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# Senate bills seek spousal consent for DC plans, expanded saver's credit

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Separate Senate bills would address retirement challenges disproportionately affecting women and expand the existing saver's credit, in part by making the credit refundable and payable directly to workplace savings plans and IRAs. The bills' sponsors include key Senate committee leaders with retirement plan oversight.

## Retirement reform proposals revived in Senate

The [Women's Retirement Protection Act of 2021](#) (S 2446) — offered in the prior Congress and reintroduced July 22 by Sen. Patty Murray, D-WA, and Rep. Lauren Underwood, D-IL — proposes spousal consent for distributions and loans from defined contribution (DC) plans. The bill also would expand access to 401(k) and 403(b) plans for long-term part-time workers, enhance measures to boost women's financial literacy, and provide grants to help certain women obtain retirement benefits after divorce or legal separation. Murray chairs the Senate's Health, Education, Labor and Pensions (HELP) Committee.

On the same day, Senate Finance Committee Chair Ron Wyden, D-OR, reintroduced the [Encouraging Americans to Save Act](#) (S 2452). The bill would replace the currently nonrefundable saver's credit with a matching contribution deposited directly into eligible individuals' workplace savings plans or IRAs. The legislation also includes a COVID-19 recovery bonus credit for certain amounts saved during a five-year period beginning in 2023.

Wyden is expected to push for including his proposal in a developing \$3.5 trillion budget plan that Democrats hope to pass this year — without Republican support — to fund much of President Biden's "human infrastructure" agenda. A similar but less expansive proposal to expand the saver's credit — the [Retirement Security and Savings Act of 2021](#) (S 1770), unveiled in May by Finance Committee members Ben Cardin, D-MD, and Rob Portman, R-OH — is contained in broad bipartisan "SECURE 2.0" legislation. (A House measure ([HR 2913](#)) seeks a comparable expansion of the credit.) Final SECURE 2.0 legislation could eventually incorporate changes to the saver's credit as well as provisions from the Women's Retirement Protection Act, but the outlook for action this year is uncertain.

## Reforms aimed at bolstering women's retirement security

The Women's Retirement Protection Act would make the following reforms intended to help improve women's retirement security:

- **Spousal consent for DC distributions.** The bill would extend spousal consent rules — which currently apply to defined benefit and money purchase plans — to most distributions from DC plans. Exceptions would apply to minimum required distributions, cashouts up to \$5,000, qualified joint-and-survivor or qualified optional survivor annuities, substantially equal periodic payments over the joint lifetimes of a participant and spouse, and certain direct rollovers.
- **DC plan access for long-term part-timers.** Noting that women are almost twice as likely as men to work part time, the bill would require 401(k) and 403(b) plan sponsors to let nonunion part-time workers contribute voluntarily to the plan once they have at least 500 hours of service in two consecutive years (earned after Dec. 31, 2020) and attained age 21. Employers wouldn't have to match those contributions and could exclude those workers from nondiscrimination and top-heavy testing. Sponsors failing to extend access could face fines of up to \$10,000 per worker each year. Current law (the SECURE Act) generally applies this participation requirement to employees with three consecutive years of service. The House's wide-ranging SECURE 2.0 legislation — the [Securing a Strong Retirement Act of 2021](#) (HR 2954) — would also base eligibility on two years of consecutive service.
- **Improving women's financial literacy.** The measure aims to improve women's financial literacy in two ways. First, sales materials for retirement financial products or services would have to include a link to retirement planning resources and tools on the Consumer Financial Protection Bureau's website. Second, Labor Department grants of at least \$250,000 would provide funds for established community-based organizations to develop and implement programs to increase women's financial literacy and retirement planning.
- **Help obtaining QDROs for certain women.** Support for low-income women and survivors of domestic abuse seeking retirement benefits would be provided through financial grants of at least \$250,000 to community-based organizations that can help obtain qualified domestic relations orders (QDROs).

## New tax incentives for retirement savings

The Senate's Encouraging Americans to Save Act takes a broad approach to boosting retirement savings. Here are some of the reforms included in the measure.

**Matching government payments to retirement plans.** A government-provided matching contribution would be directly deposited into the retirement plan accounts of taxpayers eligible for the expanded saver's credit. A match of up to 50% would be available on the first \$2,000 of retirement savings per year for individuals with income up to \$32,500 (\$65,000 for couples). The 50% rate would be phased out for individuals earning over \$10,000 (\$20,000 for a couple). The bill also would provide an additional coronavirus recovery credit equal to 50% of the first \$10,000 in retirement savings made during a five-year period beginning in 2023.

The credit would be available to taxpayers saving in IRAs, private-sector workers enrolled in state and local government-run payroll-reduction IRA programs, and workers contributing to 457(b) governmental, 401(k), or 403(b) plans or making voluntary employee contributions to a defined benefit plan.

**New federal “R-Bond” program.** The Treasury Department would be authorized to create an “R-Bond” program, similar to the myRA (my Retirement Account) program that operated from 2014 to 2018. The new accounts would be set up as no-fee traditional or Roth IRAs and invested exclusively in federally backed savings bonds issued solely for this purpose. The accounts also could receive the new government-provided matching and bonus contributions. Under the new legislation, Treasury would issue rules coordinating R-Bond accounts with state and local government rules governing the enrollment of workers in retirement savings accounts.

**Employer communication duties.** Employers and IRA trustees and issuers would have to include information about the saver's credit and the R-Bond program in communications to participants. The Treasury Department would educate taxpayers on the benefits of both programs.

## Related resources

### Non-Mercer resources

- [S 2446](#), the Women's Retirement Protection Act of 2021 (Congress, July 22, 2021)
- [Press release](#), Underwood, Murray introduce legislation to protect women's retirement security (Rep. Lauren Underwood, July 22, 2021)
- [S 2452](#), the Encouraging Americans to Save Act (Congress, July 22, 2021)
- [Press release and bill summary](#), Wyden, Democrats introduce bill to help working families save for retirement (Senate Finance Committee July 22, 2021)

### Mercer Law & Policy resources

- [Senators revive major bipartisan retirement reform legislation](#) (May 28, 2021)
- [Senate bill boosts PEPs, eases fixes for plans with automatic features](#) (May 24, 2021)
- [Major bipartisan retirement reform bill gets House committee approval](#) (May 6, 2021)

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