
New York proposes public-option IRA by 2021

By Editorial Staff Thu, Jan 17, 2019

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Mayor Bill de Blasio to New York City's small employers: Fuggedabout not offering your employees access to a retirement savings plan at work.

Aiming to make New York the "fairest big city in America," New York's mayor announced that he will work with City Council to pass legislation this year requiring employers with five or more employees to either offer access to a retirement plan or auto-enroll their employees in the city plan with a default Roth IRA contribution of the employees' own earnings of 5%, which the employer can adjust.

Fewer than half of working New Yorkers have access to a retirement savings plan at work and 40% of New Yorkers between ages 50 and 64 have saved less than \$10,000 for retirement, Mayor de Blasio said in a release.

For several years, some of America's state and local officials have worried that a growing population of under-saved Boomers could overwhelm their public assistance resources. With policymakers and private innovators both unable to entice more small employers to offer plans voluntarily, states like California, Washington and Oregon, and now New York City, have advanced their own mandatory savings initiatives.

According to a fact sheet on the New York City proposal:

Employees will be able to choose from a limited menu of low-cost investment options.

The city will create a Retirement Security Fund to be overseen by a board of appointees, managed by a private third party administrator and invested in low-cost indexed mutual funds.

Although the city will subsidize start-up costs, the program will be financed by "low fees" charged to participant accounts.

In 2016, New York City Comptroller Scott M. Stringer unveiled a similar city-run retirement plan for private sector workers, including a city-sponsored multiple employer plan (MEP), but the idea lapsed after President Trump reversed the Obama DOL's decision to exempt

state and local auto-IRA programs from federal oversight.

The proposal must be approved as legislation by the City Council. If it is approved this year, the program would be open to participation by 2021.

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