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Senate Repeals Safe Harbors for State IRA Initiatives.

The Senate narrowly approved a resolution Wednesday to rescind federal safe harbors for states to set up private-sector retirement programs for small businesses.

The vote was 50 to 49, largely along party lines. It mirrors a resolution passed by the House on Feb. 15.

A similar resolution that rescinded safe harbors for cities and other large political subdivisions was passed by both chambers and signed on April 13 by President Donald Trump, who is expected to sign the state version shortly.

Senate Finance Committee Chairman Orrin Hatch, R-Utah, urged Senate colleagues on the floor to support the resolution against such programs, which he said would impose conflicting and burdensome mandates on private-sector businesses of all sizes and eliminate long-standing federal protections for retirement workers. "The regulation also encourages states to bar private workers' access to their retirement accounts and it would let states invest private workers' retirement assets, ignoring provisions in federal pension law that require prudent pension investment practices and that ban kickbacks and self-dealing," Mr. Hatch said during floor debate.

Sen. Chris Murphy, D-Conn., whose state is implementing one such program, chastised his Senate colleagues for not letting states find innovative ways to increase retirement savings. "This is a crisis and if we're not going to deal with it and the industry is not going to deal with it, let states deal with it," he said.

Sen. Ron Wyden, D-Ore., whose state is launching a pilot phase of its OregonSaves program in July, said state initiatives "are commonsense steps to address a national crisis," and criticized his colleagues for not offering alternatives.

"This legislation puts special interests before working people. It's that simple," Mr. Wyden said on the Senate floor.

Illinois Treasurer Michael Frerichs, whose state is working to have its auto-enrollment, payroll-deducted retirement savings account program ready for enrollment by the end of the year, said in an interview that the vote "just seems very hypocritical. It will take away a protection that we fought very hard for to protect Illinois employers, and it is anti-states' rights." With legislation already passed to create the program, "we intend to move forward," Mr. Frerichs said.

California Treasurer John Chiang echoed that sentiment, saying in a statement that after consulting with legal and legislative experts, "while Congress has dealt Californians a setback, it is not enough to push us off our moral and legal high ground."

Joshua Gotbaum, chairman of the Maryland Small Business Retirement Savings Program and Trust, said that the state "has been assured by its lawyers that this program is legal and is going to proceed to help provide retirement savings for one million Marylanders."

PENSIONS & INVESTMENTS

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