



State Treasurer Michael Frerichs Champions Retirement Savings Improvements

May 28 2021 2:13 PM



SPRINGFIELD – A proposal to expand coverage of the Illinois Secure Choice Retirement Savings Program (Secure Choice) to businesses with at least five employees goes to the Governor for his consideration after receiving bipartisan support in the General Assembly.

Lowering the existing threshold to five employees from 25 in the Secure Choice Savings Program Act was the top priority in this year's legislative agenda for Illinois State Treasurer Michael Frerichs.

“This commonsense change to existing law helps workers save their own money for their retirement while reducing future pressures on state safety net programs,” Frerichs said. “Everyone should have the right to retire with dignity, and with Secure Choice we’re making that possible.”

The House passed HB 117 on April 14th with a vote of 106-02. The Senate passed the bill today 42-15. Representative Will Guzzardi and Senator Robert Martwick were the chief sponsors of HB 117.

“I’m proud to see HB 117 pass the Senate,” Guzzardi said. “It’s time for us to tackle the crisis of retirement savings in Illinois and expanding Secure Choice will make sure more people have the resources they need to retire in comfort and dignity.”

“Everyone should save for retirement, yet far too many are not,” Martwick said. “Secure Choice ensures everyone has the opportunity to save so that they may live their retirement years in dignity. I am proud to have sponsored this legislation and commend Treasurer Frerichs for his dedication to retirement security in Illinois.”

Secure Choice launched in 2018 to address the retirement savings crisis facing our nation. The program requires businesses to either provide a private-sector retirement plan for its workers or enroll in Secure Choice, a state-administered program that provides workers with their own Roth-IRA. Participants are auto-enrolled into age-based Target Date Funds with a default five percent contribution rate. Participants can change their contribution level or fund option, or opt-out of the program altogether, at any time.

Secure Choice is overseen by a seven-person board with Treasurer Frerichs serving as Chair, and is managed by Ascensus, the largest independent recordkeeper and savings facilitator in the United States. Accounts are portable, meaning they can travel with workers if they change jobs. Employers pay nothing to participate and are prohibited from contributing to the accounts. Importantly, investments are held in a trust separate and apart from state government and cannot be swept.

Today, more than 88,000 workers in all 102 counties from over 6,000 companies have saved over \$61 million in Secure Choice.

“AARP Illinois worked hard to support Secure Choice because we know that helping people ages 50 and older to improve their quality of life as they age does not just mean helping people who are near or currently in retirement – it means looking out for those at all stages of their careers who will retire in the future,” said State Director Bob Gallo. “On behalf of our 1.7 million members, we commend Illinois legislators who today took

action to make sure that every worker has a chance to put aside the money they need to take control of their future.”

The urgent need for employment-based retirement savings is clear:

- **15x** - Workers are 15 times more likely to save if they have access to a payroll deduction plan at work.
- **40 percent** - More than 40 percent of all businesses do not offer a retirement plan.
- **90 percent** - One-third of Illinois retirees rely on Social Security for 90 percent of their retirement income.
- **\$19,000** – The average annual Social Security benefit in Illinois is \$19,000.
- **\$5,000** - The median retirement savings for all working-age households is \$5,000.
- **57 million** - Nearly 57 million Americans do not have access to a retirement savings plan at work.

Without adequate savings, far too many workers risk retiring into poverty and becoming reliant on social safety-net programs. Ensuring that workers have an easy and simple way to save for retirement increases the likelihood that they can build a nest-egg to ensure self-sufficiency and peace of mind in their golden years.

The bill makes additional changes, including allowing for automatic contribution increases as part of the default savings option (auto-escalation), and relaxing the enforcement provisions already in statute by providing additional time for compliance and an opportunity for employers to have assessed penalties waived.