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NEWS RELEASE

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Council applauds tax bill's inclusion of important retirement provisions

WASHINGTON, DC – “We applaud the authors of the Tax Cut and Jobs Act for *not including* a limit on pre-tax savings to 401(k) plans. American workers will continue to have the freedom to choose how to best save for retirement. But almost overlooked in all the recent attention to the 401(k) issue are five retirement provisions that *are included* that will be enormously valuable for retirement financial security” said James A. Klein, president of the American Benefits Council.

“Frozen” Pension Plans

Section 1506 of the bill fixes a glitch in the law that has compelled many employers to stop accruing benefits in pension plans because to do so causes plans to inadvertently violate complicated regulations. This occurs when a plan no longer covers newly-hired employees but allows longer-service employees to continue to earn benefits as long as they continue working for the employer.

“Compelling employers to stop accruing benefits for their older, longer-service employees nearing retirement is not something employers want to do and it certainly is not good for older workers,” Klein said. “The tax bill has wisely included a bipartisan proposal that allows these workers to continue earning higher retirement benefits,” Klein noted.

The Council has worked on this issue for several years and most recently circulated [a letter of support for bipartisan, bicameral legislation](#) introduced earlier this year by Representatives Pat Tiberi (R-OH) and Richard Neal (D-MA). In past years, this

legislation has been introduced by Senators Rob Portman (R-OH) and Benjamin Cardin (D-MD) and has received overwhelming support in both houses of Congress.

In-Service Distributions, Hardship Withdrawals and Plan Loans

Section 1502 reduces from 62 to 59-1/2 the age at which workers may begin to receive pension benefits even though they continue to work for their employer who sponsors the pension plan. "This change we have long-advocated will allow workers to reduce the hours they work and still collect their pension benefits, rather than forcing them to work for another employer or retire altogether," Klein said.

A group of three proposals in Sections 1503, 1504 and 1505 will help workers facing financial difficulties to continue saving for retirement.

Section 1503 permits workers who withdraw funds from their 401(k) plan because of a financial hardship to continue making contributions to the plan.

Section 1504 allows employer contributions to a worker's account, as well as earnings on the account, to be used for hardship withdrawals.

Section 1505 gives workers whose plan terminates or who leave the employer more time – until they file their income tax return – to repay a loan from their 401(k) plan.

"Collectively, these provisions will help people facing emergencies or financial challenges to put money they withdraw from their 401(k) plan, back into the plan and allow them to continue saving for retirement," Klein said.

"Here, again, the authors of the tax bill have included proposals with bi-partisan support that the Council has long supported. These measures will go far to protect retirement savings," Klein concluded.

The Council has worked closely with the bipartisan authors of the SEAL Act, which includes provisions to help workers continue to save when they take a withdrawal from a retirement plan and to have longer to repay plan loans. The Council has previously sent letters [to Representatives Sam Johnson \(R-TX\) and Richard Neal \(D-MA\)](#) and [Senators Mike Enzi \(R-WY\) and Bill Nelson \(D-FL\)](#) who have taken the lead on this important retirement security initiative for several years.

For more information on retirement policy matters, or to arrange an interview with Klein or Lynn Dudley, senior vice president, global retirement and compensation policy, contact Jason Hammersla, Council vice president, communications, at jhammersla@abcstaff.org or by phone at 202-289-6700 (office) or (202) 422-4652 (cell).

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The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council's members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.