

LEGISLATIVE UPDATE:

NEW FEDERAL ACTION ON RETIREMENT PLANS

In order to encourage retirement savings, members of the US Senate and House of Representatives have drafted legislation aimed at reforming some aspects of current retirement plan regulations. Below is a description of bills that are currently being evaluated.

SECURE Act & RESA

On May 23, 2019, the House nearly unanimously passed the SECURE Act in a 417–3 vote. SECURE stands for “Setting Every Community Up for Retirement Enhancement.” This legislation would

- ✦ Increase the tax credit for new plans to \$5,000 (from the current \$500)
- ✦ Give small employers that use automatic enrollment an additional \$500 tax credit
- ✦ Ease rules on multiple employer plans (MEPs), which allow smaller employers to band together to become a larger plan with the goal of creating economies of scale, which may reduce costs and simplify the complexity of plan management per employer
- ✦ Simplify 401(k) safe harbor rules
- ✦ Give long-term part-time workers access to an employer’s 401(k) plan
- ✦ Provide safe harbor rules for defined contribution plan fiduciaries when selecting annuity providers and guaranteed retirement income contracts
- ✦ Extend the required minimum distribution age to 72 from 70.5 (effective only for those who would turn 70.5 after December 31, 2019)

Similar legislation is also being evaluated in the Senate, where it is called RESA, or the Retirement Enhancement and Savings Act. RESA is being discussed by the Senate Finance Committee, where chairman, Senator Charles Grassley stated earlier in May, “I’m hoping that the House will send its version of RESA over to us at some point this month. And I’ll continue to work closely with Senator Wyden and other Committee members to reconcile the differences and get this important bill to the President.”

The Senate Finance Committee heard witness testimony from the Principal Financial Group, the Oregon State Treasurer, the AARP, and the American Benefits Council in support of this legislation.

Federal Retirement Commission Act

While the SECURE Act and RESA have a long list of provisions, the primary intent of the Federal Retirement Commission Act is to create a commission that would review private retirement benefit programs and submit a report to Congress on potential improvements.

The commission would include the Secretaries of Treasury, Labor, and Commerce, two presidential appointees, six Senate appointees, and six House appointees. Its goals would include reviewing private benefit programs in the United States, private retirement coverage (including account balances, investment trends, net returns, costs, and distribution during retirement), societal trends, and retirement programs in other countries.

This proposed legislation harks back to a federal commission during the Jimmy Carter administration, the President's Commission on Pension Policy, which was created by executive order in 1979 to study retirement policies and pensions.

For More Information

BFG will continue to monitor the situation and will provide updates. For more information or assistance, please contact our Corporate Retirement team at **210-745-6393**, toll-free at **1-888-757-2104**, or **CorporateRetirement@BFGonline.com**.



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