Deferred Compensation Plan
BOARD REPORT 15-15

Date: February 11, 2015

To: Board of Deferred Compensation Administration

From: Staff

Subject: Legislative/Regulatory Update

Recommendation:
That the Board of Deferred Compensation Administration receive and file this report providing an update on legislative/regulatory items relative to defined contribution retirement plans.

Discussion:
At its November 2014 meeting, the Board requested that staff provide information related to legislative initiatives relative to defined contribution retirement plans. Several resources were utilized in preparing this report: (1) the Plan's administration consultant, Mercer, which developed a document entitled "Defined Contribution Regulatory Updates" (see Attachment A); (2) the legislative advocacy resources utilized by the National Association of Government Defined Contribution Administrators (NAGDCA), and (3) staff's supplemental online research, which included material from various industry resources and news articles.

Staff has compiled this information and is now providing the Board an update on noteworthy legislative items. Staff will continue to monitor legislative activity and provide the Board with updates.

Of the items discussed in the attachments, two of the more prominent which may affect the City's Plan include:

(1) **Presidential Proposal for Retirement Tax Reform -** In his 2015 State of the Union Address, the President proposed tax reform for middle-class families by adding tax incentives and expanding savings opportunities (Attachment B). Among the proposals is a cap on tax-benefited retirement account savings in the amount of $3.4 million, which the Administration suggests provides a basis for generating approximately $210,000 in annual retirement income beginning at age 65. This is not the first time the Administration has suggested a global tax-benefited retirement savings cap. This proposal is generally viewed to have little chance of becoming law given a lack of support for the concept in Congress.

(2) **Secure Annuities for Employment (SAFE) Retirement Act –** Originally brought before the Senate in 2013 by Senator Orin Hatch (R – Utah), this proposal includes a provision allowing public employers to purchase annuities from the private insurance company market as a means of funding pensions while delivering retirement income security (Attachment C). This proposal is paired with a proposal to permit employers without existing 401(k) plans to establish "starter 401(k) plans" where employees could

save up to $8,000 per year but without the same administrative burden/expense of a traditional 401(k) plan. The starter 401(k) concept is intended for small or start-up businesses and it is unclear whether, if this bill became law, a large employer would also have the option of creating a starter 401(k) plan. Under present law, state and local governments without 401(k) plans are not permitted to establish new plans.

NAGDCA Legislative/Regulatory Advocacy Meetings - NAGDCA is developing its annual Legislative Priorities to present to key Treasury, Congressional and agency representatives at its annual Washington D.C. advocacy trip scheduled for March 20-25. Staff member Steven Montagna is a member of the NAGDCA Executive Board and will participate in these meetings. 2015 Legislative Priorities are expected to be similar to the prior year's, which included the following:

- *Continuing National Save for Retirement Week Resolution*
- *Elimination of Required Minimum Distribution (RMD) Rules for Roth Balances in Defined Contribution Plans*
- *Permitting Rollovers of Roth IRAs into Defined Contribution Plans*
- *Permitting Non-Spousal Beneficiary Rollovers to Defined Contribution Plans*
- *Eliminate "First Day of the Month" Contribution Change Requirement*
- *Maintain 10% Early Distribution Penalty Exemption*
- *Increase Eligibility for Low Income Savers Credit*

The biggest unknown factor at present is whether the Administration and Congress will have the will or ability to pursue some type of tax reform initiative in 2015. If a tax reform initiative was seriously pursued, the potential for retirement programs and incentives would appear to be a candidate to be included in a bill, but it is much too soon to speculate as to what might be included. Attachment D provides an overview of key Congressional positions which could be involved in developing tax or retirement related initiatives.

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