

New U.S. pension law strengthening retirement savings for workers

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A new U.S. law that aims to strengthen retirement support for workers holds valuable lessons for Canada's retirement system, says one pension consultant.

The *Secure 2.0 Act of 2022*, which was signed into law in December, contains several provisions to enhance the U.S. retirement system and boost retirement savings, including a requirement for plan sponsors to automatically enrol new employees into their workplace retirement plans.

The provision will go a long way to ensure greater participation, says Joe Nunes, executive chairman at Actuarial Solutions Inc. “There are a reasonable percentage of workers that don’t join a plan because it takes effort. When we have auto-enrolment it takes effort to un-enrol, so we end up with higher participation, which is important in the challenge of helping workers generate an adequate retirement income.”

Read: [ACPM renews calls for CAP auto-enrolment, escalation features in Ontario](#)

The law also allows workers to use their student loan payments as a substitute for their contributions to their retirement plans, providing them with matching retirement plan contributions from their employers as they pay off debt. “After you graduate, your first priority is often paying off student loans,” says Nunes. “If that means you’re losing the company matching contribution for being financially responsible, it’s unfortunate. So I think this is a great idea.”

While auto-enrolment and student debt repayment are available through some employers’ workplace programs in Canada, they aren’t yet widespread. The Canadian retirement industry should take note of these provisions and not be afraid to innovate, says Nunes, adding the current retirement system isn’t generating the results that employees need.

“These are ideas that will work. The problem is that people sit back and wait for government to make rules so these ideas can be implemented. There is no reason why an employer can’t make participation in a savings/retirement plan a mandatory requirement for employment and set both employee and employer contributions at a level that are meaningful. The best time to do this is on the first day of work.”

Read: [Nearly 60% of U.S. employers continuing student loan repayment benefits: survey](#)