State-sponsored retirement plans and alternative options

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.

39%

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

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

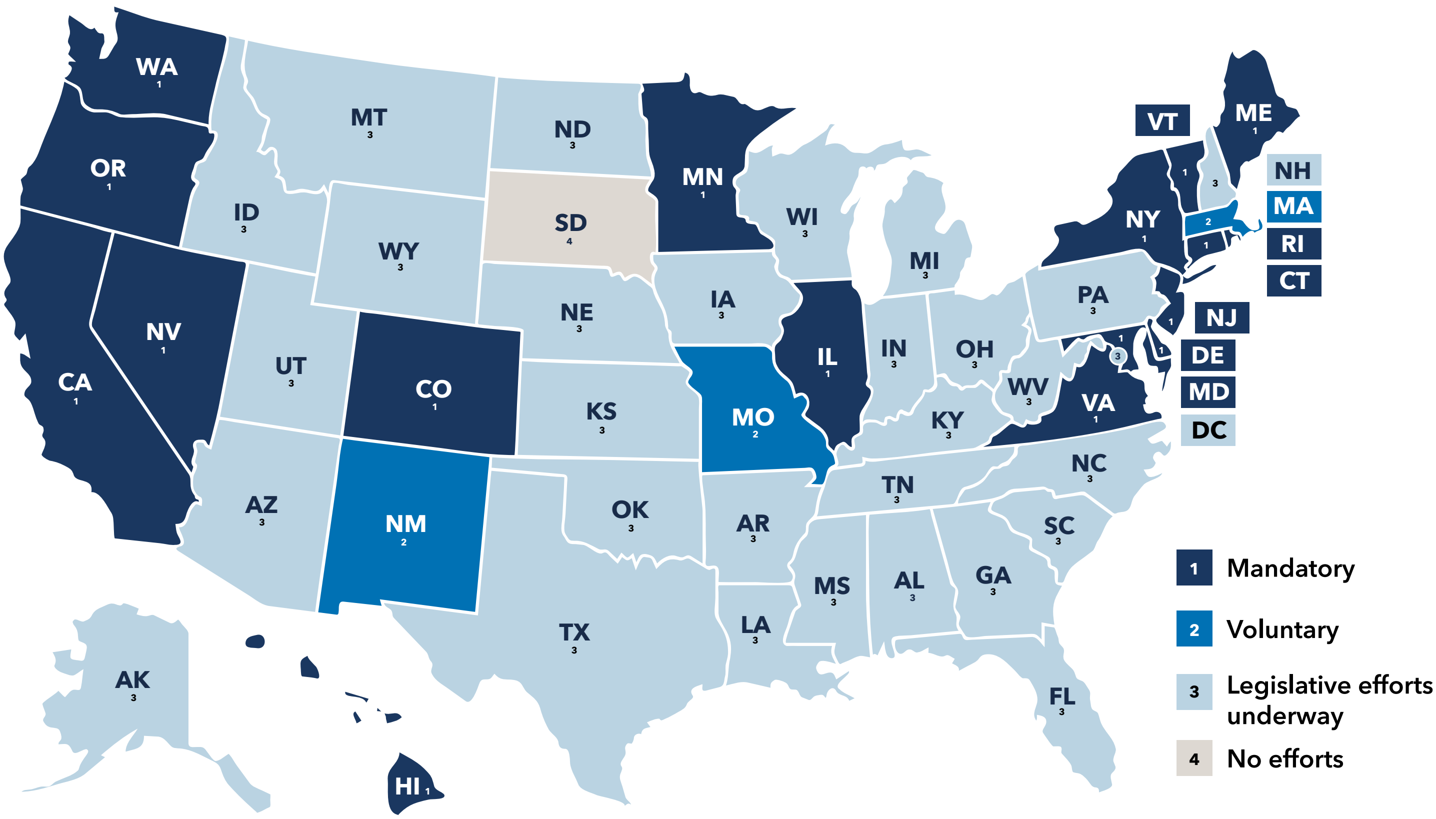
Footnote/Important information:

* 2025 data on defined contribution retirement plan access for civilian workers in all industries, as of March 2025. 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 December 1, 2025. For more details about your state's plan and its current legislative status, go to cri.georgetown.edu/states/.

How does your state's plan stack up?

To see how other retirement plan options compare 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?

Compare retirement plan types below to see which might be the best option for your small business.

