
# The SECURE Act Passed the House—Could It Move the Savings Needle?

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On May 23, 2019, the U.S. House of Representatives, via bipartisan effort, passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act—the first major retirement-related legislation since 2006. The goal of this bill is to help more people save for retirement. Currently, nearly 50% of American households don't have access to a workplace retirement plan.[1]

## Three Overarching Themes

While not yet law and subject to change, we wanted to highlight a few of the provisions that may be of most interest to employers, plan participants and individual investors:

1. **Incentives to Establish and Enhance Employer-Sponsored Plans**
   - Softens restrictions for pooled employer plans (PEPs), also known as open multiple employer plans (Open MEPs)
   - Provides a $500 tax credit to small employers who automatically enroll employees
   - Changes the deadline for establishing a new plan from December 31 to the business' tax filing deadline, including extensions
2. **Preservation of Retirement Income**
   - Streamlines safe harbor provision for offering annuities in 401(k) plans
   - Raises start date for required minimum distributions from age 70 ½ to age 72
   - Permits rollovers of lifetime income investments to an IRA or another retirement plan
3. **Removal of Savings Barriers**
   - Eliminates age limit for traditional IRA contributions (currently age 70 ½)
   - Permits penalty-free distributions (up to $5,000/year) for new parents
   - Allows certain part-time employees to make 401(k) contributions

## Evaluating the Potential Impact

How much this bill moves the needle remains to be seen. While the SECURE Act contains many positive provisions that should help both sponsors and participants more efficiently design and utilize workplace plans, it's most likely not a panacea for retirement savings. At this time, we don't anticipate a significant uptake in annuities in 401(k) plans or a material change in safe-harbor plan design because of this bill, though this could change if the Senate makes any modifications. Use of certain provisions may ultimately depend on ease of implementation, including cost, and effective communication of the potential benefits.

## What to Do Now

The move from traditional pension plans towards 401(k) plans isn't slowing down. While we await the bill's outcome, it's important to continue to look for other ways to bolster retirement savings. For example, targeted employee communications can often spark action, increasing contribution rates and participation. Additionally, employees should check with their Human Resources and Benefits department to better understand when they can make contributions, how much the employer contributes, and if there's a low cost, "do it for me" investment option. And for those not covered by a plan at work, consider establishing or increasing contributions to a traditional or Roth IRA.

Additional clarity on the SECURE Act will be available once the Senate completes its review, including the time frame for when the bill could be signed into law and when the provisions would take effect. Cerity Partners will continue to monitor this legislation and keep you apprised of any significant developments.

[1] Source: "Seeing Our Way to Financial Security in the Age of Increased Longevity," Special Report, Stanford Center on Longevity, October 2018

Paul is a Partner in the firm's Retirement Plan Services Group. He has more than 15 years of experience in the retirement plan industry and specializes in helping organizations understand how plan design can dramatically improve their employees' ability to successfully retire and how proper governance can limit personal fiduciary liability. Paul has worked with a variety of public, private and nonprofit organizations providing them with proven strategies that have resulted in improved outcomes for thousands of retirement plan participants.