Illinois law creates new employer retirement withholding mandate

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In brief

Enacted Illinois legislation requires employers that currently do not offer qualified retirement plans to enroll their employees in a newly created state program that will require employers to deduct from wages and contribute the amount deducted into a state administered retirement fund. The requirement applies to employers that have employed at least 25 employees in the state and have been in business for at least two years. Smaller employers may elect to participate in the program. Employees may elect to opt out of the program. [S.B. 2758, Act 98-1150, enacted 1/5/15]

In detail

The legislation requires employers to deduct from an employee's wages a percentage of wages or specific dollar amount and contribute those funds into the newly created Illinois Secure Choice Savings Program Fund (Fund). The program will provide a series of investment options for the participating employee to select. The level of contribution will be determined by the employee. The contribution cannot exceed the limits set under IRC Sec. 219(b)(1)(A). The Fund itself will be administered by a seven member Secure Choice Savings Board. The Board will establish procedures for determining how payments into the Fund will be made, administer the investment options, and provide information packets to participating employers and employees. Employers may, at any time, retain the option to set up their own qualified retirement plan.

Enrollment of employees into the program must begin no later than June 1, 2017 (24 months after the effective date of the law). However, if the Board does not obtain adequate funding, implementation of the program may be delayed.

The takeaway

This legislation, the first of its kind in the US, creates another responsibility for payroll providers. The legislation gives affected employers some time to prepare before the program is implemented. One question is whether employers that currently provide qualified retirement plans will decide to discontinue these plans and participate in the state run plan. More details regarding the investment plans and, specifically, how employers will meet the remittance requirements will have to come from the Board, once it is created and begins its work.

Let's talk

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