
Labor Department acts on state-sponsored workplace IRAs

By Editorial Staff *Wed, Sep 7, 2016*

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The Department of Labor's Employee Benefits Security Administration has published a [final rule](#) that will make it easier for states to create IRA programs for workers who don't otherwise have access to tax-deferred savings plans at work, the DOL reported.

The agency said it has also published a [proposed rule](#) that would, by clarifying federal labor laws, help some cities and local governments establish similar payroll-deduction IRA programs.

So far, eight states have passed legislation requiring private-sector employers that don't offer retirement plans to auto-enroll their workers in state-administered, payroll-deduction IRAs. Other states have created marketplaces where employers can buy plans from private plan providers.

But uncertainty over the application of the Employee Retirement Income Security Act's "preemption provisions"—which establishes ERISA's authority over all retirement plans in the U.S.—has discouraged more states from creating such programs.

To remove that obstacle, the DOL has issued a final rule providing a safe harbor that would reduce the risk that state IRA plans would be subject to ERISA rather than to state laws. The rule also allows workers to opt out of state auto-enrollment arrangements. The rule will go into effect 60 days after its publication in the Federal Register.

The proposal to expand the safe harbor to include a limited number of larger cities and counties in response to comments received from members of the public will be open for 30 days of public comment after its publication in the Federal Register.

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