



Federal Legislative & Regulatory Report

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SECURE Act becomes law, other retirement plan changes

On December 20, the President signed into law the Setting Every Community Up for Retirement Enhancement (SECURE) Act as part of [H.R. 1865](#), the Further Consolidated Appropriations Act of 2020, which is one of two bills to fund the government through September 2020. SECURE was included in full, as passed by the House earlier this year.

The SECURE Act marks the most significant changes to the retirement system in over a decade. Among the changes are provisions facilitating open multiple employer plans, lifetime income disclosure, annuity portability, and changes to the age at which required minimum distributions (RMDs) must begin. Most of the bill's provisions are scheduled to become effective on January 1, 2020.

Separate from SECURE, the spending bill contains another important retirement provision that was included in order to partially pay for providing pension and health care relief to miners. Under current law, in-service distributions from a 401(k) or 403(b) plan may be permitted at age 59½ (or earlier under specific circumstances, such as hardship). In defined benefit plans, in-service distributions may in all cases be permitted at age 62. In 457(b) plans, in-service distributions may be permitted at age 70½. The bill modifies the law to allow in-service distributions at age 59½ for defined benefit plans and governmental 457(b) plans.

The spending bill also includes special disaster-related rules for the use of retirement funds. The provision provides an exception to the 10 percent early retirement plan withdrawal penalty for qualified disaster relief distributions (not to exceed \$100,000 in qualified hurricane distributions cumulatively). It allows for the recontribution of retirement plan withdrawals for home purchases

canceled due to eligible disasters and provides flexibility for loans from retirement plans for qualified hurricane relief.

Flurry of retirement security bill activity to end the year

As the year drew to a close, several bills that impact the retirement system advanced after flying under the radar while the focus remained on the SECURE Act. Although more large-scale changes such as those provided by the SECURE Act are unlikely in the near term, these proposals could receive more attention going forward.

H.R. 5306, the Know Your Social Security Act

On December 11, the House Ways and Means Committee passed [H.R. 5306](#), the Know Your Social Security Act, sponsored by Rep. John Larson (D-CT) and Vern Buchanan (R-FL). The bill would require the Social Security Administration to mail annual earnings statements to everyone who pays into the program.

Annual statements will include information such as how much a worker has earned in a given year, a worker's contributions to both Social Security and Medicare, and an estimate of the worker's Social Security benefit at full retirement age.

The bill is expected to receive a full vote in the House, but — like most legislation — the path forward in the Senate is less clear. Currently, there is no companion bill in the Senate.

S. 2962, the Higher Education Loan Payment and Enhanced Retirement (HELPER) Act

On December 2, Sen. Rand Paul (R-KY) introduced [S. 2962](#), the Higher Education Loan Payment and Enhanced Retirement (HELPER) Act. The bill allows individuals to take up to \$5,250 – tax and penalty free – from their 401(k) or IRA each year to help pay for college or pay down student loan debt. Parents or spouses could divert money from retirement accounts to help.

The bill is seeking to find a solution to rising student loan debts. Earlier in 2019, Sen. Ron Wyden (D-OR) introduced a bill that would allow employers to provide matching retirement contributions to employees making student loan payments.

That bill was included as a provision in the Retirement Security and Savings Act (Portman-Cardin).

Part-Time Worker Bill of Rights Act

On December 3, Sen. Elizabeth Warren (D-MA) and Rep. Jan Schakowsky (D-IL) announced plans to introduce the [Part-Time Worker Bill of Rights Act](#), which would, among other things, amend ERISA to give part-time workers who have worked at least 500 hours for two consecutive years access to retirement plans if they are offered by their employers to full-time workers.

The SECURE Act would deem part-time workers who complete one year of service (with the ERISA 1,000-hour rule) or three years of service with at least 500 hours a year eligible to participate in the employer 401(k) plan.

Relatedly, a provision in Portman-Cardin would also expand retirement plan access for part-time workers.

DOL prepares to release rule on retirement plan proxy voting practices

The Office of Management and Budget (OMB) published a notice of a forthcoming DOL proposal titled “[Proxy Voting Update](#)” which would modernize fiduciary practices related to the voting rights associated with ERISA plan investments and harmonize those regulations with the requirements of other regulators.

The goal of this proposal would be to protect the interests of participants and beneficiaries by:

- 1) Addressing practices that could present conflicts of interest associated with proxy advisory firm recommendations.
- 2) Ensuring that proxy voting decisions are based on best information.
- 3) Ensuring that proxy voting decisions are solely in the interest of, and for the exclusive purpose of providing plan benefits to, participants and beneficiaries.

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H.R. 1865, the Further Consolidated Appropriations Act of 2020 — SECURE Act begins on Page 604
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H.R. 5306, the Know Your Social Security Act
<https://www.congress.gov/116/bills/hr5306/BILLS-116hr5306ih.pdf>

S. 2962, the Higher Education Loan Payment and Enhanced Retirement (HELPER) Act
<https://www.congress.gov/116/bills/s2962/BILLS-116s2962is.pdf>

Part-Time Worker Bill of Rights Act
<https://www.warren.senate.gov/imo/media/doc/Part-Time%20Worker%20Bill%20of%20Rights%20Act%20-%20One-Pager.pdf>

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OMB Proxy Voting Update
<https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201910&RIN=1210-AB91>

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Keeping watch

You can find the most recent information on issues affecting governmental defined contribution plans, plan sponsors and plan participants on the Employer page of our plan website, NRSforu.com/plansponsor.

About this report

BOB BEASLEY, CRC, Communications Consultant, edits this report. Beasley brings more than 30 years of financial services communications experience to your plan. He has contributed to past editions of the *Governmental 457(b) Guidebook*, edits countless newsletters and plan sponsor communications, and in 2001 authored “What you should know about the Economic Growth and Tax Relief Reconciliation Act of 2001.” He often voices Nationwide’s online presentations.

Beasley has served on the Education and Communication Committee for the Plan Sponsor Council of America and as a member of the National Association of Government Defined Contribution Administrators.

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