
New Jersey to establish auto-enrolled IRA for workers without plans

By Editorial Staff *Thu, Dec 20, 2018*

The Garden States joins two other 'blue states,' California and Oregon, in sponsoring a portable workplace savings plan for workers without access to a plan. The IRAs will offer target-date funds and annual fees are capped at 0.75%.

The New Jersey Assembly on Dec. 17 passed a bill that would establish a state-run employment plan for private-sector employees whose employers have not offered a retirement plan in the preceding two years, NAPANet reported this week.

In a 52-24 vote, the Assembly approved [A 4134](#), a bill that would establish the New Jersey Secure Choice Savings Program. A December 10 statement from Assembly Appropriations Committee described the program as “an automatic enrollment payroll deduction Individual Retirement Account for certain private sector employees.”

Like similar initiatives in California and Oregon, New Jersey’s plan requires employers who don’t currently offer a retirement plan to “establish a payroll deposit retirement savings arrangement to allow its employees to participate in the plan.” Employees are auto-enrolled but can opt-out of the plan.

States where Democrats control the legislatures have taken the lead in establishing these plans. Legislators there and in other states hope to address the problem that too many of their states’ workers don’t have access to a retirement savings. Those workers are at risk of under-saving for retirement and relying on public services in their old age.

The private retirement plan industry has been ambivalent about these plans. Some industry members expect mandates to drive employer adoption of private retirement plans. Others resist competition from a “public option” in the retirement plan space. Still others worry that such plans will produce a “patchwork” of retirement plans across the 50 states. But the Trump administration has abolished the Obama Administration’s MyRA national auto-enrolled IRA program.

“Open multiple employer plans,” which are the subject of legislation currently before Congress, are a private-sector alternative to the state plans. Some believe that these open MEPs could shrink the coverage gap that state plans are addressing. At any given time, only about half of U.S. workers have access to a retirement plan at work. Low-income and minority workers are especially likely to work at small firms that don’t offer retirement plans.

The New Jersey plan may offer a variety of to-be-determined investment options, the bill said, but the default investment will be a target-date “lifecycle” fund. Fees can’t exceed 75 basis points per year. Businesses less than two years old and businesses that have employed fewer than 25 people in the past calendar year don’t have to participate in the program but they can.

Further details about the program will be established by a New Jersey Secure Choice Savings Board and the finances of the program will be paid out of a New Jersey Secure Choice Administrative Fund.

The bill established penalties for covered employers who don’t help their employees participate in the program or who mishandle funds. The penalties start with a warning, and include a \$100 fine for not enrolling employees who haven’t opted out, and become as severe as \$5,000 for employers who collect employee contributions but don’t remit them to the savings fund.

The bill was introduced by Assembly members Roy Freiman (D-Hunterdon, Mercer, Middlesex and Somerset), Raj Mukherji (D-Hudson) and Carol Murphy (D-Burlington). The Assembly Financial Institutions and Insurance Committee reported A4134 favorably on Oct. 15, and the Assembly Appropriations Committee followed suit on Dec. 10.

The Senate version, [S. 2891](#), was introduced on Aug. 27. The Labor Committee of the New Jersey Senate approved the bill on Dec. 3 and referred it to the Senate Budget and Appropriations Committee.

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