

RETIREMENT IMPROVEMENT AND SAVINGS ENHANCEMENT TO SUPPLEMENT HEALTHY INVESTMENTS FOR THE NEST EGG (RISE & SHINE) ACT

Section-By-Section Summary

The *Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg (RISE & SHINE) Act* creates additional protections for workers and retirement savers at all stages of their retirement timelines – from improving coverage for part-time workers to facilitating convenient and affordable access to workplace emergency savings accounts.

Building off of provisions introduced in the *Retirement Improvement and Savings Enhancement Act* (H.R. 5891, “RISE Act”) and the *Securing a Strong Retirement Act of 2021* (H.R. 2954, “SECURE 2.0”), which passed the House with an impressive 414-5 vote, and the *Retirement Security & Savings Act* (S. 1770, “Cardin-Portman”), the *RISE & SHINE Act* focuses on bolstering participant communications and improving financial resiliency, as well as a number of practical changes to improve the retirement system.

Sec. 1. Short Title; Table of Contents

Title I — RISE Act

Sec. 101. Updating Dollar Limit for Mandatory Distributions.

Under current law, employers may transfer former employees’ retirement accounts from a workplace retirement plan into an individual retirement account (IRA) if their balances are between \$1,000 and \$5,000. This section increases the limit from \$5,000 to \$7,000.

Sec. 102. Multiple Employer 403(b) Plans.

The section enables 403(b) retirement plans, which are generally sponsored by charities, educational institutions, and non-profits, to participate in multiple employer plans (MEPs) and pooled employer plans (PEPs).

Sec. 103. Performance Benchmarks for Asset Allocation Funds.

This section directs DOL to update its regulations regarding benchmarking investments, such as target-date funds, that include a mix of asset classes. This section also requires DOL to report to Congress on the effectiveness of its benchmarking requirements.

Sec. 104. Pooled Employer Plans Modification.

This section clarifies that a named fiduciary is responsible for collecting contributions in a PEP and implementing written contribution collection procedures that are reasonable, diligent, and systematic. One or more trustees will remain responsible for holding assets of the plan.

Sec. 105. Review of Pension Risk Transfer Interpretive Bulletin.

When a defined benefit pension plan provider wishes to offload some or all of the plan's risk, it can either offer vested plan participants a lump-sum payment to voluntarily leave the plan early or buy annuities to provide benefits in a process called a pension risk transfer. This section requires DOL to review in consultation with the Advisory Council on Employee Welfare and Pension Benefit Plans the current interpretive bulletin governing pension risk transfers and report to Congress on its findings.

Sec. 106. Review and Report to the Congress Relating to Reporting and Disclosure Requirements.

This section requires DOL, the Department of the Treasury, and the Pension Benefit Guaranty Corporation (PBGC) to review reporting and disclosure requirements for retirement plans and make recommendations to Congress to consolidate, simplify, standardize, and improve such requirements.

Sec. 107. Eliminating Unnecessary Plan Requirements Related to Unenrolled Participants.

This section removes the requirement for employers to provide certain notices to employees who have not elected to participate in a workplace retirement plan, such as a 401(k). Employers are still required to send annual eligibility notices to unenrolled participants to encourage participation in the workplace retirement plan.

Sec. 108. Recovery of Retirement Plan Overpayments.

This section clarifies and improves the rules related to recouping overpayments to retirees to help plan sponsors and protect plan participants. Specifically, this section relaxes the fiduciary duty of plan sponsors to seek recovery of an inadvertent overpayment to a participant.

Sec. 109. Improving Coverage for Part-Time Workers.

This section reduces the requirement for part-time workers to participate in an employers' retirement savings plan from three years of service with the employer to two years.

Title II — Emergency Savings Act of 2022

Sec. 201. Short Title.

Sec. 202. Emergency Savings Accounts Linked to Defined Contribution Plans.

This section provides employers the option to offer pension-linked emergency savings accounts, which may automatically opt employees into these accounts at no more than 3% of their salary, and the accounts are capped at \$2,500 (or lower as set by the employer). Contributions are made post-tax, and are treated as elective deferrals for purposes of retirement matching contributions. Once the cap is reached, the excess emergency savings contributions return to retirement plan savings.

Title III — Notice and Disclosure

Sec. 301. Defined Contribution Plan Fee Disclosure Improvements.

