
\$100 million for retirement pilot programs in Obama budget proposal

By Editorial Staff Thu, Jan 28, 2016

Certain pilots are expected to study "auto-portability"--the automatic transfer of small accounts from one 401k to another when people change jobs--and, potentially, help make it a standard feature of the defined contribution system.

The management of Retirement Clearinghouse, LLC, a Charlotte-based technology company, has spent more than a year promoting automatic, electronic 401(k)-to-401(k) transfers of small account balances for job changers, for which it built, operates and markets a proprietary platform.

Efforts in that area got a presidential endorsement this week boost when President Obama unveiled his fiscal 2017 budget, which included funding for pilot programs to test "auto-portability" concepts.

The 2017 budget package "will propose a \$100 million grant pilot program to determine how best to reach self-employed or those with stop-and-start work patterns, as well as a pilot program to encourage states to develop their own private-sector programs to increase access," *Pensions & Investments* reported this week.

Retirement Clearinghouse said that it is not in line for any federal funding, which is expected to be directed to non-profit groups. But executives said that the pilots could raise public awareness of auto-portability and, potentially, help make it a standard feature of the defined contribution system.

By preventing the cash-outs of small accounts that often occur when plan participants change jobs, such programs could reduce "leakage" from retirement savings plans. A significant number of participants lose track of their accounts when they change jobs.

Under the Retirement Clearinghouse program, accounts worth \$5,000 or less are automatically moved to a "safe harbor" (regulation-compliant) rollover IRA at Retirement Clearinghouse when participants leave a plan without taking action on their accounts. If and when the employee enrolls in another 401(k) plan, the money transfers to that plan.

Retirement Clearinghouse is majority-owned by Robert L. Johnson, founder of Black Entertainment Television, and led by CEO Spencer Williams, a former MassMutual executive. Beginning in 2014, they have talked to officials at the Labor and Treasury Departments, legislators, industry associations, financial services companies and plan

sponsors about the ability of their product to contribute to the public policy goal of reducing leakage and promoting retirement security.

In a press release, Johnson thanked “the bicameral group of Congressional members, led by Senator Patty Murray (D-Wash.), who in November urged the Employee Benefits Security Administration to issue guidance on auto portability for employers.”

According to the release:

“Retirement Clearinghouse has been working with the Departments of Labor and Treasury, legislators on Capitol Hill, industry associations, financial services companies and plan sponsors to deliver portability solutions to large and small employer, said Spencer Williams, President and CEO of Retirement Clearinghouse.

“Beginning in 2014, Retirement Clearinghouse has been engaged in an open and collaborative dialogue with a group of the largest retirement services providers about implementing, on a national scale, a utility model which has all the elements of a cooperative structure, enabling workers to seamlessly and automatically move their 401(k) accounts from employer to employer—through a safe harbor IRA—when they change jobs. Through its experience in the field, and guided by feedback from key stakeholders, Retirement Clearinghouse has come to understand that such a structure provides the most benefit to participants, plan sponsors, retirement service providers and other stakeholders in the U.S. retirement system.

Funding for auto-portability pilot programs was one of several retirement-related efforts in the President’s proposed budget, which must be approved by the Republican-led Congress. The budget also included “new rules that would make it easier for small businesses to join together to form 401(k) retirement plans for their workers, even if the businesses are in different industries.”