What We Will Cover

- SECURE Act
- Portman-Cardin Legislation
- Butch-Lewis Act
- Pension and Budget Integrity Act
- Financial Transaction Taxes
SECURE Act

• Lead sponsors:
  – House Ways & Means Chairman Richie Neal (D-MA, 1st)
  – Ranking Member Kevin Brady (R-TX, 8th)
  – Rep. Ron Kind (D-WI, 3rd)
  – Rep. Mike Kelly (R-PA, 16th)
• Passed House of Representatives [417-3] – May 23, 2019
• Provisions effective 2020 plan year (except open MEPs)
  • ‘Stretch IRA’ revenue raiser = new general 10 year ‘after death’ distribution rule

SECURE Act

• Provisions identical to RESA
  – Creates Pooled Employer Plans (open MEPs)
    • Effective 2021 plan year
  – Extends due date for adopting plans (including DB plans)
  – Increases tax credit for plan start up costs and auto enrollment adoption
  – Safe harbor 401k improvements

SECURE Act

• Provisions identical to RESA
  – Three lifetime income provisions
    • Requires lifetime income disclosure for DC plans
    • Portability of in-plan lifetime income contract
    • Fiduciary safe harbor for lifetime income product selection
DB Provisions in SECURE Act

- Large ER closed plan nondiscrimination testing relief
  - benefits, right, and features relief for closed participant class
  - benefit accrual relief for closed participant class
  - minimum participation requirement relief
- CSEC plan premium relief
  - cooperative and small employer charity plans (as defined in IRC section 414(y))
  - flat-rate premiums reduced to $19 per participant
  - variable-rate premiums reduced to $9 per $1,000 of underfunding vested benefits

SECURE Act

- Provisions in addition to RESA
  - Long-term part-time EEs (500 hours worked in 3 consecutive years) must be eligible to participate in a qualified retirement plan
  - New waiver from additional income tax on distributions used for childbirth or adoption expenses
  - Raising the required minimum distribution date from age 70 1/2 to 72
  - Special minimum funding standards for certain community newspaper DB plans
  - Expansion of 529 plans to cover two new types of education expenses (student loan repayments, apprenticeships)
  - 'Kiddie Tax' fix to 2017 tax bill

SECURE Act – What’s Next?

- SECURE Act is currently pending in the Senate
- At least three Senators have a hold on the bill preventing imminent action
- Potential pathways forward
  1. Congress adds SECURE Act language on to a larger must pass legislative vehicle
  2. Senate passes SECURE Act by unanimous consent
  3. Senate debates and passes SECURE Act on the Senate floor with or without amendments
SECURE Act
How Can You Help?
- ARA has a grassroots advocacy platform for our Members to urge the Senate to pass the SECURE Act now
- Please go to ARAadvocacy.org/issues to learn more and ask your Senator to take action!
- You will also find state level data with the number of ERs, EEs, and part-time EEs that do not have a plan at work

Portman-Cardin
- Retirement Security and Savings Act of 2019 (S.1431)
- 6 “Titles” & 50+ provisions
  - expanding coverage and increasing savings
  - income preservation
  - administrative simplifications
  - DB plan reforms
  - rule harmonization
- Will serve as the base bill for the next round of retirement policy reforms

Portman-Cardin
- New stretch match safe harbor
  - deferrals start at 6% with 1% increase per year to 10% max
  - match = $1 on first 1%, $.50 on next 5%, $.20 on next 4%
  - new small ER credit = 2% of NHCE comp with a limit of 5 year per EE participation
- Expands Saver’s Credit
  - Saver’s Credit refundable if deposited into qualified plan or IRA
  - Income eligibility for 20% Credit increased to $32,500
Portman-Cardin

- Allows ERs to provide matching contributions to a 401(k) plan if EEs make student loan payments
- Allows ERs to provide de minimus financial incentives to EEs for contributing to a 401(k) plan
- New $10k catch-up limit ($5K for SIMPLE) for 60+ year old

DB Provisions in Portman-Cardin

- Aligning use of lookback months to determine interest rates under IRC Section 417(e)(3)
- Corrections of mortality tables under 82 Fed. Reg. 46388 – October 5, 2017
- Cease indexing the PBGC’s single employer variable rate premium
- Extension of transfers of excess pension assets to retiree health accounts until December 31, 2029

Cash Balance Plans

- Section 401 of the Retirement Security and Savings Act:
  - Backloading fix: allows plans that use variable interest crediting rates to use a proxy testing rate for purposes of
    - Nondiscrimination testing
    - IRC Section 415
    - IRC Section 411 testing
  - Proxy rate must be a reasonable projection of plans variable interest crediting rate, with a 6% cap
**Butch-Lewis Act**
- Rehabilitation for Multiemployer Pensions Act (H.R. 397)
- Establishes the Pension Rehabilitation Administration within Treasury
- Authorizes Treasury to issue PRA bonds and use proceeds to make 30-year loans to approved multiemployer plans
- Approved plans:
  - multiemployer plans in “critical and declining” status under IRC section 432(b)(2) and (6)
  - plans with suspended benefits under MPRA
  - insolvent ongoing plans received PBGC assistance
- Loan amount = amount of cash needed to fund the plan’s obligations for the benefits of participants in pay status at the time the loan is made

**Pension and Budget Integrity Act**
- PBGC single employer flat-rate premiums have increased from $30/person in 2006 to $80/per person in 2019
- A need for additional revenue to pay for deficit reduction or unrelated spending drove these increases, not sound pension policy, even though PBGC premiums are not general revenue
- The Pension and Budget Integrity Act (PBIA) (H.R. 4035) would move any future premium increases or decreases “off budget” so Congress would not be tempted use this gimmick again

**Financial Transaction Taxes**
- Introduced legislation imposing a tax on the sales of stocks, bonds, and derivatives
  - Wall Street Tax Act
    - Senator Brian Schatz (D-HI) lead sponsor
  - Inclusive Prosperity Act
    - Senator Bernie Sanders (D-VT) lead sponsor
- Multiple Presidential candidates support an FTT to finance their healthcare proposals
  - Kamala Harris
  - Bernie Sanders
  - Kirsten Gillibrand
- Retirement savings accounts not excluded