

Illinois Lawmakers Consider Expanding Mandatory Retirement Savings Program to Small Employers

Labor & Employment Law Update

By Kelly Haab-Tallitsch on April 30, 2021



The Illinois General Assembly is considering a bill (H.B. 117) that would make several amendments to the Illinois Secure Choice Savings Program Act, including extending the requirement to offer employees a retirement savings plan to employers with 5 to 24 employees. H.B. 117 was passed by the Illinois House of Representatives

earlier this month and is currently pending in the Illinois Senate.

Currently, Illinois employers that have 25 or more employees and have been in business at least two years are required to participate in the state-run Illinois Secure Choice Savings Program (Secure Choice Program) or offer another qualifying retirement savings plan to employees. H.B. 117 would lower the threshold to employers with 5 or more employees.

If H.B. 117 is enacted into law, Illinois employers that employed 5 or more employees during each quarter of the previous year, have been in business at least two years, and do not offer another retirement savings plan will be required to participate in the Secure Choice Program.

Covered employers are required to automatically enroll employees in the program and withhold 5% of an employee's compensation (up to an annual IRS maximum), unless the employee elects a different amount or opts out of the program. Employers remit employees' contributions to the state-run program. Those contributions are then deposited into Roth Individual Retirement Accounts (IRAs) for each participant and invested at the participant's direction among a menu of investment alternatives. Employer contributions to the program are not permitted.

H.B. 117 includes the addition of automatic increases to employee contributions, up to a maximum of 10% of an employee's wages, modifies penalties for noncompliance, and makes changes to the enforcement process.

Under H.B. 117, the deadline to enroll employees would be no sooner than September 1, 2022 for employers with 16 – 24 employees, and no sooner than September 1, 2023 for employers with 5 – 15 employees. The Illinois State Treasurer's office will notify employers directly (by mail or email) when they are required to register. Employers will receive two notifications – an early registration notice 120 days prior to the required registration date, and a second notice 30 days prior to the registration date.

H.B. 117 is still pending in the Illinois Senate, but based on the strong support for the bill, it appears likely H.B. 117 will pass and be signed into law.

Employers that offer another qualifying retirement savings plan are exempt from the Secure Choice Program. As such, small employers should begin examining the options available to determine whether implementing a qualified retirement savings plan, such as a Simplified Employee Pension, SIMPLE IRA, or 401(k) plan may be a better alternative than the Secure Choice Program.

Amundsen Davis's employee benefits team will continue to monitor the status of H.B. 117 and provide additional information as it becomes available.

Illinois
Lawmakers
Consider
Expanding
Mandatory
Retirement
Savings
Program to
Small Empl-
oyers