The Retirement Enhancement and Savings Act has re-emerged

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The proposed legislation could boost lifetime income options in DC plans

It is great to see the re-emergence of the **Retirement Enhancement and Savings Act** (RESA) jointly sponsored by Orrin Hatch (R-UT) and Ron Wyden (D-OR). This proposed legislation mirrors a proposal that was approved by the Finance Committee in 2016 but died when Congress adjourned before taking any action.

RESA is a bundle of small changes that are aimed at increasing voluntary retirement savings. On its own, each is not significant enough to propel legislation, but together they merit a bill. One doesn't have to like every item in the bill or approve of how items are addressed to be delighted that someone in Washington is thinking about the retirement system and working on a bi-partisan basis.

The first sections of the bill are aimed at broadening access to potentially low-cost Multiple Employer Plans (MEPs) by getting rid of requirements that: 1) participating employers must share a nexus; and 2) one "bad apple" hurts the entire barrel (i.e. a single employer who violates a requirement can disqualify the entire plan). Making MEPS more accessible, however, does not mean that employers will take advantage of the option. Policymakers have tried to close the coverage gap in the past by introducing streamlined products that can be adopted by small businesses. These simplification initiatives, however, have clearly not reversed the trend toward declining coverage over time.

A second group of proposals, aimed at small businesses, offer increased financial incentives to start new plans and additional incentives for auto-enrollment. The amounts are relatively small, however, and are unlikely to alter the decision for small businesses.

The area where RESA may have its most impact is lifetime income. First, it would help participants to think in terms of lifetime income – as opposed to accumulated balances – by requiring that benefit statements include estimates of lifetime income at least once a year; and it directs the Department of Labor to develop a model for constructing income estimates. Second, it provides fiduciaries a safe harbor for the selection of a lifetime income provider, thereby eliminating ambiguity around the applicable fiduciary standard for offering lifetime income benefits under a defined contribution plan. Third, it would improve the portability of lifetime income options from one plan to another so that participants could preserve these options and avoid surrender charges and fees. Together these provisions may help move forward the effort to have 401(k)-type plans include a lifetime income option.

Noticeably missing from RESA is any effort to expand the Saver's Credit and make it refundable. Such a reform could have a real impact on the savings of low-income households.

But I don’t mean to grouse. The re-emergence of RESA is a positive development.