Flash: House passes major retirement bill

By Editorial Staff *Thu, May 23, 2019*

The Secure Act (H.R. 1994), which provides for "open multiple employer plans" and reduced liability for employers who want to add annuities to their retirement plans, passed by a lop-sided vote of 417 to 3 this morning.

The U.S. House of Representatives today passed the SECURE Act (H.R. 1994), a retirement policy reform bill supported by Democrats, Republicans, and many advocacy groups, including the Insured Retirement Institute (IRI) and the American Council of Life Insurers (ACLI).

The bipartisan vote was 417 for and three against, with Representatives Thomas Massie (R-KY), Chip Roy (R-TX), and Justin Amash (R-MI) voting against.

The bill will eventually be merged with a similar Senate bill, the Retirement Enhancement and Savings Act (S. 972), which has already been passed by the Senate Finance committee. The bills are not controversial and the final legislation is said to have a good chance of becoming law, even in these politically polarized times.

Wayne Chopus, president of the IRI, a major lobbyist for the annuity industry, said in a release, “Americans face a retirement crisis of too little savings amplified by existing barriers that discourage and hamper the ability of small employers to offer a workplace retirement plan.”

The SECURE Act (Setting Every Community Up for Retirement Act, H.R. 1994), is intended, among other things, to help close the gap in the availability of workplace retirement plans at millions of small U.S. companies. At any given time, only about half of full-time workers in the U.S.—many of them low-paid and minority workers—don’t have access to plans because their employers don’t offer one.

Elements of the SECURE Act are aimed at remedying that problem. The bill would allow employers, along with dozens or hundreds of other employers, to join large 401(k) plans, known as “open multiple-employer plans,” that will be created by retirement plan service providers—much the way employers currently join large health plans.

Individual states such as Oregon, California and others are sponsoring state-run, low-cost Roth IRA programs for employees at small businesses as another way to close the coverage gap. It remains to be seen whether the state-specific public plans or the open multiple-employer plans will revolutionize the small company retirement plan market, or if the coverage gap will simply persist.

The bill, whose content was based on an earlier Senate bill called RESA (see below), is also aimed at reducing the legal liabilities that are said to discourage employers of all sizes from offering annuity products within the context of their plan investment options.

In addition, the measure requires retirement plans to provide participating workers with an illustration of how much monthly income their current or projected retirement savings account balance might deliver. Additionally, the bill raises the age to begin required minimum distributions from retirement accounts from 70½ to 72.

The House action was led by Rep. Richard Neal (D-Mass.), chairman of the House Ways and Means Committee, and the Committee's Ranking Member, Rep. Kevin Brady (R-Texas). Rep. Ron Kind (D-Minn.) and Rep. Mike Kelly (R-Penn.) also have also supported retirement security legislation.

The Senate has a similar bill under consideration that shares a number of the same provisions as the House-passed legislation. Retired Sen. Orrin Hatch (R-UT) introduced RESA (the Retirement Enhancement and Savings Act, S. 972) several years ago, reportedly in response to energetic lobbying by the ACLI, but the bill was punted from session to session until this year. The Senate Committee on Finance unanimously approved its latest version.