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PENSION ISSUES

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U.S. House Passes Bipartisan Retirement Legislation

The U.S. House of Representatives passed a bill today that would make significant changes to the U.S. retirement system. The *Setting Every Community Up for Retirement Enhancement Act* (SECURE Act), passed with nearly unanimous support across party lines, in a vote of 417-3. The legislation now goes to the U.S. Senate for consideration in that chamber.

The SECURE Act would make a number of changes to employer-sponsored retirement plans and individual retirement accounts (IRAs), including, among others:

- Raising the minimum age for required minimum distributions from retirement savings plans from 70 ½ to 72;
- Increasing the cap on the default contribution rate for employers with automatic enrollment plans from 10 percent to 15 percent after the first year of an employee's enrollment;
- Eliminating a requirement for employers to share a common industry in order to form a multiple employer plan (MEP);
- Eliminating a provision in current law disqualifying MEPs in which one employer fails to meet requirements;
- Providing for the distribution of assets from terminated 403(b) plans;
- Allowing part-time workers to become eligible for enrollment in 401(k) plans following one year of service with at least 1,000 hours worked or at least 3 years of service with at least 500 hours;
- Allowing participants to withdraw up to $5,000 without penalty from any employer-sponsored plan or IRA, and exempting repayment of the withdrawn funds from taxation;
- Providing pension funding relief to qualified family-owned, independent newspapers;
- Allowing home health care workers with tax-exempt "difficulty of care" compensation to contribute to employer-sponsored plans or IRAs; and
- Requiring designated beneficiaries of IRAs to withdraw all plan assets within 10 years of the death of the account holder (within five years for nondesignated beneficiaries).

According to an estimate by the Joint Committee on Taxation, the SECURE Act would cost a net total of $389 million over the next decade.

If you have any questions regarding this ***Academy Alert***, please contact Monica Konaté, pension policy analyst (konate@actuary.org; 202-785-7868).