

**ALERT:**

## State Initiatives Underway to Address Retirement Readiness

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As the press and federal agencies continue to decry the state of America's retirement savings readiness, states are beginning to explore solutions. Illinois is the first state to enact legislation that would require all employers, whether for-profit or non-profit companies, to adopt a retirement savings arrangement for employees. An employer is subject to the new requirement if it employs no fewer than 25 employees in Illinois in the prior calendar year, has been in business at least 2 years, and does not offer any retirement plan.

The new law, called the "Illinois Secure Choice Savings Program Act," would require employers to establish a "payroll deposit retirement savings arrangement" by which employees would contribute a percentage of their pay, by payroll deduction, and elect an investment option. The deduction would be done on an after-tax basis, similar to a Roth IRA. Employees can opt out of the program on an annual basis. The funds deducted would be transferred to a trust established under the Act and would be accounted for as individual accounts. Employers are not required to contribute to the program.

An employer who fails to enroll an employee in the program within nine months of implementation will be subject to a penalty of \$250 per employee for each calendar year or portion of the year during which the employee was neither enrolled in the program nor opted out of it. If the failure continues into another calendar year, the penalty increases to \$500 per employee.

The program is scheduled to be implemented within 24 months of January 4, 2015, the effective date of the Act, but can be delayed for lack of funding or if the program conflicts with federal law.

Similar legislation was introduced in the Minnesota Senate in February 2014, but did not include an employer mandate. The legislation, called the "Minnesota Secure Choice Retirement Savings Plan Establishment," did not make its way out of committee. Although no similar legislation has been introduced in the current session, one can expect the legislature to address the issue in future sessions.

This is positive news for employees: Even though the new law and similar proposals in other states have long implementation time frames and a few hurdles to overcome, we expect that these state initiatives will provide employees with greater access to retirement savings alternatives to improve retirement readiness.