T. Rowe Price®
INVEST WITH CONFIDENCE

Davis & Harman LLP/ T. Rowe Price 4th Quarter 2019 Webinar Summary

Agencies Release Fall 2019 Unified Agenda of Regulatory and Deregulatory Actions

On November 20, 2019, the Department of Labor (DOL) and other agencies released biannual updates to their respective regulatory agendas for fall 2019. These agendas report on the actions administrative agencies plan to issue in the near and long term. Although projected target dates are often not met for particular projects, the regulatory agendas provide insight into order and priority of regulatory action.

The DOL regulatory agenda includes a new project on proxy voting. This project was generated from an April 2019 executive order issued by the Trump administration on energy infrastructure that directed the DOL to "complete a review of existing Department of Labor guidance on the fiduciary responsibilities for proxy voting to determine whether any such guidance should be rescinded, replaced, or modified to ensure consistency with current law and . . . maximize return on ERISA plan assets." Although the proposal is not yet public, the agenda suggests that the proposal will address "conflicts of interest associated with proxy advisory firm recommendations."

DOL projects that have been carried over from the spring 2019 regulatory agenda include the fiduciary reproposal, the proposed electronic disclosure regulation, a request for information related to open multiple employer plans, and final regulations related to the Voluntary Fiduciary Correction Program. The agenda states that the fiduciary reproposal is targeted for release in December 2019; however, timelines for the regulatory agenda frequently change, and we do not currently expect to see the fiduciary reproposal by the end of 2019.

DOL Releases Proposed Default Electronic Delivery Rule

Pursuant to an August 2018 executive order directing the DOL to conduct a review of electronic delivery, on October 23, 2019, the DOL released a proposed rule that would create a new voluntary safe harbor to allow pension plans to communicate certain ERISA-required plan notices and disclosures through default electronic delivery. The proposal develops a new safe harbor that would cover periodically provided documents (e.g., benefit statements) and documents that must be provided due to triggering events (e.g., blackout notices). The safe harbor would not extend to documents that must be furnished by specific request, notices and disclosures for ERISA health and welfare plans, or documents and disclosures required under the Internal Revenue Code.

(over, please)

T. Rowe Price Retirement Plan Services, Inc.
rps.troweprice.com

Mail Code OM-17215
4515 Painters Mill Road
Owings Mills, MD 21117-4903

P.O. Box 17215
Baltimore, MD 21297-1215

The new safe harbor allows for a "notice and access" disclosure model, whereby a covered document is posted online and individuals are provided a notice with an electronic address where the document is accessible. In order to utilize the safe harbor, an employer must furnish the notice of internet availability to an electronic address that is either provided by the individual or assigned to the individual by the employer. Although the proposal anticipates that the electronic address will likely be an email address, it allows for the use of internet-connected mobile computing devices (e.g., smartphones). The proposal also requires a one-time paper notice informing participants of the employer's decision to transition to default electronic delivery. Participants must be given the right to opt out and receive their documents in paper form. Comments on the proposal and an additional 21 questions on the effectiveness of ERISA disclosures were due to the DOL on November 22, and the DOL received over 250 comments.

Updates to RMD Tables

On November 7, 2019, the Treasury and Internal Revenue Service (IRS) proposed regulations that would update the life expectancy and distribution period tables that are used to calculate required minimum distributions (RMDs) from retirement plans and IRAs. The proposed tables reflect longer life expectancies, which will allow plan participants to retain slightly larger amounts in their plans and IRAs. For example, the distribution period for a 70-year-old is currently 27.4 years; this would increase to 29.1 years under the proposed update. The updated RMD tables would apply for years beginning on or after January 1, 2021, and would allow for a one-time "reset" for beneficiaries who inherited a retirement account, in certain circumstances. Comments on the proposal are due by January 7, 2020.

