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FOR IMMEDIATE RELEASE:
November 16, 2015

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Labor Secretary Perez, Illinois Treasurer Frerichs Announce Path for State-Based Retirement Programs

Proposed Rules Impact Nearly 1.2 Million Illinois Workers, Could Impact Half of Workers Nationwide

CHICAGO - U.S. Secretary of Labor Thomas E. Perez and Illinois State Treasurer Michael Frerichs on Monday announced sweeping new rules outlining the path forward for state-sponsored retirement savings initiatives. Secretary Perez and Treasurer Frerichs listened to leaders who worry that the looming retirement savings crisis will have a profound impact on lower-income workers' quality of life in retirement and become an untenable burden on states.

The Department of Labor's proposed rules will dismantle barriers for state-based solutions to the retirement savings crisis, including Illinois' Secure Choice Retirement Savings Program. Already, 26 states, including Illinois have taken some type of action to pursue state-based retirement savings solutions that will increase access to employer-based savings programs.

"Secretary Perez's leadership today will benefit generations of Americans," Frerichs said. "In Illinois nearly 1.2 million workers are poised to benefit from our Secure Choice Retirement Savings Program. With these new federal rules, my administration can move forward with helping some of our state's most vulnerable workers. I applaud Secretary Perez and the Department of Labor for partnering with states like Illinois to craft a solution."

Nationally, only half of working Americans save for retirement, according to the Survey of Income and Program Participation by the U.S. Census Bureau. Of those who do not save, 84 percent work for an employer that does not offer a retirement savings vehicle. A lack of retirement savings increases the likelihood that workers will be over-reliant on social security or retire into poverty, creating significant future burdens on state and federal social safety nets.

"Many workers across the country are not saving enough for a secure retirement. This is not only a potential financial crisis for these individuals and their families, but a critical economic issue for the nation," said U.S. Secretary of Labor Thomas E. Perez. "Today's guidance is another plank in the economic security platform that President Obama and this administration have been building to help create new savings options, ensure workers are getting sound retirement advice, and bolster bedrock programs such as Social Security."

Years of inaction by Congress to address this growing problem have led to state efforts to increase employee access to payroll deduction retirement plans while minimizing employer responsibilities and costs. Illinois has been leading the way with the passage of the Secure Choice Savings Program which will provide access to a retirement vehicle for nearly 1.2 million workers.

Illinois, and states working to pass or implement similar programs, sought to minimize the fiduciary responsibility of employers by ensuring that ERISA did not apply to provisions outlined in state-run plans. Employers are not permitted to contribute to employee accounts and are simply responsible for setting up the payroll deduction and enrollment. Existing DOL guidance was unclear on whether ERISA would preempt state laws but with the release of today's proposed rule, DOL has created clear parameters for states to implement laws while minimizing the risk of ERISA preemption.

The Department's proposed rule allows key features of Illinois' program to be implemented, including automatic enrollment with default deductions and default funds, and makes clear that employers' role in the process does not subject them to ERISA or any fiduciary responsibilities.

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