



Maine's Retirement Investment Trust

A guide to compliance



PaperTrails

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MERIT

Maine Retirement Investment Trust





Welcome

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ABOUT PAPER TRAILS

Paper Trails is a full-service, Maine-based payroll, human capital management and bookkeeping provider. From running payroll, to bookkeeping and benefit administration, Paper Trails allows you to handle the work, while we handle the paperwork. We are a local business (no 1-800 number here) with a team of knowledgeable and fun members ready and willing to assist you!



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The Retirement Savings Crisis

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Planning for retirement is important

Every American worker would like to retire with a comfortable amount of money at an early age. According to an annuity.org study, the following statistics suggests that is not happening. In fact, the United States is facing a retirement savings crisis.

United States Statistics*

- Retirement age is 62, while the average American retires at 66.85 years old.
- 22% of Americans have less than \$5,000 saved for retirement.
- 15% of Americans have nothing saved for retirement.
- While 72% had access, only 56% of workers were enrolled in a workplace retirement plan.

Maine Statistics*

- Out of the 504,000 Maine private sector employees, only 41% have access to an employer-sponsored retirement plan.
- 114,000 of those workers work for businesses with fewer than 25 total employees.

On June 24th, 2021, Maine became the latest state to address this retirement crisis by passing [An Act to Promote Individual Retirement Savings through a Public-Private Partnership](#) into law.

Statistics from studies done by [annuity.org](https://www.annuity.org) and [Georgetown University](https://www.georgetown.edu)



Maine Retirement Investment Trust

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[An Act to Promote Individual Retirement Savings through a Public-Private Partnership](#)

[Read Full Law](#)



Maine's new program, known as Maine Retirement Investment Trust or MERIT, requires employers to offer an employer-sponsored retirement plan to their employees or they must provide their employees the option to contribute to a state-sponsored retirement plan.

Full Details

- ✓ For those businesses that do not offer an employer-sponsored plan, employees will be automatically enrolled in the State's plan.
- ✓ 5% of wages will be automatically withdrawn from each pay check and put into a Roth IRA.
- ✓ Employees may choose to increase or decrease this contribution rate.
- ✓ The annual contribution rate will automatically increase 1% per year, up to a max of 10%.
- ✓ Employees will have an opportunity to opt out.
- ✓ Those employees that do opt out will be automatically re-enrolled with the opportunity to opt out again at regular or ad hoc intervals.
- ✓ Employers will not be allowed to match employee contributions.
- ✓ There will be per employee penalties each year for those businesses not in compliance.



Maintaining Compliance

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Who is required to comply with this new law?

Private employers with more than 5 employees will be required to comply with this retirement program. Public employers and those businesses with less than 5 employees are exempt from this requirement.

How can businesses maintain compliance?

Businesses have two options to maintain compliance.

- 1 Setup an employer-sponsored retirement plan for your employees.
- 2 Should an employer-sponsored plan not be right for your business, enroll your employees in the State's retirement savings program.

When must businesses comply?

Employers may register for the Program starting in January of 2024. Employer will receive an email to register.



The registration date for covered employers with 15+ employees is April 30th, 2024.



The registration date for covered employers with 5 to 14 employees is June 30th, 2024.



Types of Retirement Programs

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Businesses have an array of retirement plan options available to them. Any of the following plans would satisfy the requirement of the Maine Retirement Savings Program and keep your business in compliance.

Acceptable Retirement Programs

- 401(a)
- 401(k)
- 403(a)
- Pension Plans
- 403(b)
- 408(k) SEP Plans
- 457(b) plan
- SIMPLE IRA



The two most common retirement plans, especially for those businesses under 100 employees, are Traditional 401(k)s and SIMPLE IRAs. Continue reading for more information about these two common retirement plans.

Traditional 401(k) VS SIMPLE IRA



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A traditional 401(k) is an employer-sponsored plan that gives employees a choice of investment options. A SIMPLE (Savings Incentive Match Plan for Employees) IRA plan provides small employers with a simplified method to contribute toward their employees' and their own retirement savings.