Final Hardship Distribution Rules

On September 19, 2019, the IRS released final regulations to amend the rules relating to hardship distributions from 401(k) and 403(b) plans. The final regulations reflect a number of statutory changes, specifically those enacted in the Bipartisan Budget Act of 2018, the 2017 Tax Cuts and Jobs Act, and the Pension Protection Act of 2006. The new regulation allows for an additional safe harbor for participants who incurred expenses related to a federal declared disaster. The regulation also removes the six-month prohibition on contributions to a plan following a hardship distribution. Some of the changes are optional for plans to adopt; required changes must be implemented for hardship distributions made on or after January 1, 2020.

IRS Announces 2020 Retirement Plan Contribution Limits

On November 6, 2019, the IRS announced annual adjustments to the contribution and benefit limitations for qualified plans in 2020. Each year, the IRS uses a statutory procedure to determine whether to adjust these limitations for cost-of-living increases. The employee deferral contribution limit for 401(k), 403(b), and most 457 plans will increase from $19,000 to $19,500. The total defined contribution plan contribution limit was raised from $56,000 to $57,000. The compensation limit was raised from $280,000 to $285,000, and the income threshold for highly compensated employees was raised from $125,000 to $130,000.

Congress Clears Multiple Stopgap Spending Measures, Avoiding Shutdowns

Prior to the end of the 2019 fiscal year on September 30, Congress was able to pass the first of a series of continuing resolutions (CRs) to keep the government open and funded at prior-year funding levels for a short period of time through November 20. While progress was made after the passage of the first CR, lawmakers were unable to pass full-year spending measures and were again required to pass a CR to fund the government through December 20.

Congress now has a limited number of days in session in December to pass the full fiscal year appropriations bills, another CR, or some combination by December 20 to keep the government open. At the same time, members of the House of Representatives are facing the likely prospect of voting on articles of impeachment in addition to seeking to advance a number of other legislative priorities.

SECURE Act Looks to Hitch a Ride on End-of-Year Spending Bill

The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which passed the House by a vote of 417-3 on May 23, 2019, remains at the center of any efforts to get retirement reforms signed into law by the year's end. Efforts to bring the SECURE Act up for the debate on the Senate floor have stalled due to objections and insistence from a few senators that they have the ability to offer amendments. Stakeholders are still hopeful that the best chance for getting the SECURE Act signed into law this calendar year remains attaching it to the year-end spending package that Congress must approve by December 20.

The SECURE Act is one of many bills that lawmakers are interested in passing; therefore, to become law, it must remain a priority for congressional leadership among countless other issues jockeying for any year-end spending measure.

Democratic Candidate Retirement Savings and Tax Reform Proposals Preview

While the field of Democratic candidates running for president narrows as we approach nationwide primaries, the candidates have generated only broad ideas about retirement savings. Most of the candidates primarily focus on the importance of protecting and expanding Social Security as a way to improve retirement security for workers.

Many of the candidates expressed interest in repealing or significantly altering the 2017 tax law, with some variations as to which provisions and how. Both Senator Warren (D-MA) and Senator Sanders (I-VT) also have proposed special taxes on wealth to target high-net-worth individuals. Additionally, almost all of the Democratic candidates have supported the idea of taxing capital gains as ordinary income.

A number of candidates have also vocalized support for a financial transaction tax. While the proposed tax is intended to target Wall Street and seeks to discourage high-frequency traders by taxing a percentage of each trade of stocks, bonds, or derivatives, in reality, most versions of the financial transaction tax would negatively impact retirement plan investment accounts because, as proposed, there is no carve-out for tax-advantaged savings.

While some of the Democratic candidates have proposed changes to the private retirement savings system, Mayor Pete Buttigieg of South Bend, Indiana, recently released a comprehensive retirement proposal. Under his plan, all employers would be required to offer a retirement plan or participate in a new government-run 401(k)-type plan that would be split into a “Rainy Day Account” and a “Retirement Account.” If employees contributed 1.5%, then employers would be required to make a 3% employer contribution.

T. Rowe Price Retirement Plan Services, Inc.

CCON0031467
201912-1029982