Christie nixes state-run IRA in favor of private marketplace

By Editorial Staff *Thu, Jan 21, 2016*

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Twelve hours after New Jersey's governor Chris Christie vetoed a bill creating a state-administered retirement plan for private-sector workers, the state assembly voted to cooperate with him and settled on a compromise plan, *NAPANet* reported this week.

The original bill, similar to legislation in California, Illinois and other states that creates tax-deferred workplace retirement savings plans for American workers whose employers don't offer one, would have required New Jersey small employers with 25 or more workers to set up an IRA plan funded by payroll deduction.

But Christie, a Republican, objected to the mandatory nature of the plan and expansion of state government and rejected the bill. So the Democratic-controlled legislature authorized the creation of a "small business retirement marketplace," modeled after one established in Washington state last year. A marketplace was one of three options outlined in an Interpretative Bulletin the Labor Department issued in November at the direction of President Obama.

The new legislation is now called the New Jersey Small Business Retirement Marketplace Act, to be aimed at firms with fewer than 100 qualified employees (ERISA eligibility) at the time of enrollment. A majority of New Jersey workers work in such firms.

The bill Christie vetoed—which had been sponsored by the Democratic leaders in both houses of the state legislature—would have created a Secure Choice Savings Program. Businesses with fewer than 25 employees could choose to offer the plan to their workers. While administered by a seven-member board of state officials, the program would not have been guaranteed by the state or require state funding, though the Garden State would initially have had to cover start-up costs.

Christie referred to the mandatory nature of the retirement plan, similar to programs taking shape in California and several other states, as a reason for his decision to veto legislation that would have enabled it.

"I believe that the approach taken by the Legislature — mandating participation under a threat of fines for not participating — is unnecessarily burdensome on small businesses in New Jersey," Christie said.

Specifically, he expressed concern that the state would have borne the initial cost of the program and that "the bill creates yet another government bureaucracy to oversee and implement the program, while there are plenty of private sector entities with particular expertise that can perform this function instead."

The marketplace will offer three options: a SIMPLE IRA, a payroll deduction IRA and a MyRA. Firms participating in the marketplace will have to offer at least two investment options, including a target date fund, or similar fund, and a balanced fund.

Participating employers will not be assessed an administrative fee or surcharge, and the program is directed not to charge enrollees more than 1% in total annual fees.

The new bill directs the State Treasurer's office to:

- Establish a protocol for reviewing and approving the qualifications of all participating financial services firms;
- Design and operate a website that includes information on how eligible employers can voluntarily participate in the marketplace;
- Develop marketing materials about the program; and
- Identify and promote tax credits and benefits for employers/workers related to participating in the program.