



Bill would mandate auto-enrollment retirement plans for employers

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Recently introduced House legislation — the [Automatic IRA Act of 2025](#) (HR 6722) — would effectively require most private-sector employers that don't already sponsor a retirement plan either to maintain an "automatic contribution plan" or enroll employees in automatic individual retirement arrangements (IRAs) beginning in 2028. The bill would also direct the Treasury Department to provide guidance enabling automatic IRAs for independent contractors and gig workers. Sponsored by Rep. Richard Neal, D-MA, the bill is similar to a version introduced by Neal in the prior Congress, except that it contains a new provision with special rules for employers who use professional employer organizations (PEOs). While the new measure is unlikely to advance this year in the Republican-controlled House, the bill has support from industry trade groups and could get a boost next year if Democrats win control of the House.

Exceptions for certain sponsors

Although the bill wouldn't technically require auto-enrollment retirement programs, employers that fail to maintain a compliant automatic contribution plan or IRA program in 2028 or later would generally owe a \$10 per employee per day excise tax (indexed for inflation). Exceptions for unintentional failures could cap, reduce or waive the tax. The bill would exempt the following employers from the tax:

- **Pre-enactment plan sponsors.** A broad exception applies to sponsors of qualified retirement plans — including defined contribution (DC) and defined benefit plans — and 403(b) plans, simplified employee pensions (SEPs) and savings incentive match plans for employees of small employers (SIMPLE plans) established on or before the bill's enactment. These plans wouldn't have to include auto-enrollment features or comply with the bill's other substantive requirements.
- **State-mandated auto-IRA participants.** The tax wouldn't apply to employers who automatically enroll employees in state-mandated IRA programs already in existence before 2028.
- **Governmental and church plan sponsors.** The bill would exempt sponsors of governmental or church plans.
- **Small and new businesses.** Businesses employing 10 or fewer employees receiving \$5,000 or more in compensation in the prior calendar year would be exempt from the tax. The bill would also exempt any employer in business less than two years (taking into account any predecessor employer).

Key features of automatic contribution plans

Under the bill, an automatic contribution plan would be a qualified DC, 403(b) or SIMPLE IRA plan with the following features:

- **Eligibility rules.** Eligibility for qualified and 403(b) plans would generally extend to employees aged 21 or older who have completed one year with 1,000 hours of service, as well as long-term part-time workers with 500 hours of service in two consecutive 12-month periods. (Collectively bargained and certain other employees wouldn't have to be covered.)
- **Automatic enrollment and escalation.** Plans would have to automatically enroll eligible employees at a minimum deferral rate of 6% (but no more than 10%) of compensation in the first year, with subsequent annual 1% increases of the minimum rate by 1% a year to 10% (but no more than 15%). Employees could opt out or affirmatively elect a different contribution level.
- **Investment requirement.** Plans would have to invest participant contributions in target-date or life-cycle funds meeting the requirements for qualified default investment alternatives under the Department of Labor (DOL) [regulations](#), unless a participant affirmatively elects other investments.

- **Lifetime income feature required.** Qualified and 403(b) plans would have to offer a lifetime income feature that would let participants with vested accounts exceeding \$200,000 receive at least 50% of their account balance as guaranteed lifetime income. The bill provides that a plan wouldn't violate the Internal Revenue Code's Section [401\(a\)\(4\)](#) nondiscrimination requirements merely because employees with account balances below this threshold aren't offered a lifetime income feature. SIMPLE IRAs would be exempt from this requirement.

Automatic re-enrollment and employer contributions would remain optional

The legislation wouldn't mandate automatic re-enrollment of employees who opt out or elect a lower contribution rate. The bill also doesn't require plans to offer employer contributions.

Application of SECURE 2.0's auto-enrollment requirement

The SECURE 2.0 Act ([Div. T of Pub. L. No. 117-328](#)) requires plans established after Dec. 28, 2022, to offer certain automatic enrollment and investment features, including an eligible automatic contribution arrangement (EACA) with a 30- to 90-day withdrawal feature. The bill doesn't explain how these requirements would apply to automatic contribution plans.

Special rules for PEO customers

Unlike previous versions, the bill includes special rules for employers who contract with PEOs to manage HR, payroll and other administrative functions. The bill would place the obligation for complying with the mandate on the customer rather than the PEO. However, the customer could rely on any compliant automatic contribution plan or IRA program offered by the PEO — including a pre-enactment plan — to satisfy the mandate. The bill also provides that a PEO's eligible small employer customers would qualify for the small employer tax credit (see [below](#)) where the customer relies on the PEO to offer an automatic IRA arrangement.

Automatic IRA alternative

Instead of offering an automatic contribution plan, employers could adopt an automatic IRA with the following features:

- **Automatic enrollment and escalation.** The same default contribution levels that apply to automatic contribution plans would apply to auto-IRA arrangements.

- **Broader eligibility rules.** Employers would generally have to offer an auto-IRA to employees aged 18 and older who have completed three months of service.
- **Default Roth treatment.** Employees could choose to contribute to either a traditional IRA or Roth IRA, but a Roth IRA would be the default unless an employee affirmatively elects otherwise.
- **Designated trustee or custodian.** Employers could select a designated trustee or custodian to receive all employees' IRA contributions. The trustee or custodian would have to be a certified provider identified on a website maintained by the Treasury Department in consultation with a new Automatic IRA Advisory Group. Employers could also (but aren't required to) let employees select a different IRA provider to receive their contributions, including one not on the Treasury Department website.
- **Penalty-free withdrawals in first 90 days.** The 10% early withdrawal penalty on distributions before age 59-1/2 wouldn't apply to an employee's withdrawal of default contributions within 90 days of initial automatic enrollment in the IRA.

Small employer tax credit

A new \$500 per-year tax credit would be available to businesses with up to 100 employees earning \$5,000 or more in compensation. This credit would be available for the first three years the qualifying employer offers an automatic IRA arrangement. This credit would also apply to eligible employers that participate in a mandatory state auto-IRA program. Eligible employers who contract with a PEO to offer an automatic IRA arrangement or participate in a mandatory state auto-IRA program would also qualify for this credit.

ERISA status uncertain

The bill doesn't address whether auto-IRA arrangements facilitated by private-sector employers would be covered by ERISA. Existing DOL [safe-harbor regulations](#) exempt some payroll-deduction IRA programs from ERISA coverage if employees' contribution elections are "completely voluntarily," which precludes automatic enrollment. In 2017, Congress rescinded separate DOL regulations providing an exemption for mandatory auto-IRA programs run by [states](#) and [local government entities](#). However, a federal appeals court later [rejected](#) a challenge to a state-run auto-IRA program, declining to find that those IRAs are ERISA plans.

Auto-IRAs for nonemployees

The bill would require the Treasury Department to issue regulations or guidance for businesses to offer automatic IRAs to independent contractors, gig workers and other nonemployees providing services. These workers typically aren't eligible to participate in a company's retirement plan.

Related resources

Non-Mercer resources

- [HR 6722](#), Automatic IRA Act of 2025 (Congress, Dec. 15, 2025)
- [Press release](#) (Congress, Dec. 15, 2025)
- [Bill summary](#) (Congress, Dec. 15, 2025)

Mercer Law & Policy resources

- [Resources for tracking state and local retirement initiatives](#) (regularly updated)
- [SECURE 2.0's auto-enrollment mandate revs up with IRS proposal](#) (Feb. 11, 2025)
- [Judge finds CalSavers not pre-empted by ERISA](#) (April 2, 2019)
- [Broad 'SECURE 2.0' bill gets overwhelming House approval](#) (April 18, 2022)

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