
# 2022 FEDERAL RETIREMENT SECURITY BLUEPRINT

## EXPAND RETIREMENT SAVINGS

### REQUIRE EMPLOYERS TO OFFER RETIREMENT PLANS FOR WORKERS

Most of America's workers are not saving enough for retirement because they do not have access to employment-based retirement savings plans. To provide workers with more opportunities to increase their retirement savings, **Congress should enact legislation such as Title XII, Committee on Ways and Means, Subtitle B, Part 1, Automatic Contribution Plans and Arrangements included in the *"Build Back Better Act"*** (H.R.5376-117th Congress). This measure would generally require all but the smallest of employers to maintain an automatic retirement savings plan, into which employees would be automatically enrolled with the ability to opt out. The measure also would require automatic retirement plans to offer participants who have a retirement account balance of $200,000 or more a choice to take a distribution up to 50 percent of their vested balance in a protected lifetime income product. This measure would help address many of America's workers' anxiety about outliving their retirement savings.

### REFORM THE REQUIRED MINIMUM DISTRIBUTION (RMD) RULE

Workers and retirees in America today face an increased risk of outliving retirement assets because of longer lifespans. For a married couple at age 65, there is a 73 percent chance of at least one spouse living to age 90 and a 33 percent chance of at least one spouse living to 92. Current law requires that workers and retirees begin taking a Required Minimum Distribution (RMD) when they reach the age of 72. The enactment of the *Setting Every Community Up for Retirement Enhancement Act* (Public Law 116-94) in 2019 raised the RMD age to 72 from 70½ (where it had been set in 1962 when life expectancies were considerably shorter than they are today). To allow workers and retirees to keep their savings in tax-deferred retirement accounts longer, **Congress should enact legislation such as the "*Retirement Security and Savings Act of 2020*"** (S.1770-117th Congress) **or the "*Securing a Strong Retirement Act of 2021*"** (H.R.2954-117th Congress)**, to further increase the RMD age from 72 to at least 75, update the mortality tables to reflect longer life expectancies, and modify RMD rules to exempt certain annuity benefits and payments from the minimum income threshold test.**

## AUTHORIZE THE FORMATION OF 403(B) POOLED EMPLOYER PLANS (PEPS)

Many 501(c)(3) nonprofits, public educational organizations, and religious institutions face financial and administrative challenges, as well as legal risks, when seeking to offer employees a retirement plan such as a 403(b) plan. As a result, many do not offer a retirement plan to their employees. Nonprofits, public schools, and religious institutions would be far more likely to offer retirement plans for their employees if they can band together to achieve economies of scale and delegate responsibility for sponsoring the plan to a professional plan fiduciary. **Congress should enact legislation such as the "*Securing a Strong Retirement Act of 2021*"** (H.R. 2954 - 117th Congress)**, the "*Retirement Improvement and Savings Enhancement Act*"** (H.R. 5891-117th Congress)**, or the "*Improving Access to Retirement Savings Act*"** (S.1703-117th Congress) **to allow for the formation of 403(b) PEPs for employees of 501(c)(3) nonprofits, public educational organizations, or/and religious institutions.**

## CLARIFY THE ELIGIBILITY PERIOD OF THE RETIREMENT PLAN START-UP TAX CREDIT FOR SMALL EMPLOYERS WHO JOIN MEPS OR PEPS

The enhanced tax credit available to small employers when establishing a retirement plan for their employees has successfully expanded access for more small businesses to offer a retirement plan by joining a Multiple Employer Plan (MEP) or Pooled Employer Plan (PEP). While these improvements will help facilitate small businesses' starting and offering retirement savings plans for their employees, the start-up credit is not available to a small business joining a MEP or PEP after the plan's first three years of operation. **Congress should enact legislation such as the "*Securing a Strong Retirement Act*"** (H.R.2954-117th Congress) **or the "*Improving Access to Retirement Savings Act*"** (S.1703-117th Congress) **to clarify that the three-year start-up credit will apply to small businesses for three years from the time the small business joins the MEP or PEP and not from the time the plan begins operations.** Clarifying this tax credit would encourage more small businesses to offer a retirement plan and facilitate greater use of MEPs and PEPs as the means to provide employees with a workplace retirement plan.

