

MAY 2019

The House and Senate have Both Introduced Significant Retirement Legislation

The Setting Every Community Up for Retirement Enhancement Act of 2019 (the SECURE Act) is currently on the House floor and includes many of the innovative provisions from the always-a-bridesmaid Retirement Enhancement and Savings Act (RESA). The primary focus of both pieces of legislation is to encourage more retirement saving and to streamline administration.

ENCOURAGE MORE SAVINGS

Some of the provisions promoting more savings include:

- Increasing the auto-enrollment safe harbor cap from 10% to 15%,
- Allowing safe harbor amendments later than 30 days before the start of the plan year, and as late as the end of the current plan year, with a minimum of a 4% non-elective contribution (instead of 3%),
- Providing small employer plan start-up credits and additional automatic enrollment credits for plan sponsors of new 401(k) plans and SIMPLE IRA plans,
- Making previously excludable compensation for certain healthcare workers and graduate and postdoctoral students eligible compensation in 401(k) plans and/or IRAs,
- Improving the portability of Lifetime Income Options, and
- Allowing part-time workers to participate in the 401(k) plan but still be excluded for non-discrimination testing.

STREAMLINE ADMINISTRATION

Some of the provisions that attempt to simplify plan administration include:

- Eliminating the 401(k) safe harbor notice requirement,
- Consolidating annual Form 5500 reporting for similar DC plans, and
- Providing more favorable treatment of custodial accounts on the termination of a 403(b) plan

OTHER NOTABLE FEATURES

Some other notable provisions include:

- Allowing an employee working beyond age 70½ to continue contributing to an IRA,
- Increasing the required beginning date for mandatory distributions from age 70½ to 72,
- Providing more favorable defined benefit funding requirements for newspaper organizations,
- Requiring disclosure of a life annuity projection with annual DC plan statements, and
- Clarifying rules for individuals that may be covered by church controlled organizations.

If you would like a more thorough explanation of the two pieces of legislation or want to understand better how this legislation might impact your organization, please contact Jim Ritchie at 443-573-3924.