This section builds on recommendations recently made to DOL by the Government Accountability Office (GAO), and requires the agency to review its fiduciary disclosure requirements in participant-directed individual account plan regulations. A report must be submitted to Congress on such findings, including recommendations for legislative changes.

Sec. 302. Consolidation of Defined Contribution Plan Notices.

Current law requires certain retirement plan notices to be provided to participants as individual notices. This provision directs the Secretaries of Treasury and DOL to amend regulations to permit a plan to consolidate certain required plan notices.

Sec. 303. Information Needed for Financial Options Risk Mitigation Act.

This section requires pension plan administrators to provide plan participants and retirees with critical information that would allow people considering what is best for their financial futures to compare between benefits offered under the plan and the lump sum, and would explain how the lump sum was calculated, the ramifications of accepting a lump sum such as the loss of certain federal protections, details about the election period, where to follow up with questions, and other information.

Sec. 304. Defined Benefit Annual Funding Notices.

This section aims to more clearly identify defined benefit pension plan funding issues on a plan's annual funding notice.

Title IV — Modernization

Sec. 401. Automatic Reenrollment Under Qualified Automatic Contribution Arrangements and Eligible Automatic Contribution Arrangements.

Many employers choose to automatically enroll their employees in retirement plans through certain safe harbors when they start the job, but many employees initially decide to opt out of participating. This section would require employers who use these optional safe harbors to prompt those employees who opt out of a retirement plan to reconsider their choice at least every three years as their career progresses and financial situation changes. This will lead to more workers participating in employer-sponsored retirement plans and benefiting from employer matches during their careers.

Sec. 402. Incidental Plan Expenses.

This section makes it easier for plan sponsors to engage advisors to assist in administering their retirement plans by permitting incidental expenses incurred related to plan design, such as automatic enrollment and reenrollment or automatic escalation, to be charged to the plan.

Title V — Amendments to Plans Offered by Multiple Employers

Sec. 501. Report on Pooled Employer Plans.

This section requires the DOL Secretary to conduct a study on the new and growing pooled employer plan industry. A report on the findings of the study must be completed five years after enactment, with subsequent reports completed every five years thereafter.

Sec. 502. Annual Audits for Group of Plans.

Under current law, generally, a Form 5500 for a defined contribution plan must contain an opinion from an independent qualified public accountant as to whether the plan's financial statements and schedules are fairly presented. However, no such opinion is required with respect to a plan covering fewer than 100 participants. This section would clarify that plans filing under a Group of Plans need only to submit an audit opinion if they have 100 participants or more. In other words, DOL and Treasury would continue to receive full audit information on at least the number of plans as under current law.

Title VI — Defined Benefit Plan Provisions

Sec. 601. Cash Balance.

This provision clarifies the application of Code and ERISA rules, such as backloading and Code section 415, as they relate to hybrid plans that credit variable interest. Specifically, the provision would clarify that, for purposes of the applicable Code and ERISA rules, the interest crediting rate that is treated as in effect and as the projected interest crediting rate is a reasonable projection of such variable interest rate, subject to a maximum of 6%. This clarification will allow plan sponsors to provide larger pay credits for older longer service workers.

Sec. 602. Termination of Variable Rate Premium Indexing.

This section removes the “applicable dollar amount” language in the rules for determining the premium fund target for purposes of unfunded vested benefits, and replaces it with a flat \$48 for each \$1000 of unfunded vested benefits.

Sec. 603. Enhancing Retiree Health Benefits in Pension Plans.

Internal Revenue Code Section 420 provides rules and restrictions for the transfer of excess pension assets to retiree health accounts made on or before December 31, 2025. This section amends the 420 rules to extend the provision through 2032.

Title VII — Additional Retirement Enhancements

Sec. 701. Provisions Relating to Plan Amendments.

Current law generally requires plan amendments to reflect legal changes to be made by the tax filing deadline for the employer's taxable year in which the change in law occurs (including extensions). This section allows plan amendments made pursuant to this RISE & SHINE Act to be made by the end of the 2024 plan year as long as the plan operates in accordance with such amendments as of the effective date of a bill requirement or amendment.

Sec. 702. Worker Ownership Readiness and Knowledge (WORK) Act.

This section boosts employee ownership programs through the DOL, which may make grants to promote employee ownership through existing and new programs.