401(k) vs SIMPLE IRA - Contribution Rules		
	Traditional 401(k)	SIMPLE IRA
Who can offer these plans?	Businesses of all sizes	Under 100 employees
How much can one contribute?	Up to \$23,000*	Up to \$16,000*
What are the catch-up limits over 50 years old?	Up to \$7,500*	Up to \$3,500*
Are employer contributions required?	Not required, but are allowed	Mandatory
What are the employer contribution rules?	Required proportional contributions for each eligible employee if you contribute for yourself	Either 2% fixed contribution even if employee doesn't contribute or up to 3% match of employee contribution

**Contribution limits for 2024. IRS issues updated contribution limits annually.*

Traditional 401(k) VS SIMPLE IRA



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401(k) vs SIMPLE IRA - Additional Rules

Traditional 401(k)

Contributions can be subject to vesting schedules

Participants can take loans against their account

Can be paired with other retirement plans

High administrative burden

Highly customizable

Choose an appropriate investment lineup

Ensure loans are approved and are properly administered as well as approve distributions and rollovers

Maintain annual compliance testing and file a form 5500 through a third party administrator

SIMPLE IRA

Employer contributions must be 100% vested immediately

Participants can not take loans against their account

Can not be paired with other retirement plans

Low administrative burden

Limited customization options

Limited oversight on investments available

Withdraw from plan at anytime with 10% penalty if under 59 ½ years old (25% penalty if enrolled within last 2 years)

No administration fees on the employer



Tax Benefits of Employer Plans

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Offering any type of retirement plan can result in a tax advantage for your business.

RETIREMENT PLAN STARTUP COSTS TAX CREDIT

- ✓ With the recently enacted SECURE ACT 2.0, employers can now get a **100% tax credit** of eligible administrative costs.
- ✓ Employers can deduct up to the lesser of **\$250** per non-highly compensated employee or **\$5,000** of plan setup fees and administrative costs for the first three years of the plan.
- ✓ Businesses who choose auto-enrollment can deduct an additional **\$500** per year for 3 years.
- ✓ Meaning potentially a total of **\$16,500** in tax credits in the first 3 years of a new employer-sponsored retirement plan.

EMPLOYER CONTRIBUTION TAX CREDIT

- ✓ Years 1 & 2: **100% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 3: **75% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 4: **50% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 5: **25% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 6: **No tax credit.**

Roth IRA Details



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The Maine Retirement Investment Trust will be setup as a Roth IRA. Let's look at what a Roth IRA is and the details of this type of plan.

* [What is a Roth IRA?](#) *

A Roth IRA is an Individual Retirement Account that helps you reduce your taxes once you retire. While you're working, you pay your usual income tax on the money you earn and deposit it into your Roth IRA. Your Roth IRA earns money (interest and/or dividends), and that money is constantly added to your contributions.

* [What is the tax benefit of a Roth IRA?](#) *

When you retire and start taking money out of your Roth IRA (like you're paying yourself), there are no taxes. In other words, all the interest that your account earns over the years is tax-free.

* [What are the limits of a Roth IRA?](#) *

The total amount that can be contributed to a Roth IRA in 2024 is \$7,000 for those under 50 years old and \$8,000 for those 50 and older.

Roth IRA limits may be affected by your filing status and income. On the following page, we will look at these status and income limits.

Roth IRA Details



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If your filing status is...	And your modified AGI is...	Then you can contribute...
married filing jointly or qualifying widow(er)	Less than \$218,000	Up to annual limit
married filing jointly or qualifying widow(er)	More than \$218,000 but less than \$228,000	A reduced amount
married filing jointly or qualifying widow(er)	Equal to or more than \$228,000	Zero
married filing separately and you lived with your spouse at any time	Less than \$10,000	A reduced amount
married filing separately and you lived with your spouse at any time	Equal to or more than \$10,000	Zero
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	Less than \$138,000	Up to annual limit
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	More than \$138,000 but less than \$153,000	A reduced amount
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	Equal to or more than \$153,000	Zero



What to Do Next

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Now that you know your business must comply with The Maine Retirement Investment Trust no later than December 2024, now is the time to review your options and make a decision.

