of program	Implementation timeline	Default contribution rate
<b>Massachusetts</b> Massachusetts CORE Plan <a href="https://ma-core.com">ma-core.com</a>	Employers with 20 or fewer employees with its primary place of business in Massachusetts. <sup>1</sup>	Designed for the state's 501(c)(3) nonprofit organizations.	Program is implemented and active.	Discretionary.
<b>Missouri</b> Show-Me MyRetirement Savings Plan	Employers with 50 or fewer employees.	MEP – Defined contribution 401(k) plan.	Program to be implemented by 9/1/2025.	Not yet specified.
<b>New Mexico</b> New Mexico Work and Save Program	Any employer with its primary place of business in New Mexico.	Hybrid – participating employers can either enroll in a voluntary state-run auto-IRA, or select a plan from a state-run marketplace of approved providers.	Implementation deadline to be determined.	Not yet specified for auto-IRA.

Information on state programs compiled as of September 10, 2024.

<sup>1</sup> For a selection of qualified retirement plan types available through Capital Group, please see “Trust a retirement leader” on page 5.

<sup>2</sup> An employee may opt out of auto-escalation and set their own rate.

<sup>3</sup> Auto-escalation applies to participants who have been enrolled for at least six months.

<sup>4</sup> Pending legislation in Hawaii may require employers to automatically enroll employees in the state plan. Default contribution rate applies only to employees who opt in to participating in Hawaii's plan.

# The Capital Advantage<sup>®</sup>

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System<sup>™</sup> – has resulted in superior outcomes.

## Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 28 years of investment industry experience, including 22 years at our company, reflecting a career commitment to our long-term approach.<sup>1</sup>

## The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

## American Funds' superior outcomes

Equity-focused funds have beaten their Lipper peer indexes in 84% of 10-year periods and 97% of 20-year periods.<sup>2</sup> Relative to their peers, our fixed income funds have helped investors achieve better diversification through attention to correlation between bonds and equities.<sup>3</sup> Fund management fees have been among the lowest in the industry.<sup>4</sup>

<sup>1</sup> Investment industry experience as of December 31, 2023.

<sup>2</sup> Based on Class F-2 share results for rolling monthly 10- and 20-year periods starting with the first 10- or 20-year period after each mutual fund's inception through December 31, 2023. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Past results are not predictive of results in future periods.

<sup>3</sup> Based on Class F-2 share results as of December 31, 2023. Thirteen of the 18 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation lower than their respective Morningstar peer group averages. S&P 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how a security and an index move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one moved, either up or down, the other moved in "lockstep," in the same direction. A negative correlation close to -1 indicates the two have moved in the opposite direction.

<sup>4</sup> On average, our mutual fund management fees were in the lowest quintile 55% of the time, based on the 20-year period ended December 31, 2023, versus comparable Lipper categories, excluding funds of funds.

Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Refer to [capitalgroup.com](https://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

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**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

Although target date portfolios are managed for investors on a projected retirement date time frame, the allocation strategy does not guarantee that investors' retirement goals will be met.

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