I. Washington Update

Congress Passes CR, Funds Government

September 18, the Senate passed a continuing resolution (CR) to fund the government until December 11 by a vote of 78-22. The vote came one day after the House approved the CR, 319-108. The CR also reauthorizes the highly contentious Export-Import Bank, due to have its charter expire soon, through June 2015.

Congress is now not due to return to Washington until after the midterms.

Senate Finance Holds Retirement Tax Incentives Hearing

On September 16, the Senate Finance (tax) Committee held a hearing entitled Retirement Savings 2.0: Updating Savings Policy for the Modern Economy. In his opening statement, Chairman Wyden (D-OR) focused on extremely well-funded IRAs and policy makers getting the best “bang for their buck” with retirement tax incentives. The remainder of the hearing focused on a variety of topics, including the panelists expressing the need for auto-enrollment and auto-escalation features, the expansion of current tax incentives for low-income workers, and what it will take to get more small employers to adopt a plan.
**Nationwide Comment:** While the chances for comprehensive or even piecemeal tax reform remain low, this hearing provides insight into Wyden’s view of retirement tax incentives as part of tax reform.

**JCT Releases Report on Current Retirement Tax Incentives**

Prior to the Senate Finance hearing, the Joint Committee on Taxation (JCT) released a report (pdf) on the current status of retirement tax incentives. The paper questions whether current tax incentives affect retirement saving outcomes in the intended way, exploring two sets of economic issues relating to retirement plans: the effect of retirement policies on saving; and the interaction of consumption tax principles with incentives in retirement policies.

While the paper notes that economists disagree as to whether tax-advantaged saving vehicles raise total wealth accumulation or whether they “crowd-out” existing saving, and merely induce shifting of saving across vehicles, research does highlight the positive effects of automatic enrollment on overall savings.

**Preliminary GAO Report on IRA Account Balances Released**

Also on September 16, the Government Accountability Office (GAO) released a preliminary report (pdf) on IRA account balances as of 2011. While the report encompasses all IRAs, the main focus is on very high account balances ($10-$25 million plus) and how such large amounts might be accumulated. There is the possibility that the final report could raise DC plan issues in describing how IRAs have grown so large.

**Nationwide Comment:** While the report is only preliminary and does not contain the recommendations which will be in the final version, the numbers are already attracting attention (i.e. Wyden’s references in the Finance hearing).

**House Passes Dodd-Frank Reform Package**

On September 16, the House passed (327-97) a collection of reforms to the Dodd-Frank Wall Street reform law enacted in 2010. Included in the package was S. 2270, the Insurance Capital Standards Clarification Act, a bill to clarifying the Federal Reserve Board’s (Fed) authority to apply insurance-based capital standards for insurance companies subject to the Fed’s supervision.

Due to the extraneous attached bills, it is highly unlikely that the Senate will vote on the House package, despite voting unanimously to pass the capital standards legislation in June.
**Nationwide Comment:** Nationwide has long championed the capital standards bill and continues to work with our industry partners to achieve its passage as a stand-alone measure.

**Pensions group tells Congress it supports DOL’s Fiduciary Standards proposal**

A large number of participant groups supporting the Department of Labor’s (DOL) upcoming fiduciary proposal sent a letter to Congress September 17 saying the proposal is “urgently needed and long overdue.” The letter raises several points which distort the views of the industry as it relates to the DOL’s fiduciary project.

**Nationwide Comment:** Nationwide is working with its industry partners to develop a response to the letter that conveys the industry’s concern about the potential negative impact the re-proposal would have on small businesses and that a limit on investment advice would mean fewer savers than before.

**References**

*Senate approves Obama’s Syria plan in funding bill*

*Retirement Savings 2.0: Updating Savings Policy for the Modern Economy*
www.finance.senate.gov/hearings/hearing/?id=9bcd48e6-5056-a032-520ca6994823568d

*Present Law And Background Relating To Tax-Favored Retirement Savings*
www.jct.gov/publications.html?func=startdown&id=4665

*Preliminary Information on IRA Balances Accumulated as of 2011*

*House passes bill adjusting Dodd-Frank treatment of insurers*
www.reuters.com/article/2014/09/16/usa-congress-insurance-idUSL1N0RG1S120140916

*Group letter to Congress in support of a strengthened and updated fiduciary rule*
www.pensionrights.org/newsroom/speeches-statements/group-letter-congress-support-strengthened-and-updated-fiduciary-rule-s
II. 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.
- **457 Guidebook** – which has been revised to include information about the American Taxpayer Relief Act of 2012, Pension Protection Act of 2006; The Heroes Earnings Assistance and Relief Tax Act of 2008; Worker, Retiree & Employer Recovery Act of 2008; and The Small Business Jobs Act of 2010.

About this report

**Bob Beasley**, CRC, Communications Consultant, edits this report. Beasley brings 25 years of financial services communications experience to your plan. He helped prepare the four most recent editions of the *457 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.