## ENHANCE RETIREMENT PLAN FEATURES BY REQUIRING NEW PLANS TO OFFER AUTOMATIC ENROLLMENT AND INCREASE AUTOMATIC CONTRIBUTION RATES

Automatic enrollment in an employer-provided workplace retirement plan has proven to be an extremely effective tool for encouraging workers to save for retirement. Studies have shown that plans with automatic enrollment features increase employee participation rates at least 10 percentage points, from 67 percent participation in plans without automatic enrollment to 77 percent. Additionally, according to the National Bureau of Economic Research, employer matching contributions have shown an increased likelihood that an employee will participate in a retirement plan by up to 50 percent. Current law does not require plans to automatically enroll all participants but does provide that if a plan offers automatic enrollment, a default rate of 3 percent is set for participants without requiring an employer match. To provide workers with more opportunities to save for retirement during their working years, **Congress should enact legislation such as the "*Securing a Strong Retirement Act of 2021*"** (H.R.2954-117th Congress)**, which includes a measure to generally require all-new 401(k) and 403(b) plans to enroll a participant automatically and automatically increase participant contribution rates annually up to at least 10% while allowing for participants to opt-out of participation or elect a different rate of contribution. In addition, Congress should enact legislation, such as the "*Retirement Security and Savings Act*"** (S.1770-117th Congress) **to increase the automatic enrollment minimum default contribution level to 6 percent with contributions escalating one percent per year, for four years up to 10 percent, with corresponding employer matching contributions.**

## HELP EMPLOYEES SAVE FOR RETIREMENT WHILE REPAYING STUDENT LOANS

Student loan debt is a significant challenge for workers trying to manage competing financial priorities, including saving for their retirement through workplace plans. Research has shown individuals who carry student loan debt have lower workplace retirement balances than those who do not. As a result, student loan debt is impacting the ability of workers to save for their retirement. To better position America's workers who have incurred student loan debt to start building their retirement nest eggs, **Congress should enact the "*Retirement Parity for Student Loans Act*"** (S.1443/H.R.2917-117th Congress)**, the "*Retirement Security and Savings Act*"** (S.1770- 117th Congress)**, or the "*Securing a Strong Retirement Act*"** (H.R.2954-117th Congress)**, to help workers who cannot afford to both save for retirement and pay off their student loan debt.** These bills would allow employers to make matching contributions into employees' retirement accounts based on the workers' student loan payments. **Congress should also enact the "*Employer Participation in Repayment Act*"** (S.460/H.R.1043-116th Congress)**, which would expand the existing exemption from an employee's income to the employer-provided education assistance allowed under Section 127 of the Internal Revenue Code to pay for student loans as well as tuition.** The exemption, enacted into law as part of the *CARES Act* (Public Law 116-136, Section 2206), provides that employees need not treat amounts paid by their employer for tuition payments made before January 1, 2021, as income under the Code. This bill would make this exclusion permanent. These are voluntary benefits that some employers elect to provide to help workers build their retirement savings while paying down their student loan debt and cannot afford to make contributions into a retirement savings plan.

## INCREASE THE CATCH-UP CONTRIBUTION LIMITS FOR BABY BOOMERS AND ALLOW CATCH-UP CONTRIBUTIONS FOR QUALIFIED CAREGIVERS

Current law allows employees aged 50 or more to make catch-up contributions to plans up to a dollar limit set by the Internal Revenue Service each calendar year. However, research conducted by IRI revealed retirement anxiety is growing among Baby Boomers. It showed many Baby Boomers have little to no savings (45 percent have zero retirement savings) for their golden years, forcing many Baby Boomers to postpone retirement. In addition, many workers leave the workforce, often for multiple years, to provide full-time care to a dependent family member, eliminating their earned income and their ability to participate in an employer-sponsored retirement savings plan. When these workers return to the workforce, they should have the opportunity to make catch-up contributions to their retirement accounts to achieve a financially secure retirement without extending their time in the workforce. **To help encourage Baby Boomers to save more, Congress should enact the "*Retirement Savings and Security Act*"** (S.1770-117th Congress) **or the "*Securing a Strong Retirement Act"*** (H.R.2954-117th Congress) **to provide a higher catch-up contribution dollar limit for workers who reached age 60. Congress should also enact the "*Expanding Access to Retirement Savings for Family Caregivers Act*"** (H.R.3078-116th Congress)**, which would allow qualified caregivers the ability to make catch-up contributions for a period equal to their time spent as a caregiver in years before reaching age 50.**

