Retirement Income JOURNAL

Bill to offer state DC plan to non-profit workers passes in Massachusetts

By Editor Test *Wed, Nov 9, 2011*

But one observer suggested that extending coverage beyond state employees will be problematic, because of inconsistencies in state and federal pension regulations.

Legislation passed last week in the Massachusetts House of Representatives would allow the state treasurer's office to offer a tax-deferred retirement savings plan to employees of nonprofit organizations, according to local press reports.

The House passed the bill 145 to 7. The bill, H. 3754, is now headed to the Senate and, if approved there, to Governor Deval Patrick.

"Many nonprofits work hard to provide health care and human services, and many other valuable services, but don't have the resources to offer a retirement plan for their hard-working staff, who likely not make significant pay," said Gailanne M. Cariddi, a North Adams Democrat.

"This is will be rewarding for nonprofit employees, as it should be, and it will likely mean greater worker retention in those areas. I'm hoping the Senate will favor the bill as well."

Some 14% of workers, nearly a half-million, are employed by nonprofits in Massachusetts.
The retirement savings plan that the Treasury is aspiring to create would be similar to a 401(k) or a 403(b). The plan that will be established for NPOs will deduct pre-tax dollars from an employee's paycheck and invest them in a tax deferred market portfolio. The treasurer's office would administer the participant-funded plan at no cost to taxpayers.

House Speaker Robert A. DeLeo said, "these NPOs provide critical services for a wide-ranging demographic. The passage of this bill sends the message that our government cares about these groups and the people they help."
Pending final passage of this bill, the Treasury plans to work with the Internal Revenue Service to establish a retirement savings program that would be made available to all of the non-profit organizations in the state.

But an unidentified citizen commented on one website, "Unless they can get Congress to overturn 37 years of ERISA protection for qualified plans, it won't work. Governmental plans are exempt from ERISA. Plans that cover non-governmental employees are covered by ERISA. They certainly won't be able to administer the new plan they want correctly since the state has zero experience complying with ERISA."