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## **MyCTSAvings: August 31, 2023, Deadline for Connecticut Employers Should You Be Concerned?**

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by Sharon K. Freilich

August 31, 2023 is the deadline to register your business for the state-sponsored employee retirement savings program MyCTSAvings.

If you currently sponsor a retirement plan that complies with the requirements of MyCTSAvings (a “Compliant Plan”), e.g., Section 401(k) Plan, Simple IRA Plan or SEP IRA Plan, you can go to MyCTSAvings and certify your exemption from registering your business for the state-sponsored employee retirement savings program. There are no penalties currently authorized if you fail to certify your exemption, but such certification may avoid the administrative hassle of having to prove your business is not required to register.

If you are a Connecticut employer who has either registered your business on the MyCTSAvings website or certified that your business is exempt from registration on the website, you can stop reading this Alert and move on to something more enjoyable. If your business was not in existence at all times during 2022 and 2023, this deadline also does not apply to you.

If your business (i) has been in existence since December 31, 2021, (ii) does not sponsor a Compliant Plan, and (iii) had five or more employees in Connecticut on October 1, 2022, who each earned \$5,000 or more in 2022, Connecticut requires you to register your business and enroll your employees in the MyCTSAvings program by August 31, 2023. Enrolled employees will then be offered the option to defer salary on an after-tax basis into a Roth IRA. Failure to register your business and enroll your employees may trigger a lawsuit or the imposition of a penalty. See our recent blog article regarding the MyCTSAvings program.

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Employers who have adopted a Compliant Plan on or before August 31 do not have to register but can certify their exempt status as a retirement plan sponsor. A benefit of adopting a Compliant Plan that also covers sole proprietors and partners who may not participate in the MyCTSAvings program is that it creates an opportunity for the owners of the business to set money aside for their own retirement on a tax-deferred basis.

If sponsoring a retirement plan is a more attractive option than the MyCTSAvings program for your business, you will want to consider the administrative, funding, and fiduciary duties that are associated with being a plan sponsor. Depending on the form of plan chosen, annual reports may need to be filed<sup>1</sup> annual compliance testing of contributions may need to be conducted<sup>2</sup> and a certain level of employer funding may be required<sup>3</sup>. A bond will be required to cover anyone who handles the funds being contributed to the plan. One or more individuals within the business may also have a fiduciary duty to make sure the adopted plan is operated in accordance with its terms, among other things.

If you have any questions concerning the MyCTSAvings program or establishing a retirement plan for your business, please contact any member of our **Employee Benefits** practice group.

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[1] Not required for SEP IRA Plans or Simple IRA Plans.

[2] Not required for Simple IRA, SEP IRA, or Simple 401(k) plans.

[3] Simple IRA, Simple 401(k) and Safe Harbor 401(k) plans have required employer funding.

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