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RETIREMENT BILLS MULTIPLY IN CONGRESS

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With the springtime thaw, a flood of retirement bills has hit Congress, including a bipartisan Senate package to encourage retirement savings and bicameral Democratic legislation to create federally administered employee savings accounts with mandatory employer contributions.

SENATE FOUR-BILL PACKAGE

Introduced by Sens. Todd Young, R-IN, Cory Booker, D-NJ, Tom Cotton, R-AR, and Doug Jones, D-AL, the Senate package revives earlier proposals to boost savings in a number of ways.

- ***Small Business Employees Retirement Enhancement Act (S 1011).*** This measure would facilitate the creation of "open" multiple employer plans (MEPs), so employers of all sizes could join together to create defined contribution (DC) plans administered by "pooled plan providers." Like several other current proposals, the bill would eliminate the "common nexus" and "one bad apple" rule that now prevent open MEPs. If certain conditions are met, participating employers would be relieved of most fiduciary responsibility, including for selecting and monitoring open MEP providers.

- ***Refund to Rainy Day Savings Act (S 1018).*** Under this bill, the Treasury Department would create a program under which individuals could have 20% of their federal income tax refunds deposited into a government-managed "Rainy Day Fund" for investment. After 180 days, the funds (with interest) would be distributed directly into the taxpayer's bank account. Individuals could take an early distribution any time starting 30 days after the filing date of their federal tax returns. A companion bill (HR 2112) is pending in the House.

- ***Strengthening Financial Security Through Short-Term Savings Act (S 1019).*** This bill would encourage creation of short-term savings accounts connected to qualified automatic contribution arrangements (QACAs) — a safe harbor plan design exempt from certain nondiscrimination testing requirements. The accounts, intended to help employees deal with immediate financial emergencies, would have no minimum balance, and employers could set a maximum balance up to $10,000. Employers sponsoring the accounts would have limited fiduciary responsibilities.

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- ***Retirement Security Flexibility Act of 2019 (S 1020).*** This bill seeks to increase savings by making several changes to the QACA rules. The proposal would increase and restructure required automatic escalation rates and bump up the current 10% cap on contributions to 15%. Every three years, employers would have to automatically reenroll eligible employees who had opted out or who defer less than 3% of their compensation. The measure would also create new a QACA safe harbor for small employers, allowing reduced matching and nonelective contributions if employee deferrals are capped at specified levels.

DEMOCRATIC LAWMAKERS PROPOSE UNIVERSAL ACCOUNTS

In a separate legislative push, Senate and House Democrats teamed up to introduce the Saving for the Future Act (S 1053). Sponsored by Sens. Chris Coons, D-DE, and Amy Klobuchar, D-MN, and Reps. Scott Peters, D-CA, Lucy McBath, D-GA, and Lisa Blunt Rochester, D-DE, the bill would create universal individual accounts financed in part by mandatory employer contributions. An official summary includes these key features:

- ***Mandatory employer contributions.*** Employers would have to contribute a minimum amount to each employee's account for every hour worked. Employer contributions would start at 50 cents an hour, rise to 60 cents per hour after two years and be indexed for wage inflation thereafter.

- ***Federally managed accounts for smaller employers.*** Employers with fewer than 100 employees could take advantage of federally managed "UP" accounts, which would be divided into "UP-Savings" accounts of up to $2,500 for emergency expenses and "UP-Retirement" accounts for excess amounts.

- ***Employer tax credits.*** Smaller employers would benefit from a tax credit equal to 50% of their minimum contributions for the first 15 employees and 25% for the next 15.

- ***Auto-enrollment for employee contributions.*** The bill includes a QACA feature: Employees would be automatically enrolled to contribute 4% of their pay to UP accounts, with contributions automatically increasing over time to 10%. Employees could opt out or choose a different contribution level.

MIXED OUTLOOK FOR PROPOSALS

Legislation to allow open MEPs stands a good chance of enactment this year as part of separate legislation (HR 1994, the Setting Every Community Up for Retirement Enhancement Act) recently approved by a key House committee. While Democrats' bid for universal accounts faces an uphill climb, the other bipartisan proposals could become part of broader retirement reforms being developed by leading House and Senate legislators. Reintroduction of these bills underscores the broad bipartisan support in Congress for addressing retirement security issues.

RELATED RESOURCES

Non-Mercer Resources

- S 1053, Saving for the Future Act (Congress, April 4, 2019)
- Summary of the Saving for the Future Act (Sen. Amy Klobuchar, April 4, 2019)
- S 1011, Small Business Employees Retirement Enhancement Act (Senate, April 3, 2019)
- S 1018 and HR 2112, Refund to Rainy Day Savings Act (Congress, April 3, 2019)
- S 1019, Strengthening Financial Security Through Short-Term Savings Act (Senate, April 3, 2019)
- S 1020, Retirement Security Flexibility Act of 2019 (Senate, April 3, 2019)
- HR 1994, Setting Every Community Up for Retirement Enhancement (SECURE) Act (Congress, March 29, 2019)

Mercer Law & Policy Resources

- Bipartisan Retirement Reforms Pass Key House Panel (April 3, 2019)
- House Lawmakers Revive Broad Set of Retirement Plan Changes (Feb. 8, 2019)
- 2019 Legislative and Regulatory Outlook for Employer-Sponsored Retirement Plans (Feb. 5, 2019)

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