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Senate Explores Improvement to Retirement Security

SIMPLE plan modernization. On July 11, Sens. Susan Collins (R-ME) and Mark Warner (D-VA) introduced [S. 3197](#), the SIMPLE Plan Modernization Act. The bill aims to enhance Savings Incentive Match Plan for Employees (SIMPLE) plans, primarily through an increase in the maximum amount that can be contributed to a SIMPLE plan.

New retirement security package. On July 17, Sens. Tom Cotton (R-AR), Heidi Heitkamp (D-ND), Cory Booker (D-NJ), and Todd Young (R-IN) introduced a [bipartisan package of proposals](#) aimed at improving retirement security:

- [S. 3218](#), Strengthening Financial Security Through Short-Term Savings Act
- [S. 3219](#), The Small Business Employees Retirement Enhancement Act
- [S. 3220](#), Refund to Rainy Day Savings Act S.
- [S. 3221](#), Retirement Flexibility Act

Combined, this package would expand access to workplace retirement savings plans by allowing for open MEPs and limiting the fiduciary liability of the employer. Additionally, the package would help Americans accumulate savings by:

- Expanding the number of employers using automatic enrollment, automatic escalation, and other best practices
- Facilitating emergency savings to prevent retirement account leakage
- Encouraging people to save their tax refunds

Private sector TSP proposal. On July 19, Sen. Jeff Merkley (D-OR) reintroduced [S. 3242](#), the American Savings Act. The bill would give workers without a workplace retirement savings plan access to an "American savings account," which would have the same low-fee investment options

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as the federal government's Thrift Savings Plan (TSP). Employers not offering retirement plans [would send three percent of workers' earnings to the accounts](#), but workers have the option at any time to opt out, or to lower or raise their contributions up to a maximum of \$18,000 per year. The proposal has been introduced in previous Congresses, but has been unable to gain support.

Republicans' Tax Reform 2.0 Blueprint Highlights Retirement

On July 24, Ways and Means Committee Chairman Kevin Brady (R-TX) released the outline of [Tax Reform 2.0](#), a collection of tax reform proposals intended as a continuation of the Tax Cuts and Jobs Act (TCJA). The outline centers around extending the lower individual rates, which are set to rise in 2026. The outline also highlights the need to improve retirement savings, but lacks specific details about how that will be accomplished. The framework does highlight three proposals related to savings:

- Universal savings accounts
- Expanding 529 plans
- Allowing access to retirement accounts to pay for expenses related to the birth or for adoption of a child

Tax Reform 2.0 is largely seen as a messaging bill that is unlikely to move through the Senate. Relatedly, speculation has grown that Tax Reform 2.0 will include an alternate version of Retirement Enhancement and Savings Act (RESA). This month, RESA received notable attention from [The Washington Post](#) and [The Wall Street Journal](#), among others, as pressure is building on Capitol Hill to advance the bipartisan package of retirement plan improvements. Despite broad bipartisan support in the House and Senate, RESA has stalled in the House.

Illinois Secure Choice Program Begins Pilot Phase

This month, Illinois [began the volunteer pilot phase](#) of its Secure Choice savings program to provide state run retirement plans to private sector workers. The pilot phase [includes only eight volunteer employers](#), with the mandatory employer participation beginning in November and expanding through 2019.

Illinois' program follows the [launch of OregonSaves](#), the first fully operational "state(k)" program, which most recently reported assets of almost \$5 million, but an opt-out rate around 30 percent.

NY DFS Releases New "Suitability and Best Interests" Rule

On July 18, the New York Department of Financial Services (DFS) previewed the final version of its life and annuity suitability rule, New York Reg 187 "Suitability and Best Interests in Life Insurance and Annuity Transactions."

Notably, [the rule goes beyond a "suitability" standard](#) to require sales transactions to be in the "best interest" of the customer, and expands its scope from applying to just "annuities" to both "life

insurance and annuities.” The rule was formally published Aug. 1, 2018. The annuity provisions take effect Aug. 1, 2019, and the life insurance components take effect Feb. 1, 2020.

Life Insurance Ruling Could Affect All California ‘Guidance’

San Francisco Superior Court Judge Harold Kahn issued a ruling on a life insurance unclaimed property case that two pieces of California unclaimed property “guidance” are really just [invalid regulations](#). The [judge wrote](#) that regulators do not have the option of using “guidance” to work around the formal regulations-adoption process.

While the ruling is California-specific, it may indicate that courts around the country may put informal guidance issued by federal and state agencies under closer examination.

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References and source material used in this publication

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Text of S. 3197, the SIMPLE Plan Modernization Act

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Retirement savings proposals introduced in Senate

<http://www.investmentnews.com/article/20180717/FREE/180719924?template=printart>

Text of S. 3218, Strengthening Financial Security Through Short-Term Savings Act

<https://www.congress.gov/115/bills/s3218/BILLS-115s3218is.pdf>

Text of S. 3219, The Small Business Employees Retirement Enhancement Act

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Text of S. 3220, Refund to Rainy Day Savings Act

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Text of S. 3221, Retirement Flexibility Act

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Senator Reintroduces American Savings Act

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Text of S. 3242, American Savings Act

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Here's What's in House Republicans' 'Tax Reform 2.0' Package

<https://www.marketwatch.com/story/heres-whats-in-house-republicans-tax-reform-20-package-2018-07-24/print>

Congress may put American retirement vehicle in play

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House Republicans Unveil Tax Plan Focused on Savings, Retirement

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New Illinois Program to Offer Retirement Savings Plan

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State Program Can Help Assure Secure Retirement for Thousands

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State Rolls Out OregonSaves Retirement Program

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New York Amends Regulation 187

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Life Insurance Ruling Could Affect All California 'Guidance'

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Text of California Superior Court Ruling in Thrivent v Yee

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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 in the Employer page of our plan website, NRSforu.com. In addition, we report guidance on legislative and regulatory activity relevant to government sector plans through:

- *Federal Legislative and Regulatory Report* – distributed monthly and posted in the Plan Sponsor section of NRSforu.com. It's available online and for download.
- *Plan Sponsor Alerts* – published as needed to announce breaking news.
- *Governmental 457(b) Guidebook*

About this report

BOB BEASLEY, CRC, Communications Consultant, edits this report. Beasley brings nearly 30 years of financial services communications experience to your plan. He has contributed to past editions of the *457(b) Governmental 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 and telephone greetings.

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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