



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

CO-CHAIRS: STATE COMPTROLLER KEVIN LEMBO & STATE TREASURER DENISE L. NAPPIER

Staff Report to CRSB

Re: Update on Federal Initiatives

February 4, 2015 CRSB Meeting

A number of bills have been submitted in Congress and the President announced his retirement savings initiative in his State of the Union Address on January 20, 2015.

Proposed Federal Bills:

H.R.506 –

To amend the Internal Revenue Code of 1986 to expand personal saving and retirement savings coverage by enabling employees not covered by qualifying retirement plans to save for retirement through automatic IRA arrangements, and for other purposes.

Sponsor:

Rep. Neal, Richard E. [D-MA-1] (Introduced 01/22/2015)

Committees:

House - Education and the Workforce; Ways and Means

S.245 –

A bill to amend the Internal Revenue Code of 1986 to expand personal saving and retirement savings coverage by enabling employees not covered by qualifying retirement plans to save for retirement through automatic IRA arrangements, and for other purposes.

Sponsor:

Sen. Whitehouse, Sheldon [D-RI] (Introduced 01/22/2015)

Committees:

Senate - Finance



H.R.557 –

To amend the Internal Revenue Code of 1986 to modify safe harbor requirements applicable to automatic contribution arrangements, and for other purposes.

Sponsor:

Rep. Buchanan, Vern [R-FL-16] (Introduced 01/27/2015)

Committees:

House - Education and the Workforce; Ways and Means

S.266 –

A bill to amend the Internal Revenue Code of 1986 to modify safe harbor requirements applicable to automatic contribution arrangements, and for other purposes.

Sponsor:

Sen. Collins, Susan M. [R-ME] (Introduced 01/27/2015)

Committees:

Senate - Finance

The President's Proposals:

President Obama proposed in his State of the Union Address giving 30 million additional workers access to a workplace retirement savings plan to complement the President's "myRA" starter savings vehicle. The President's proposal to boost savings for middle-class workers would be paid for by closing retirement tax loopholes for the wealthy. The President's retirement tax reform plan would:

- Automatically enroll Americans without access to a workplace retirement plan in an IRA. Under the proposal, every employer with more than 10 employees that does not currently offer a retirement plan would be required to automatically enroll their workers in an IRA. Auto-IRAs would let workers opt out of saving if they choose but would also let them start saving without sorting through a host of complex options. Auto-IRA proposals have been endorsed by independent scholars across the ideological spectrum, including those affiliated with AARP, the Brookings Institution and the Heritage Foundation.



- Provide tax cuts for auto-IRA adoption, as well as for businesses that choose to offer employer plans or switch to auto-enrollment. To minimize the burden on small businesses, the President's auto-IRA proposal would provide any employer with 100 or fewer employees who offers an auto-IRA a \$3,000 tax credit. The President also proposes to triple the existing "start up" credit, so small employers who newly offer a retirement plan would receive a \$4,500 tax credit – more than enough to offset administrative expenses. And because auto-enrollment is the most effective way to ensure workers with access to a plan participate, small employers who already offer a plan and add auto-enrollment would get an additional \$1,500 tax credit.
- Ensure long-term, part-time workers can contribute to their employer's retirement plan. Only 37 percent of part-time workers have access to a workplace retirement plan. That's partly because employers offering retirement plans are allowed to exclude employees who work less than 1,000 hours per year, no matter how long they've worked for the employer. The President proposes to expand access for part-time workers by requiring employers who offer plans to permit employees who have worked for the employer for at least 500 hours per year for 3 years or more to make voluntary contributions to the plan.
- Prevent wealthy individuals from using loopholes to accumulate huge amounts of tax-favored retirement benefits. Tax-preferred retirement plans are intended to help working families save for retirement. But loopholes in the tax system have let some wealthy individuals convert tax-preferred retirement accounts into tax shelters, including 300 extraordinarily wealthy individuals who have accumulated more than \$25 million each in IRAs. The President's plan would prohibit contributions to and accruals of additional benefits in tax-preferred retirement plans and IRAs once balances are about \$3.4 million, enough to provide an annual income of \$210,000 in retirement.

More information can be found at:

http://content.govdelivery.com/attachments/USEOPWHPO/2015/01/17/file_attachments/356770/FactSheet.pdf