

MEMO

To: Members of the House Labor Committee

From: Michigan Retailers Association

Date: April 18, 2024

Subject: MRA opposes the mandatory IRA benefit enrollment plan proposed in HB 5461

Michigan Retailers Association (MRA) is the voice of Michigan's retail industry and represents more than 15,000 stores and ecommerce websites across the state. This memo is to express our concerns and opposition with the proposed state-run Individual Retirement Account (IRA) plan outlined in HB 5461.

The primary concern is the mandatory nature of the proposal in HB 5461. Employers with one or more employees would be required to offer this state-run IRA plan unless they offer a qualifying retirement plan of their own. Employees would be automatically enrolled via payroll deductions at a default or minimum rate set by the Secure Retirement Savings Board unless they opt-out. The contribution made via payroll deduction would automatically increase annually until they reach the maximum rate (not to exceed 15% of the employee's wages).

Imagine a new hire's first day on the job. The new employee often has lots of paperwork and training to complete, meaning this mandatory enrollment could slip under the radar and may not be noticed until they see funds being withheld from their paycheck. Generally, early withdrawal from an IRA prior to age 59½ is subject to being included in gross income plus a 10 percent additional tax penalty from the IRS.

Retailers know their customers and employees best and offer competitive benefits to attract and retain employees. This mandate would require the employer to spend time and energy enrolling employees in a program they may not want or need, when similar programs are readily available on the private market. Many small retail businesses do not have someone with expertise in administering these types of plans or benefits, or who could answer an employee's questions about the proposed plan. It would also subject employers to new civil fines and penalties for failing to auto enroll an employee in the program or failing to remit funds to the program fund within the timeline established by the board.

If the plan were an opt-in vs. an opt-out, the concerns would be less, but it would still create an additional burden for a small retail business to comply with, administer, and understand. MRA and its members believe in offering choice whenever possible to both employees and customers, but a mandatory auto-enrollment IRA program selected by the state, not the employer, restricts choice and is ripe for employee confusion. While encouraging more individuals to save for retirement is a laudable goal, we believe it can be done in less burdensome and confusing ways through education, promoting access to existing private market options and/or making those available to more employers through a pool, or through a direct state-enrolled savings plan, like the Michigan Education Trust Fund model.

For these reasons MRA respectfully opposes HB 5461 and encourages this committee to consider alternatives that involve more direct choice for both employers, employees, and individuals.