

State Retirement Mandates: What Business Owners Need to Know

Over the last few years, state-sponsored retirement mandates have expanded quickly. More states are adopting them, and existing programs continue to evolve.

For business owners, the confusion is centered around what's actually required, who they apply to, and how to stay compliant without turning retirement benefits into an administrative headache.

Why These Mandates Exist

Many employees don't have access to workplace retirement plans, particularly at small and mid-sized companies. States stepped in to address that gap.

The result is a growing number of state-run retirement programs that require certain employers to offer a payroll-based savings option if they don't already have a qualified plan in place.

These programs aren't designed to replace traditional retirement plans though, they're meant to create a baseline option where none exists.

Who Is Typically Affected

While details vary by state, most mandates apply to:

- Employers above a minimum employee count
- Businesses operating in the state for a defined period
- Companies that do not already sponsor a qualified retirement plan

In most cases, having an existing plan in place exempts the business from participating in the state program.

What the State Programs Usually Require

Again, specifics vary, but most programs share common features:

- Automatic enrollment for eligible employees
- Employee-funded contributions through payroll

- Limited employer responsibility beyond setup and payroll processing
- Standardized investment options chosen by the state

From a compliance standpoint, the obligation is generally about offering access, not funding benefits.

Where Business Owners Get Tripped Up

The biggest issues I see are based on misunderstandings.

Common ones include:

- Assuming the program doesn't apply because the business is small
- Missing registration or rollout deadlines
- Believing participation is optional when it isn't
- Assuming the state program is the only viable option

That last point is important. State programs are one option, not the only one. For some businesses, the state program is an adequate short-term solution. For others, it may not align well with long-term goals around retention, tax efficiency, or owner planning.

The key is understanding that compliance is about meeting minimum requirements and planning is about choosing what actually fits your business.

A Smarter Way to Think About It

Instead of asking, "How do I meet the mandate as fast as possible?" a better question is, "Does the mandate push me to revisit whether our current approach makes sense?"

For some owners, this is the first time retirement planning becomes a formal business discussion. That's not necessarily a bad thing. Now you have the opportunity to make a deliberate choice rather than a reactive one.

A Simple Checklist for Business Owners

Use this as a quick gut check. If you can answer these confidently, you're likely in good shape.

- Do you operate in a state with a retirement mandate in effect or scheduled to roll out?

- Do you meet the employee count and tenure thresholds in your state?
- Do you currently offer a qualified retirement plan that exempts you from the state program?
- If not, have you registered for the state program by the required deadline?
- Are eligible employees being automatically enrolled as required?
- Is payroll set up correctly to handle employee contributions?
- Do you understand what your responsibilities are and are not as the employer?
- Have you reviewed whether the state program aligns with your long-term business and owner goals?
- Do you know when compliance deadlines or employee notices are required?
- Do you have someone monitoring changes as rules evolve?

If any of these are unclear, it's worth slowing down and getting clarity before deadlines force rushed decisions.

Final Thought

State retirement mandates are expanding but compliance doesn't need to be disruptive, expensive, or complicated. With a clear understanding of what's required and what options exist, most business owners can meet their obligations and stay focused on running their company.

If you're unsure how the rules apply to your business or whether your current setup checks the right boxes, a short conversation can help clarify where you stand.