

State program aims to bring small-firm workers into retirement plans



The legislation not yet implemented will make it mandatory for certain employers to enroll employees in a state-facilitated retirement savings plan. Credit: Getty Images/Yagi-Studio

By Jamie Herzlich jherzlich@aol.com Updated December 29, 2021 5:00 AM
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Certain employers in New York State that don't currently offer a retirement plan will be required to automatically enroll employees in a state-facilitated retirement program under legislation recently signed into law.

This will allow employees of firms with at least 10 workers in New York to save as part of the yet-to-be-implemented Secure Choice Savings Program.

When the program's up and running, employees — unless they choose to opt out — would be automatically enrolled, which experts say can benefit those at smaller firms especially.

"The smaller you go in company size, the less likely they will have any sort of retirement or workplace savings plan," says David John, a senior policy adviser at the Washington-based AARP Public Policy Institute, where he works on pension and retirement savings issues.

He estimates a little more than half of New York's private sector employees work for an employer that doesn't offer a retirement plan. This will allow as many as 2.5 million workers to save for retirement.

The Secure Choice Savings plan was enacted into law in 2018 as a voluntary retirement program, but was never implemented, he says. The legislation signed in October makes it mandatory for applicable employers and will help push that program forward, he says.

John says that in three states with such programs in place — California, Oregon and Illinois — about two-thirds of eligible employees who didn't previously have a plan chose to participate in to the state-run option. At least half a dozen more states plan to set up similar plans.

No employer contributions

There's little cost to employers, since they aren't allowed to make any contributions to employees' Secure Choice IRAs, John says.

The state handles the administrative burdens, but employers will have to set up a payroll deduction for their employees within nine months after the program opens for enrollment to allow each employee to participate, he says.

But that step can likely be achieved through a payroll provider.

Susan Accardo, Vice President at Accu Data Workforce Solutions in Hicksville, which provides payroll outsourcing, says the firm will be able to program its software to facilitate payroll deductions once New York releases requirements. They're already doing so for clients in other states with similar plans.



Susan Accardo, vice president at Accu Data Workforce Solutions in Hicksville, which provides payroll outsourcing. Credit: Accu Data Workforce Solutions

Start date uncertain

Still, it's not clear when enrollment will open. Kate Heptig, a partner at Rivkin Radler in Uniondale, said the legislation originally called for enrollment of employees to begin no later than Dec. 31, but that seems likely to be delayed pending further guidance.

The program is overseen by the New York State Secure Choice Savings Board, composed of nine appointed members. The Department of Taxation and Finance, which will oversee implementation of the program, didn't return calls from Newsday about a timeline to get it going.

Only certain employers will be mandated to participate: employers that at all times during the previous calendar year employed at least 10 employees in New York, have been in business at least two years and don't offer a qualified retirement plan, says Heptig.

"I don't think this is necessarily going to be as big a burden as people might think," she said.

But in addition to having to establish a payroll deposit retirement savings arrangement, employers will have certain disclosure obligations to employees, she says.



Kate Heptig, a partner at Rivkin Radler in Uniondale, who weighs in on employer obligations. Credit: Bob Giglione

This will include providing information to employees relating to, among other things the benefit and risks of making contributions to the program, the process for making contributions, and how to opt out. The same information must also be provided to new hires, Heptig says.

Opt outs

Employees will automatically be enrolled in the program with a deduction of 3% of their wages, but can adjust that or decline to participate, she says.

"Ultimately some workers may need every penny they make and may still opt out of the plan," says Craig Ferrantino, president of Craig James Financial Services LLC in Melville, an investment and retirement planning firm.



Craig Ferrantino, president of Craig James Financial Services LLC in Melville, an investment and retirement planning firm. Credit: Jim Lennon

Still to be answered is how the plans will be made portable, as the legislation called for, since many younger employees nowadays don't often stay at a company for very long

Still, Ferrantino says "it's a great opportunity for employers and employees who thought the process of participating in a retirement plan was complex, noting "here a lot of it is already laid out."

Accardo says she does find smaller firms don't always have retirement plans for employees, adding, "the cost as well as the administration of the plan tends to be the reason why they don't implement one."

The legislation states employers aren't responsible for such aspects as program design, administration, investments or investment performance, minimizing participating employers' liability exposure, she says.

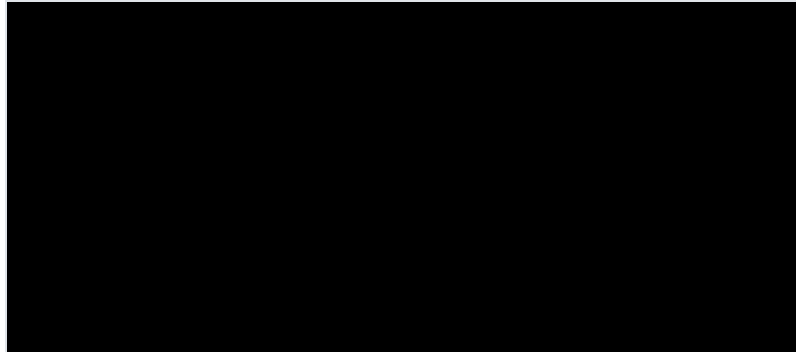
Fast Fact:

Nearly half of employees are concerned with their household's financial well-being, citing saving

for retirement and having savings in case of an emergency as top sources of financial stress.

Source: Employee Benefit Research Institute/Greenwald Research-[2021 Workplace Wellness](#)

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WASHINGTON – October 7, 2021 – The 2021 Workplace Wellness Survey, conducted by the Employee..