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## *Retirement Policy*

### **Sen. Harkin Proposes Bill to Expand Workers' Access to Retirement Plans**

**S**en. Tom Harkin (D-Iowa) unveiled long-awaited legislation that proposes to provide all workers with access to a retirement plan through automatic payroll deductions, particularly workers who currently don't have access to employer-provided retirement plans.

Under the USA Retirement Funds Act (S. 1979), "employers who don't offer a pension or a well designed 401(k) would automatically enroll their employees in a USA Retirement Fund," Harkin, the chairman of the Senate Health, Education, Labor & Pensions Committee, said during a Jan. 30 news conference discussing the bill. Enrolling workers in a USA Retirement Fund would be mandatory for employers with more than 10 workers that do not offer retirement plans to their employees, he said.

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—SEN. TOM HARKIN (D-IOWA)

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Workers would be enrolled in the program at 6 percent of pay and would be given the opportunity to increase or decrease their contributions, as well as opt out of the program if they don't want to participate, according to a summary of the bill. Participants would be able to contribute up to \$10,000 pretax per year and employers would be given the option to contribute up to \$5,000 per year for each employee, the summary said.

The retirement security proposal was initially announced by Harkin on July 27, 2012, (145 PBD, 7/30/12; 39 BPR 1437, 7/31/12), but Jan. 30 marks the official introduction of legislation. The bill has slight variations from his original proposal, but overall, the spirit of the proposal remains intact, Harkin said.

The plan is not intended to replace employer-provided defined benefit plans or Section 401(k) plans,

Harkin said. "Employers could and should continue to offer retirement plans at the workplace," he said.

Americans are facing a "retirement crisis," Harkin said, calling it "one of the darkest clouds hanging over the future economy of America."

"My legislation tackles the retirement crisis head-on by ensuring that the 75 million without a workplace retirement plan will have the opportunity to earn a safe and secure pension benefit," he said.

**Key Features.** Harkin's plan will give workers the chance to "earn a real retirement benefit that will provide a better bang for their buck than what they could get if they're just on their own investing the money" because the USA Retirement Funds will spread risk over large groups of participants, he said.

The funds would be privately administered retirement plans and each fund would have a board of trustees that would be selected and approved by the Department of Labor, the summary said. The trustees would act as fiduciaries to the funds and as such be "required to act prudently and in the best interests of plan participants and beneficiaries," the summary said.

USA Retirement Fund participants would be given the option to change funds within the program each year and be permitted to roll other individual retirement account and 401(k) balances into a fund, the summary said.

"People participating in a USA Retirement Fund would earn a benefit paid out over the course of their retirement, with survivor benefits and spousal protections, like a traditional pension. The amount of a person's monthly benefit would be determined based on the total amount of contributions made by, or on behalf of, the participant and investment performance over time," according to a set of frequently-asked-questions and answers about the legislation.

Mary Kay Henry, international president of the Service Employees International Union, said during the Jan. 30 news conference that the SEIU is "so proud to stand with Senator Harkin as he introduces this bill that we think fills a critical need for half of the working population who have no access to a retirement plan at work."

**Other Initiatives.** Harkin's bill adds to the list of retirement-related proposals that have appeared this week, including President Barack Obama's myRA program that he unveiled during his Jan. 28 State of the Union address (see related article in this issue) (20 PBD, 1/30/14) and the Retirement Security Act of 2014, introduced by Sens. Susan Collins (R-Maine) and Bill Nelson (D-Fla.) on Jan. 29 (see related article in this issue) (20 PBD, 1/30/14).

Harkin praised Obama's myRA program, which would function like a Roth IRA and be targeted to workers who don't have access to employer-provided retirement savings.

"I'm really pleased that the president in the State of the Union brought up this issue of retirement security and now, hopefully, this will get it on a higher level, where the rest of the country will now start talking about it and focusing on it," he said.

While he "commended" Obama for the program, Harkin said more needs to be done.

"He's doing what he can with the myRA program, it's a good first step, but Congress needs to act," Harkin said.

Harkin said savings, Section 401(k) plans, IRAs and Obama's new myRA program are all good savings vehicles for workers, "but you need that retirement system in there."

When asked about a bill introduced in July 2013 by Sen. Orrin Hatch (R-Utah) that proposed to provide workers with a "starter" 401(k) plan that would permit employees to put away as much as \$8,000 a year on a tax-deferred basis and would require no employer contributions (132 PBD, 7/10/13; 40 BPR 1702, 7/16/13), Harkin reiterated that setting up a 401(k) plan is a good savings vehicle, but cautioned that he didn't consider 401(k)s adequate for retirement security.

"Keep in mind, whenever people start talking about a new type of 401(k), this type of IRA, that's not a pension, it's a savings program. I don't have any problem with anybody who's got some ideas on how to save money. Fine. At least the president's program is one that allows really low-income people to save some money in small amounts, and that's good," he said.

"I see what they're trying to do, that's fine. But we gotta understand, don't confuse that with a retirement plan, it's not. It's a savings plan," he said.

**Mixed Response.** Judy A. Miller, director of retirement policy at the American Society of Pension Professionals and Actuaries, told Bloomberg BNA Jan. 30 that while she applauds Harkin for "trying to expand coverage," she has misgivings about the bill based on Harkin's comments and bill summary.

"What I really want to look into is, the initial description made it sound like if you have an existing DB or 401(k), then you don't have to join this arrangement, but then later on it sounded like there might be requirements that a 401(k) plan would have to meet in order to not have to be covered by" the program, Miller said.

Miller said that small-business owners currently offering 401(k) plans shouldn't have to amend their plans to make sure they aren't required to enroll their employees in USA Retirement Funds.

"It appeared to me that although he says that this is not intended to displace other arrangements that it sounds like that's not really true. To say you're trying to help small-business owners sponsor plans and then force them to amend their current arrangements is contradictory to me and a very bad idea," Miller said.

Karen Friedman, executive vice president and policy director for the Pension Rights Center, praised Harkin's bill, saying in a Jan. 30 statement, "USA Retirement Funds embrace many of the best features of traditional pension plans: they are pooled and professionally invested, they lock the money in until retirement, and they pay out a stream of monthly payments that cannot be outlived. Also, investment and life expectancy risks are shared by all participating workers and retirees, improving on 401(k) plans, where the risks are borne by each individual."

However, Friedman said, "The bill could be strengthened by requiring employers to contribute to these funds. If the goal is to enable people to retire with adequate income, it is critical that both employers and employees contribute."

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*Text of the USA Retirement Funds Act is at <http://op.bna.com/pen.nsf/r?Open=krkl-9fupgf>, a snapshot of the bill is at <http://op.bna.com/pen.nsf/r?Open=krkl-9fupjq>, a bill summary is at <http://op.bna.com/pen.nsf/r?Open=krkl-9fupjy> and FAQs about the bill are at <http://op.bna.com/pen.nsf/r?Open=krkl-9futyf>.*