Remember, you have two options to avoid yearly penalties of up to \$100 per employee from the State. Businesses can:

- 1 Setup an employer-sponsored retirement program for their employees by the deadline that your business falls under. This is [our recommended option](#) as you can not only choose a plan that works best for your employees, you can receive up to \$16,500 in potential tax credits!
- 2 Enroll your employees in the State's retirement program. More detailed information will be released by the state in the coming months.

NEXT STEPS

Explore Options: Whether it be your payroll company or your trusted financial advisor, focus on trustworthy, reputable companies to help your company with retirement plans. Paper Trails works with many local financial advisors and partners with several direct 401(k) providers; we would be happy to make a recommendation for your business.

Make a Decision: Once you have chosen a provider, evaluate your options and decide on which type of plan, whether your own or the State's, makes the most sense for your business.

Communicate: Once a plan is chosen, the next step is to let your employees know. Whatever plan you choose, provide plan information to your employees so they can make informed decisions about investing in their future.

Enrolling in MERIT

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Whether or not your business decides to participate in the Maine Retirement Investment Trust or not, you **MUST TAKE ACTION** and either enroll your business or mark your business as exempt.

How will it work?

Employers will receive an email (to the email address associated with their state unemployment account) or a letter from MERIT with an Access code. Employers will log into meritsaves.com, create an account, and either:

Mark as Exempt



Provide backup.



Done.

OR

Enroll in MERIT



Upload employee information.



Employees makes their choices within 30 days.

- Do nothing: keep standard choices
- Customize choices
- Opt out of the program



Employer begins initiating payroll deductions after 30 days.



How Paper Trails Can Help

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At Paper Trails, we have the [tools necessary](#) to assist your business in maintaining compliance with this new requirement. Benefits of working with us include:

- ✓ Direct integration with most retirement providers for administrative ease.
- ✓ Direct 180 integration with MERIT making employee contributions simple.
- ✓ Recommendations to trusted, local financial advisors and retirement plan providers.
- ✓ Auto-enrollment features, providing an additional \$500 in tax savings for the first 3 years of a new plan.
- ✓ Mobile friendly system with simplified retirement plan enrollment.
- ✓ Streamlined retirement and payroll administration so contribution changes are updated automatically resulting in fewer errors and enhanced compliance.

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Benefit Enrollment

Select coverage level to view costs and complete your information.

☐ I have been informed of the option to make contributions to the 401(k) Plan and I elect not to make contributions to the plan at this time.

\$0.00
Per Pay Amount

\$ Deductions

401(k) Roth Amount	<input type="text"/>
401(k) Roth Percent	<input type="text"/>
401K Amount	<input type="text"/>
401K Percent	<input type="text" value="2.00"/>

Beneficiaries

You have no contacts selected as beneficiaries. Please add one.

SELECT PLAN



Partner With Paper Trails

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We work with trusted advisors just like you—CPAs and enrolled agents, health and workers comp brokers, TPAs, and financial advisors—to make sure the power of client data serves all parties involved in running clients' businesses successfully.

Collaboration is the best way to provide our clients with the full support they expect.

Employers often struggle to maintain compliance with retirement plan requirements. Paper Trails helps clients track employee eligibility, calculate and reconcile payroll deferrals and employer contributions, report and transmit contributions to retirement providers, and prepare annual census reporting.

- ✓ By building a retirement plan into our system, all rules are customized to the plan specifications. Employees are only able to contribute once all eligibility criteria are met.
- ✓ Payroll deferrals and employer contributions are reconciled against plan specifications with every payroll, reducing year-end adjustments.
- ✓ We offer integrations with most retirement providers to transmit wages and contributions to the retirement provider each payroll, ensuring that the employer does not forget to make contributions.
- ✓ Custom census reports and exports enable flawless annual testing and preparation of the 5500.



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