CIEBA

The Committee on Investment of Employee Benefit Assets

BENEFIT HEADLINES

April 2014

Congress

The Administration's FY 2015 budget proposal and the pension provisions in the Camp tax reform proposal show a new federal focus on the tax treatment of retirement savings.

- Both the Administration's budget and the Camp proposal are revenue rather than policy driven.
- The administration's FY 2015 budget included a cap on total retirement savings as well as an overall limit on tax deductions including exclusions for retirement saviangs. The budget did not call for additional single-employer PBGC premiums and included a CIEBA talking point that "premium increases need to be carefully crafted to avoid . . . driving healthy plans . . . out of the system." [Click here for a detailed disussion of the administration's budget]
- The Camp tax reform proposal would require most plans to offer Roth 401(k) accounts and would freeze all contribution limits for 10 years. The freeze on contribution limits would raise $63 billion over 10 years. The Roth provision would raise $144 billion in the 10-year budget window but would lose the same amount in later years. [Click here for a detailed disussion of the Camp Proposal]
- Earlier this month, the Senate passed a bill that would restore federal funding for extended unemployment benefits. The bill is paid for by extending the pension smoothing provisions from the 2012 highway bill, which were set to phase out this year, and allowing single-employer plans to prepay their flat rate PBGC premiums. Action in the House appears unlikely.

ERISA Regulatory Agencies

Despite the continuing gridlock in Congress, the Departments of Labor and Treasury are working on substantive regulatory projects.

- DOL issued a proposed amendment to its service provider fee disclosure rules that would require service providers to give plan sponsors a guide when fees are disclosed in multiple or lengthy documents. [Click here for the proposal amendment]
- Treasury recently provided some temporary relief for soft-frozen DB plans that face difficulties passing nondiscrimination testing and asked for comments on a permanent solution. [Click here for the CIEBA comment letter]
- Treasury also issued guidance to simplify plan-to-plan rollovers of retirement savings by providing an easy way for a receiving plan to confirm the sending plan's tax qualified status. [Click here for Rev. Rul. 2014-9.]
- GAO recently released a report that examined the number of new plans formed from 2009 to 2011, and the number of participants affected by the limits on contributions to DC plans. GAO found that the total number of plans declined by about 34,000, as the number of terminated plans more than offset new plans. GAO also found that about 6 percent of all DC plan participants contributed at or above the contribution limits, and that 76 percent of these participants were in the top 10th percentile of income. [Click here for GAO report 14-334R.]

Litigation

The Supreme Court is considering a case that raises fiduciary issues around employer stock. While the case involves an ESOP, it has implications for 401(k) plans we well, as it could make it easier for participants to bring stock-drop lawsuits against DC plans that offer company stock. The Supreme Court is expected to issue a ruling in June.