	Auto-IRA	SEP IRA	SIMPLE IRA	401(k)
Eligibility	Varies by state	Any employer or sole proprietor	Employers with 100 or fewer employees	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.	These IRA-based plans may offer many of the same tax benefits of a 401(k) plan along with **easy setup and administration at a low cost.**		With **greater flexibility and higher contribution limits,** 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 2026	**$7,500**[1] **$1,100** catch-up for age 50 or older	**None**	**$18,100 / $17,000**[2] **$3,850 / $4,000**[2] catch-up for ages 50 to 59 and 64+ **$5,250** higher catch-up for age 60 to 63[3]	**$24,500** **$8,000** catch-up for ages 50 to 59 and 64+ **$11,250** higher catch-up for age 60 to 63[3]
Employer contributions	**Not permitted**	**Discretionary**[4] Cannot exceed the lesser of 25% of compensation or **$72,000**[7]	**Mandatory;**[5] **either:** • Dollar-for-dollar match of up to 3% of compensation,[6] or • Across-the-board contribution of 2% of compensation[7]	**Discretionary** Total contributions cannot exceed lesser of 100% of compensation or **$72,000** (or **$80,000** with catch up contributions, or **$83,250** with higher catch-up contributions)[3]

Footnotes/Important information:

[1] Income restrictions apply to Roth IRA contributions and to tax deductions on traditional IRA contributions.

[2] The first limit shown applies to smaller employers (those with no more than 25 employees who earned at least $5,000 in the prior year), and larger employers (those with more than 25 employees who earned at least $5,000 in the prior year) if increased employer contributions are made.

[3] The higher catch-up limit is only applicable to participants who attain ages 60, 61, 62 or 63 in 2026.

[4] Employer SEP IRA contributions must be the same percentage for every employee.

[5] Employers may also make an additional optional across-the-board contribution, which must be made to all eligible employees and cannot exceed the lesser of 10% of compensation or $5,300.

[6] SIMPLE IRA matching contributions may be reduced to a minimum of 1% for two of every five calendar years.

[7] Compensation on which the employer calculates the maximum contributions is limited to $360,000 for 2026, except for SIMPLE IRA matching contributions.

Tax credits could lower your costs

Federal tax credits available for small businesses may make offering a retirement 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.

Footnote/Important information:

* Employees who received compensation of $5,000 or more in the preceding year. Credit applies to contributions made for employees earning less than $110,000 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 plan that's **best for your business**. Select from the following products, designed with the below plan sizes in mind but with the flexibility to fit plans as they grow:

Lower cost, easier administration → More features and services

Plan size

SEP IRA	SIMPLE IRA	SIMPLE IRA Plus	RecordkeeperDirect®	PlanPremier®
Easy employer-funded program for small businesses and sole proprietors	Traditional, low-cost SIMPLE IRA plan solution specifically for businesses with 100 or fewer employees	Flexible 401(k)-style features at a SIMPLE IRA price, exclusively through Capital Group	Designed for smaller plans, a simple and personable 401(k) program – without the sticker shock	Robust, full-featured solution with hundreds of investment choices for larger plans

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®.

> **"[Capital Group/American Funds' target date funds] benefit from an exceptional investment team and some of the industry's best underlying funds."**

The Best Target-Date Funds: Morningstar's Top-Rated Strategies for Your Retirement, Janet Yang Rohr, June 2025.

Not all plans are created equally

Different retirement plans offer different features for participants and employers. Our solutions offer many 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 **$2.8 trillion** assets under management, we're one of the world's largest investment management organizations.[†]

Footnotes/Important information:

* Escalent, Cogent Syndicated, Retirement Plan Advisor Trends™, October 2025. Methodology: 411 respondents participated in a web survey conducted September 8-19, 2025. For "Ownership" of Core Brand Attributes – Tier 3, among 184 financial advisors managing less than $50 million in defined contribution (DC) assets under management (AUM), Capital Group | American Funds was ranked first 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 12/31/24. Participants and businesses in Capital Group 401(k), 403(b), SEP IRA and SIMPLE IRA plans.

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. Investment professionals manage the portfolio, moving it from a more growth-oriented strategy to a more income-oriented focus as the target date gets closer. The target date is the year that corresponds roughly to the year in which an investor is assumed to retire and begin taking withdrawals. Investment professionals continue to manage each portfolio for approximately 30 years after it reaches its target date.

