

# Legislate<sup>®</sup>

## Key Legislative Developments Affecting Your Human Resources

Volume 07 | Issue 04 | February 1, 2016

## Access to Retirement Savings Plans – In Focus for President Obama and Senate Finance Committee

Last week, the White House announced the framework for President Obama’s retirement savings proposal. Key elements — access and coverage — were also the subject of a Senate Finance Committee hearing held on Thursday and are reflected in new legislation.

**In this issue:** [President’s Retirement Savings Proposal](#) | [Senate Committee Considers Open MEPs](#) | [American Savings Account Act of 2016](#) | [Multiemployer Legislation on the Horizon](#) | [Democratic Party’s Health Care Vision](#) | [Looking Ahead](#)

### President Obama’s Retirement Savings Proposal

President Obama’s 2017 budget proposal is scheduled to be released next month. The White House [announced](#) that it will include provisions to help workers prepare for retirement. Specifically, it will reflect the retirement savings needs of today’s workers who are likely to:

- Have multiple employers during their careers
- Not have a steady stream of income during retirement from a traditional defined benefit pension plan
- Individually bear the risk of preparing for retirement

President Obama’s proposal has many provisions. Two key prongs are designed to increase access and encourage portability.

**Access.** With tens of millions of American workers without access to employer-sponsored plans, the president has called on Congress to enact policies to help them save for retirement. In an effort to achieve universal access to workplace retirement accounts, the president is asking Congress to:

- Permit unrelated companies to join together and participate in multiple employer plans, commonly referred to as “open MEPs”
- Mandate automatic enrollment of workers in IRAs if they do not have access to workplace plans

### Legislative Outlook for 2016 Webinar

In case you missed our January 28 webinar, you can review the [presentation](#) or the [recording](#).

The webinar covers issues for 2016 including federal legislative activity that may impact employee benefit plans and labor and employment-related issues.

- Provide tax credits to encourage small businesses to offer plans and automatically enroll employees in existing plans
- Require employer plans to extend eligibility to long-term, part-time workers (e.g., those employees who have worked at least 500 hours per year for at least three years)

**Portability.** For workers with access to employer-sponsored plans, the proposal aims to simplify the process of moving retirement savings from one employer plan to another. Preservation of savings until retirement, through a reduction of “leakage,” is the goal. The president’s budget proposal is expected to include funding to support the development of models that encourage portability.

**Multiple Employer Plans.** President Obama’s proposal will call upon Congress to enact legislation to unwind the “common bond or nexus” rule under current DOL guidance. This would allow unrelated employers to join in private-sector open MEPs. Furthermore, it will build on previous efforts by the administration to expand coverage with myRA and recent DOL guidance supporting state-based efforts to establish MEPs. All of these options have the potential to serve as cost-effective vehicles to provide employees, as well as independent contractors, access to retirement savings plans.

## Senate Committee on Finance Considers Open MEPs

The Senate Committee on Finance held a [hearing](#) last week to explore opportunities for increasing access to and participation in retirement savings plans. Sen. Orrin Hatch (R-UT) and Sen. Ron Wyden (D-OR) noted that a key

### MEP Risks

The White House indicated that the president’s open MEP proposal will include “significant new safeguards to ensure workers are protected.” The president may recommend Congress change the rules that could cause all the employers in a MEP to be adversely affected if one employer fails to comply with applicable tax-qualification rules. As disqualification and loss of tax exempt status could have draconian consequences, addressing this issue in any legislation will be important to employers.

proposal with bipartisan support is modification of the rules to permit open MEPS. Sen. Wyden released a [statement](#) that he and Sen. Hatch, together with Sen. Sherrod Brown (D-OH) and Senator Bill Nelson (D-FL) are working on bipartisan open MEP legislation that would permit employers without a “common bond” to offer access to a retirement savings plan in a cost effective way. According to testimony given at the hearing, even bolder steps may be needed to solve the savings crisis — perhaps requiring all 401(k) plans to be automatic, pushing saving rates to higher levels, and tightening withdrawal rules. In addition, the committee heard that more needs to be done to provide lifetime income from accumulated savings.

### Part-Time Employees

The president’s proposal for part-time employee coverage is similar to provisions included in the Women’s Pension Protection Act of 2015.

([S. 2110](#) and [H.R. 4235](#)). His proposal may result in this legislation gaining traction and momentum. Our [January 11, 2016](#) and [October 12, 2015](#) issues of *Legislate* provide details on those bills.

## American Savings Account Act of 2016

Sen. Jeff Merkley (D-OR) introduced the American Savings Account Act of 2016 ([S. 2472](#)) last week. Like the president’s retirement savings proposal and other legislation introduced in 2015 (as well as that expected in 2016), Sen. Merkley’s bill is designed to address the gap in access to employer-sponsored retirement savings plans. Under the bill, many employers would be required to automatically enroll employees in a new retirement savings system maintained by the federal government. However, the bill includes provisions to coordinate with state-run retirement programs. For additional background on the emergence of state laws and state-run programs, see our

[December 4, 2015](#) *For Your Information*. For additional information on the bill, please see the [summary](#) and [pamphlet](#) released by Sen. Merkley.

## Multiemployer Legislation on the Horizon

During the Senate Finance Committee Hearing last week, Sen. Hatch noted that he would seek to schedule a hearing to review the procedures for suspending the payment of multiemployer plan accrued benefits. For additional background, please see our [November 30, 2015](#) edition of *Legislate*.

## Democratic Party's Health Care Vision

Earlier this month, Sen. Bernie Sanders provided details for his sweeping health care [proposal](#), calling for universal (government-provided) health care that would be funded by increased taxes. Sen. Nancy Pelosi (D-CA) said, however, that the Democratic Party does not support tax hikes. According to Sen. Pelosi, the party remains “very proud” of the ACA and will continue to embrace it. While there is support for a single-payer system, Sen Pelosi stated “that [the] nation's healthcare system has evolved in a different direction ...and the political conditions are simply not ripe to scrap the existing infrastructure in favor of Medicare-for-all.” Please see our [January 25, 2016](#) *Legislate* for additional information on Sen. Sanders’ proposal.

## Looking Ahead

Although the House remained on recess last week, following a blizzard that blanketed Washington D.C. in almost two feet of snow, House Democrats gathered for a retreat. They discussed their agenda for the remainder of the year. Meanwhile, the House Republicans should release details soon on their proposed path to repeal and replace the Affordable Care Act.

### Authors

Allison R. Klausner, JD  
Marjorie Martin, EA, FSPA, MAAA

### Produced by the Knowledge Resource Center of Xerox HR Consulting

The Knowledge Resource Center is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, surveys, training, and knowledge management. For more information, please contact your account executive or email [fyi@xerox.com](mailto:fyi@xerox.com).

You are welcome to distribute *Legislate*® publications in their entireties. To manage your subscriptions, or to sign up to receive our mailings, visit our [Subscription Center](#).

This publication is for information only and does not constitute legal advice; consult with legal, tax and other advisors before applying this information to your specific situation.