## EXPAND OPPORTUNITIES FOR MILITARY SPOUSES AND MEMBERS OF THE READY RESERVE TO MAXIMIZE THEIR RETIREMENT SAVINGS

Military spouses frequently relocate due to their spouses' assignment to new posts. Because of these moves, military spouses also change jobs frequently, making it more challenging to participate in a workplace plan and accumulate savings for retirement. **To help military spouses expand their opportunities to save for retirement, Congress should enact the "*Securing a Strong Retirement Act*"** (H.R.2954-117th Congress), **which provides employers a tax credit if they enroll a military spouse into a workplace retirement savings plan within two months of their hiring.** This tax credit will encourage more employers to offer military spouses access to an employer-sponsored retirement savings account and goes a long way towards ensuring military spouses have more opportunities to build a retirement nest egg. In addition to helping the spouses of those who serve in our armed forces, **Congress should pass legislation such as the "*Servicemember Retirement Improvement Act*"** (S.492-115th Congress/H.R.905-116th Congress)**, which would address an issue created by changes to the Department of Defense (DOD) retirement system to reduce the amount of guaranteed retirement pay for members of the ready reserves.** In return for the reduction, the DOD agreed to establish individual retirement accounts for members of the reserves. For this new system to work, an individual would need to make the maximum contribution to the DOD sponsored IRA. However, if the individual already contributes to an employer-sponsored IRA, they would only be able to contribute the maximum amount allowed by law into one of their IRAs. The bill would enable members of thereadу reserves to maximize their retirement savings by allowing contributions of the maximum amount under the law to both their DOD and employer sponsored IRAs.

## OFFER WORKPLACE RETIREMENT PLANS TO EMPLOYEES OF LEGAL CANNABIS BUSINESSES

The *Controlled Substance Act* (Public Law 91-513) does not provide adequate certainty and clarity to facilitate and encourage the offering of retirement plans and individual retirement accounts to workers at legally operating cannabis companies. Without certainty and clarity, plan providers are concerned about the risk of violating anti-money laundering laws if they offer retirement plans for employees of a business that engages in illegal activities under federal law, even if those activities are legal under state law. As more states pursue and enact laws to legalize cannabis, the industry's workforce will likely continue to grow. **To provide opportunities to workers in the cannabis industry to save for retirement at their workplace, Congress should enact legislation such as the "*Secure and Fair Enforcement Banking Act*"** (S.910/H.R.1996-117th Congress)**, which would provide protection and insulation from liability for both participants in and institutions offering and administering retirement plans or individual retirement accounts for the employees of cannabis companies who are regulated and licensed by a state.**

## PROVIDE OPPORTUNITIES TO ACCUMULATE OR ACCESS EMERGENCY SAVINGS WHILE ENSURING RETIREMENT SAVINGS ARE MAINTAINED

Workers and retirees are chronically under-saved, not just for their retirements but also for short- term expenses and emergencies. According to several studies, fewer than 4 in 10 Americans have the savings to cover a $1,000 emergency cost. Further, 35 percent of Americans report having less savings now than before the onset of the COVID-19 pandemic. To help America's workers and retirees save more for both near and long-term expenses, **Congress should examine the existing retirement plan distribution regulatory structure to find ways that could allow workers and retirees to either access their retirement savings or accumulate savings outside or in conjunction with their retirement savings to address a short-term financial emergency.** If changes are made to the existing retirement plan distribution structure to provide for the accumulation or access to savings in the case of an emergency, **Congress should also allow, subject to applicable plan rules and contracts, the amount withdrawn from the retirement account to be repaid within a time frame that reduces the chances of any long-term leakage from an individual's retirement savings account.**