



MEMORANDUM

TO: Honorable Members of the Michigan House Committee on Labor

FROM: Leah Robinson, Michigan Chamber of Commerce

SUBJECT: MI Chamber Voices Concerns Regarding Legislation to Mandate Auto Enrollment in Individual Retirement Accounts (HB 5461)

DATE: Sept. 24, 2024

This memorandum is to voice the Michigan Chamber's **strong concerns** to House Bill 5461 (McFall), legislation mandating employers without a retirement savings program automatically enroll employees into a state administered Individual Retirement Account (IRA). The details in this legislation, although well intentioned, need further thought and discussion. Based on member feedback, we urge you to consider and address the unexpected hurdles businesses and employees may face under HB 5461.

- **Employee Choice** – Because employers are responsible for the automatic enrollment of employees into the program and payroll deduction, they will inherently play an intermediary role between the employee and the state administrator, oftentimes without the employee's knowledge that the program is mandated.
 - **Solution:** We suggest allowing an **opt-in approach** versus opt-out, alleviating additional administrative work for employers and providing employees with freedom of choice.
- **Simplicity** – HB 5461 defaults several key decisions to the state board created under the legislation. For example, the automatic deduction percentage could be determined on the front end.
 - **Solution:** We urge the sponsor to consider hammering out more details via legislation to eliminate future unknowns from implementation, rather than deferring to the board.
- **Michigan First** – We want to keep Michigan's money in the Great Lakes State, while simultaneously highlighting and strengthening the incredible businesses that operate here.
 - **Solution:** We urge the inclusion of a preference for Michigan companies to administer this IRA program.
- **Minimum Wage Concerns** – In some cases, HB 5461 would conflict with the federal Fair Labor Standards Act (FLSA), which requires employers to pay employees the minimum wage. Depending on the contribution amount designated by the board, an employee could face a decrease in wages below minimum wage.
 - **Solution:** **Carve out lower wage workers.**

Thank you for your time and consideration of these concerns. Please let me know if you have any questions at (865) 235-9616 or lrobinson@michamber.com.