

Fees, Coverage and Election Repercussions: DC Plan Policy Today and Tomorrow

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Overview

- Pension Protection Act Follow-Up
- Retirement Plan Fees
- Political Status and Election Outlook
- Presidential Candidate Proposals
- Future Retirement Policy Initiatives
- Tax Policy Outlook and Repercussions
- Conclusions



PPA Follow-Up: Regulatory

- Treasury/IRS
 - **Auto Enrollment**
 - **Distribution/Rollover Guidance**
 - **Employer Stock Diversification**
 - **Defined Benefit Plan Issues**
- Department of Labor
 - **QDIA**
 - **Investment Advice**
 - **Annuity Selection Criteria**



PPA Follow-Up: Legislative

- Technical Corrections
 - **Status Report**
 - **Provisions of Note**
- PPA Modification Legislation from Rep. Andrews
 - **Provisions of Note**
- Outlook



Retirement Plan Fees: Regulatory

- Department of Labor Regulations
 - **Final Regulations on Plan Reporting to Government (5500)**
 - **Proposed Regulations on Provider Disclosure to Fiduciaries (408(b)(2))**
 - Basic Approach
 - Key Issues in Comment Process
 - Timetable for Completion
 - **Upcoming Regulations on Fee Disclosure to Participants**
- SEC Summary Prospectus Proposal



Retirement Plan Fees: Legislative

- Multiple Democratic Bills Introduced
- Impending Movement on Revised Miller Bill
 - **Anticipated Changes from Bill as Introduced**
- Likely House Process on Fee Legislation
 - **Ways & Means Committee Action**
 - **Outlook for House Floor Vote**
- Current Senate Posture
- Enactment Outlook



Current Balance of Power

Senate

House

White House

51 D

231 D

49 R

198 R



Outlook for 2008 Election

- R's Hold 22 of 34 Senate Seats Up in 2008
- Retirements, Resignations, Scandals
- Candidate Recruitment
- Fundraising
- Bush Backlash



2008 Presidential Election



Candidate Retirement Agendas

- Obama
 - **Payroll Deduction IRAs**
 - **Refundable Savers Credit Directed to Accounts**
 - **Defined Benefit Plan Investment Transparency**
 - **Enhanced Bankruptcy Protection for Benefits**
- Clinton
 - **Creation of American Retirement Accounts**
 - **Government Matching Contributions**
- McCain
- Social Security Positions



Addressing Coverage Gap

- Frustration Re Lack of Plan/IRA Coverage
- Growing Menu of Coverage Proposals
 - **Payroll Deduction IRA Mandate**
 - **Expanded Saver's Credit/Government Match**
 - **SIMPLE IRA Promotion**
 - **Mandated Contributions for Those Without Plans**
- Common Reliance on Government Structures and Passive, Low-Cost Investments
- Repercussions for Employer Plans



Participant Protections

- Attempt to Address Perceived Inattention to Issue Under Republicans
- Policy Proposals
 - **Fee Disclosure/Regulation**
 - **Regulation of Investment Offerings**
 - **Bankruptcy Changes**
 - **Spousal Protections**
 - **Expanded ERISA Remedies**
- Repercussions for Employer Plans



Focus on Distribution

- Same Factors Driving Policy & Marketplace Focus
- Policy Proposals
 - **Tax Exclusion for Annuity Distributions**
 - **Promotion of Longevity Insurance**
 - **New Default Distribution in DC Plans**
 - **Integration of LTC Insurance in Plans/IRAs**
- Repercussions for Employer Plans



The Next President's First Decision

Health

Entitlements

Tax Reform



Tax Outlook

- Every New President Does A Major Tax Bill
- Hand Forced by Expiration of Bush Tax Cuts/AMT
- Bill Will Be Crafted By A Democratic Congress
 - **Budget Bill Will Only Need 50 Senate Votes**
- Tax Bill Will Include Major Reshuffling of Tax Burden and Major Tax Increases
 - **Regardless of Who is President**



Next Tax Bill – Everything in Play

<u>Tax Expenditure</u>	<u>2007 Revenue Loss</u>
Employer-Sponsored Retirement/IRA	\$139 Billion
Capital Gains and Dividends Rates	\$127 Billion
Employer-Provided Health	\$106 Billion
Child Credit and EITC	\$103 Billion
Home Mortgage & Home Exclusion	\$102 Billion
Cafeteria Plans	\$30 Billion
Life Insurance and Annuities	\$29 Billion

Source: Joint Committee on Taxation, JCS-3-07 (September 24, 2007)



Potential Tax Bill Repercussions

- Need for “Revenue Raisers”
- Possible Limitations on Retirement Incentives
 - **Reductions in Plan Dollar Limits**
 - **Imposition of New Income Limitations**
- Possible Reallocation of Retirement Incentives
 - **Replacement of Deduction/Exclusion with Credits**
- Other Potential Revenue-Raisers
 - **NQDC Restrictions**
 - **Tighter Minimum Required Distribution Rules**



Recap: Playing Defense/Change Coming

- Short Term: Political Gridlock Through 2008
- Post-November 2008
 - **Major Tax Reform Bill Very Likely**
 - **Health Care Reform Possible**
- Coverage Will Be Key Retirement Issue
- Deficits & PayGo Make New Incentives Unlikely
- Possible Threats to Existing Tax Incentives
 - **Particularly Those for Affluent**
- Proposed Regulatory “Solutions” Are Likely to Multiply Emphasizing the Government as Facilitator



Wrap Up

- Questions and Answers

- Contact Information

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