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Senate Votes to Repeal Labor Department Rule on State-Run Retirement Plans.

The U.S. Senate voted narrowly on Wednesday to repeal an exemption from strict federal protections that former President Barack Obama's Labor Department had given to state-sponsored retirement savings plans for lower-income workers.

The exemption, championed by states such as California but opposed by the mutual fund industry, had freed the state-run plans from the strict compliance requirements of the Employee Retirement Income Security Act, or ERISA.

Private-sector workers whose employers do not offer 401(k) or other retirement benefits, and who often have low incomes, are automatically enrolled in plans being launched in some states, such as Illinois. States say the exemption would have let employers pass workers' money into plans without footing ERISA compliance costs.

It stoked fights in Washington, however, over the reach of federal regulation, states' rights and income inequality.

The Republican-led Senate passed the resolution repealing the exemption by a vote of 50-49. The House of Representatives, also controlled by Republicans, previously approved the measure, which President Donald Trump is expected to sign into law.

It was the 14th Obama-era rule killed by Congress under the once-obscure Congressional Review Act, which allows lawmakers to repeal newly minted regulations and forbids agencies from enacting similar rules in the future.

In mid-April, Trump signed a nearly identical resolution affecting city-run retirement plans, which are in the design stages. But the resolution for state-run plans was stuck in limbo for weeks, as Republicans struggled to gather votes and major lobby groups representing retirees and business interests turned up the heat on lawmakers.

Senator Dick Durbin, an Illinois Democrat, missed Wednesday's vote because of minor heart surgery, helping the Senate avoid a tie.

Republican Senator Todd Young of Indiana broke party ranks to oppose the resolution, saying Americans were in a "real and ongoing crisis" to save enough money for retirement.

"While state-based retirement plans are not my first choice, if implemented carefully, they could help close the retirement savings gap," he said in a statement to Reuters.

The California plan's primary champion, Democratic state Senator Kevin de Leon, expressed outrage at the vote, saying taxpayers would ultimately foot the bills of people who retire without adequate savings.

“Wall Street investment firms fear their profits will take a hit … even though the investment industry has historically ignored middle- and lower-income workers at medium- and small-sized businesses,” he said in a statement.

The mutual fund, insurance and securities industries said the exemption would have denied some workers protections that are guaranteed for others.

“Denying ERISA protections to workers who are automatically enrolled would limit their legal remedies to fight against high fees or mismanagement of the plans,” said Paul Schott Stevens, president of the Investment Company Institute, a trade group representing funds holding $19.3 trillion in assets and that are often used to save for retirement.

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