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, such as a 401(k) or a SEP or SIMPLE IRA. 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?[1]	Status and deadlines	Default contribution rate[2]	Penalties for non-compliance
California CalSavers **calsavers.com**	Employers with at least 1 employee in the previous year.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 8% of salary.	Initial fine of $250 per employee, plus $500 per employee for each subsequent calendar year.
Colorado Colorado SecureSavings Program **coloradosecure savings.com**	Employers with 5 or more employees that have been in business for at least 2 years.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 8% of salary.	Up to $100 per employee per year; not to exceed $5,000 in a calendar year.
Connecticut MyCTSavings **myctsavings.com**	Employers with 5 or more employees earning at least $5,000 in taxable wages that were in business for the entire previous calendar year.	Implemented; initial deadlines have passed.	5% with annual auto-escalation of 1% per year, capped at 10% of salary.	The state may bring enforcement actions for failure to remit contributions.
Delaware Delaware EARNS (Expanding Access for Retirement and Necessary Savings) **earnsdelaware.com**	Employers with 5 or more employees that have been in business at least 6 months.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 10% of salary.	Up to $250 per employee per year, to a maximum total of $5,000 per year.
Hawaii Hawaii Retirement Savings Program (HRSP)	Employers with 1 or more employees that have not offered a plan at any point in the past 2 years.	Program launch is expected mid-2026. Deadlines are to be determined.	5%.	Up to $75 per employee per month; must also pay the employee an amount equal to the missed contributions plus interest.
Illinois Illinois Secure Choice **ilsecurechoice.com**	Employers with 5 or more employees that have not offered a plan in the past 2 years.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 10% of salary.	$250 per employee for the first year, then $500 per employee for any subsequent calendar year.
Maine MERIT (Maine Retirement Investment Trust) **meritsaves.org**	Employers with 5 or more employees that were in business the previous calendar year and have not offered a plan at any time in the current or previous 2 calendar years.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 10% of salary.	Phased penalties: • Until 6/30/26: $20 per employee • 7/1/26 to 6/30/27: $50 per employee • After 7/1/27: $100 per employee per year
Maryland MarylandSaves **marylandsaves.com**	All employers that use a payroll system or service, with a 2-year deferral for new businesses.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 10% of salary.	Employers that do not comply will not qualify for a waiver of the $300 annual filing fee for Maryland businesses.
Minnesota Minnesota Secure Choice **mn.gov/scrb**	Employers with 5 or more employees that have not offered a plan at any time in the immediately preceding 12 months.	Program will launch in 2026. After an initial pilot for any size employer, registration will take place in phases: • 100+ employees: 6/30/2026 • 50-99 employees: 12/1/2026 • 25-49 employees: 6/30/2027 • 10-24 employees: 12/31/2027 • 5-9 employees: 6/30/2028	5% with auto-escalation of 1% per year, capped at 8% of salary.	Up to $500 per employee per year.
Nevada Nevada Employee Savings Trust Program **nest.nv.gov**	Employers with 6 or more employees that have been in business for at least 3 years and have not offered a plan in the preceding 3 calendar years.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 10% of salary.	To be determined.
New Jersey RetireReady NJ **nj.gov/treasury/ securechoiceprogram/**	Employers with 25 or more employees.	Implemented; initial deadlines have passed.	3%.	Up to $500 for each unenrolled employee, and up to $5,000 for unremitted contributions.

STATE	Who is affected?[1]	Status and deadlines	Default contribution rate[2]	Penalties for non-compliance
New York New York State Secure Choice Savings Program **securechoice.ny.gov**	Employers with 10 or more employees that have not offered a plan in the past 2 years.	Program is open with phased deadlines: • 30+ employees: 3/18/2026 • 15-29 employees: 5/15/2026 • 10-14 employees: 7/15/2026	3% with auto-escalation of 1% per year, capped at 10% of salary.	To be determined.
Oregon OregonSaves **oregonsaves.com**	Employers with 1 or more employee.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 10% of salary.	Up to $100 per employee, not to exceed $5,000 in a calendar year.
Rhode Island RISavers **risavers.gov**	Employers with 5 or more employees.	Program is open with phased deadlines: • 100+ employees:10/21/2026 • 50+ employees: 10/21/2027 • 5+ employees: 10/21/2028	5% with auto-escalation of 1% per year, capped at 10% of salary.	$250 per employee for failure to allow participation.
Vermont Vermont Saves **vtsaves.vermont.gov**	Employers with 5 or more employees that did not offer a plan at any time in the past 2 calendar years.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 8% of salary.	Phased penalties: Until 9/30/26: $20 per employee After 10/1/26: $75 per employee
Virginia RetirePathVA **retirepathva.com**	Employers with 25 or more eligible employees that have been in business for at least 2 years.	Implemented; initial deadlines have passed.	5% with auto-escalation of 1% per year, capped at 10% of salary.	Up to $200 per employee per year.
Washington Washington Saves[3] **wasaves.com**	Employers that have been in business for at least 2 years whose employees worked at least 10,400 hours combined in the previous calendar year.	Program is expected to launch in July 2027. Deadlines are to be determined.	To be between 3% and 7% with auto-escalation of no more than 1% per year, capped at 10% of salary.	Up to $500 per violation. Penalties will not be assessed until 2030.

