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Key Legislative Developments Affecting Your Human Resources US

Volume 8 | Issue 42 | December 12, 2017

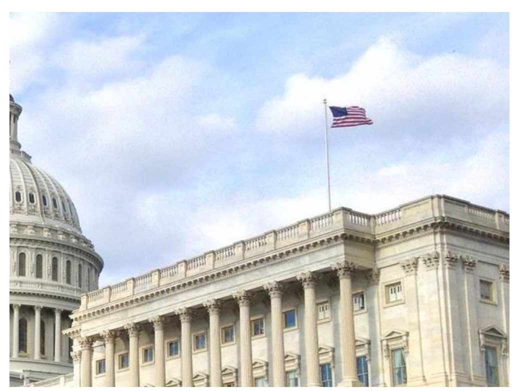
Budget and Tax Law Move Forward; New Bills for Retirement Plans

Congress has plenty to do to earn their holiday break. They have a short extension for dealing with budget reconciliation and a presidential imperative to finish tax reform by Christmas. In the midst of all this excitement, Rep. Neal quietly pushed forward two bills for enhancing employee retirement savings opportunities.

Budget Reconciliation and Proposed Tax Law Changes

The House and Senate averted a government shutdown with a short-term funding bill to keep the lights on until December 22. President Trump signed H.J. Res. 123 into law on Friday. Debates over specific budget line items are likely to dominate the news over the next two weeks until there is a meeting of the minds or an agreement for yet another delay.

Meanwhile, last week the Senate voted to go to conference on the tax bill and named conferees. With both House and Senate participants identified, work can start on ironing out the differences between the tax bills with an objective of getting this work done before Christmas as well. A Joint Committee on Taxation document provides a summary of these differences.



Retirement Plan Legislation Introduced

Two new bills addressing employer retirement plans were introduced by Rep. Richard Neal, D-Mass., on December 1.

H.R. 4523: Automatic Retirement Plan Act of 2017

H.R. 4524: Retirement Plan Simplification and Enhancement Act of 2017

With no Republican support yet, bills from a Democrat sponsor are likely to wither in spite of industry backing for many of the provisions in the bills that would support simplification, multiple employer plans (MEPs), and automatic enrollment.

Automatic Retirement Plan Act of 2017

A plain language summary of the Automatic Retirement Plan Act of 2017 explains that the Act would require most private employers to offer savings plans to all their employees – including part-time employees – with limited exceptions (for example, employees under age 21 and certain seasonal/temporary workers). The plans' default investment option would be determined under DOL regulations and at least 50% of the participant's account would need to be available in a life annuity form. An automatic deferral rate would start at 6% of pay and escalate 1% each year until hitting 10% of pay. Employers currently sponsoring qualified plans would have at least six years of status quo before needing to expand coverage under the Act.

The Act would also bring back "open MEPs" by allowing pooling even without meeting the DOL's commonality rule by using a pooled plan provider. The Act would also address the "one bad apple" rule that threatens a plan's qualification status based on the defects created by individual participating employers and would provide limits on fiduciary responsibility for employers opting to use the plan.

Retirement Plan Simplification and Enhancement Act of 2017

A plain language summary of the Retirement Plan Simplification and Enhancement Act of 2017 explains proposed modifications to automatic enrollment opportunities. The Act would also cover a host of current complexities and glitches that trip up administration and plan adoption and would bring many applicable tax rules up to date. For example, it would incrementally increase the age 70½ required start date for retirement plan and IRA distributions to age 73 by 2029, modify the limits on qualified lifetime annuity contracts, allow employers to not demand repayment of overpayments under EPCRS, and call for the consolidation of savings plan participant notices about automatic contributions, investments and fees.

And it's not all about defined contribution plans. The Act would also create new rules for testing cash balance plans with variable interest rate credits for compliance with accrual rules and 415 limits and would conform the deadline for minimum funding contributions with the due date of corporate returns.

Looking Forward

Stay tuned this month for debates and politicking galore as tax reform races for the finish line. That story should see an end one way or the other by the New Year. The budget will necessarily see action at some point even if federal employees are shut down for the holidays. The Neal bills are another story – they will not go far this year, but select provisions may earn favor in 2018.

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