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# Illinois Secure Choice Savings Program Act (Passed Jan. 4, 2015)

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# Fact Sheet

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The IL Secure Choice Savings Program Act creates an automatic enrollment payroll deduction IRA. The purpose of the program is to promote increased retirement savings participation for employees in the private sector.

## Is participation mandatory?

- Not for employees. Employees may elect out of participating in the Program.[1]
- Participation is mandatory for employers with 25 or more employees, that have been in business for at least 2 years, and have no established pension plan. There is a $250/employee/year penalty for not setting up auto-enrollment.[2]
- Participation is optional for employers with less than 25 employees.

## Who participates?

- Employees age 18 or over, working in Illinois
- Employers with 25 or more employees
- Employers must set up an auto-enrollment of 3% contribution from employees.[3]

## Who holds the fiduciary duty?

- The Act creates the Illinois Secure Choice Savings Board, Board members, trustee, and agents.[4]
- The Fund is a trust outside of the State Treasury.
- **The Board, the individual members of the Board, appointed trustees, and any other agents engaged/appointed hold fiduciary duties.**
- Employers do not hold fiduciary duty.[5] Their only duty is to deduct the money and forward it to the Savings Board.
- The Board selects and engages the investment manager or State Board of Investment.

[1] Information packets must include information on how employees can opt out of participating. 820 ILL. COMP. STAT. §55 /94-321 (2015). http://www.ilga.gov/legislation/fulltext.asp?DocName=&SessionId=85&GA=98&DocTypeId=SB&DocNum=2758&GAID=12&LegID=78572&SpecSess=&Session=

[2] §85 /94-321 (2015).

[3] *Id.* §60.

[4] *Id.* §25.

[5] Id. §75(a).

## What are the investment options?

- Life-cycle fund with target date. (mandated) (default)
- Conservative principal protection fund (optional)
- Growth fund (optional)
- Secure return fund (optional)
- Annuity fund (optional)

## How are the administrative fees paid?

- The Illinois Secure Choice Administrative Fund is established in the State Treasury. The Fund can receive grant and state money for start-up costs and administrative expenses.
- From the pooled resources (per rata)[6]
- Law restricts the administrative expenses to no more than 0.75% of total trust balance.[7]

## What law governs?

- ERISA is not intended to govern.[8]
- The board must apply for rulings from appropriate bodies to ensure that ERISA does not apply and that the plan complies with IRS IRA requirements.[9]
- Fund must meet the requirements for IRAs under the Internal Revenue Code.[10]
- Program begins within 24 months of signing the bill (January 2017).

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[6] Id. §30(n).
[7] *Id.* §30(m).
[8] *Id.* §59 (8).
[9] Id. §95.
[10] *Id.* §15.