Footnotes/Important information:

[1] All states with mandatory programs exempt employers that currently offer a qualified retirement plan. Some states also exempt employers who offered a qualified retirement plan within a specified number of prior years; for those states, the chart indicates the applicable look-back period.

[2] Employees may set their own contribution rates, as well as opt-out of auto-enrollment or auto-escalation as applicable.

[3] Washington also currently offers a voluntary program, a marketplace with state-approved plans, for employers with fewer than 100 employees.

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	Status	Default contribution rate*
Massachusetts Massachusetts CORE Plan **ma-core.com**	Nonprofits with 20 or fewer employees.	MEP – Defined contribution 401(k) plan.	Program is implemented and active.	6% default with auto-escalation of 1% or 2%, capped at 12% of salary.
Missouri Show-Me MyRetirement Savings Plan	Employers with 50 or fewer employees that have not offered a plan in the current or preceding 2 calendar years.	MEP – Defined contribution 401(k) plan.	Program was scheduled to launch by 9/1/2025, but official implementation date has not been announced.	5%.
New Mexico 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 from a state-run marketplace of approved providers.	Implementation is on hold indefinitely.	Not yet specified for auto-IRA.

Footnote/Important information:

* Employees may set their own contribution rates, as well as opt out of auto-enrollment or auto-escalation as applicable.

Information on state programs compiled from Georgetown University's Center for Retirement Initiatives as of December 1, 2025.

The Capital System™

Since 1931, Capital Group has helped investors pursue long-term investor success. Our distinctive investment approach – The Capital System – is designed to deliver superior investment results. It rests on three pillars:

Collaborative research

Our portfolio managers, analysts, economists and quantitative research teams closely collaborate on our research process – sharing and debating ideas. This collaboration generates deeper insights that inform our portfolios.

Diverse perspectives

Most portfolios have multiple portfolio managers, each of whom invests part of the portfolio in their strongest individual convictions. Combining these diverse investment approaches into a single portfolio helps us pursue more consistent results, with less volatility.

Long-term view

Investment professionals invest with a long-term view, which we believe aligns our goals with the interests of our clients. Managers are rewarded more for their long-term results,[1] and most personally invest in the funds they manage.[2] Our fund management fees are among the lowest in the industry.[3]

A history of strong investment results

Over the past 40 years, **74%** of funds outpaced more than half of their respective peers when comparing average 10-year rolling returns. And **71%** had higher risk-adjusted returns (as indicated by the Sharpe ratio[4]) over that same time frame.[5]

Footnotes/Important information:

[1] Compensation paid to our investment professionals is heavily influenced by results over one-, three-, five- and eight-year periods, with increasing weight placed on each succeeding measurement period to encourage a long-term investment approach.

[2] Ninety-seven percent of American Funds assets are invested in mutual funds in which at least one manager has invested more than $1 million. Source: Morningstar. Data as of 2/15/25.

[3] On average, our mutual fund management fees were in the lowest quintile 49% of the time, based on the 20-year period ended December 31, 2024, versus comparable Lipper categories, excluding funds of funds.

[4] Sharpe ratio uses standard deviation (a measure of volatility) and return in excess of the risk-free rate to determine reward per unit of risk. The higher the number, the better the portfolio's historical risk-adjusted performance.

[5] Methodology: Data as of 12/31/24. Based on a comparison of each fund with its respective Morningstar category peers. Data are based on the following mutual fund share classes: Class F-2, Class M, Class 529-A, Class 1, Class P-2 and Class 4. One share class was used per fund. The analysis uses Morningstar hypothetical methodology to calculate hypothetical fund results for periods before a share class's inception. For those periods, Morningstar uses results for the oldest share class (unless the newer share class is more expensive). Source: Capital Group, based on mutual fund data from Morningstar. For each fund, we calculated the average rolling Sharpe ratio and return over the 40-year period (or the fund's lifetime, if it lacks a 40-year history). That average rolling return and Sharpe ratio were compared against the equivalent averages for each fund's respective Morningstar peers on a percentile basis. Rolling returns are calculated monthly.

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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.

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