

Legislative Positions

National Association of Government Defined Contribution Administrators

ABOUT NAGDCA

Founded in 1980, the National Association of Government Defined Contribution Administrators (NAGDCA) is the premier professional organization of public employer-sponsored deferred compensation and defined contribution plan administrators. NAGDCA's mission is to support plan sponsors and service providers of government-sponsored deferred compensation and defined contribution retirement plans in creating successful retirement security outcomes for their plan participants.

NAGDCA governmental members oversee plans for participants from 64 state and territorial government entities and 159 local government entities*, including counties, cities, public safety agencies, school districts and utilities. NAGDCA's members administer governmental deferred compensation and defined contribution plans, including Section 457(b), 401(k), 401(a), and 403(b) plans ("DC Plans"), which provide for employee and employer contributions.

The association provides a forum for working together to improve DC Plan operations and outcomes by sharing information on investments, marketing, administration, and the federal laws and regulations governing DC Plans.

**as of 12/7/22*

INTRODUCTION

Since its inception, the NAGDCA Legislative Committee has provided an annual list of recommended [Legislative Priorities](#) for approval by the NAGDCA Executive Board. This list of Priorities is the primary focus of NAGDCA's legislative advocacy efforts. In recent years, a growing number of policy changes have been proposed by federal legislators and regulators that would affect public sector defined contribution plans.

While NAGDCA has chosen not to add many of these proposals to the list of Priorities, the Legislative Committee has determined that it is important for NAGDCA to provide this Positions Book to help members develop a better understanding of the issues. While this list is not exhaustive, it contains information on the proposals most relevant to NAGDCA members and will continue to grow through the work of the Legislative Committee each year.

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AUTOMATIC FEATURES

NAGDCA endorses automatic enrollment, automatic escalation, and automatic portability as suggested best practices because of their demonstrated efficacy in increasing employees' retirement savings.

Auto Enrollment

Automatic enrollment is one of the most effective methods for increasing participation in defined contribution retirement plans. Additionally, a robust initial deferral rate prompts employees who choose to remain in a plan (after being auto-enrolled) to select a higher subsequent contribution rate. However, some states' anti-wage garnishment laws are a barrier to implementing automatic enrollment at the state level; we encourage our members to advocate for the change of those laws.

Auto Escalation

Auto escalation produces favorable results in support of increasing public employees' retirement savings by increasing the deferral rate on an annual basis, up to a set limit. Further, the combination of auto enrollment and auto escalation produces optimal results and is most effective in assisting employees with their retirement readiness. We encourage our member plans to adopt automatic escalation.

Auto Portability

Auto portability serves as a support to employees who change jobs and have retirement account balances of less than \$5K as a necessary mechanism to prevent mandatory distributions. A small group of recordkeepers have announced implementation of auto portability for the 401(k) plans that they service beginning in 2022. We look forward to the broad adoption of automatic portability by industry partners.

Education is key to the success of all automatic features. If employee groups understand the features, they are more likely to endorse the features.

CYBERSECURITY

NAGDCA holds that modern fiduciary responsibility extends to the area of cybersecurity, and that as such, plan fiduciaries should engage with plan providers to understand the providers' cybersecurity policies and controls. NAGDCA encourages its members to review and comply with the Department of Labor's [Cybersecurity Best Practice documents](#).

In the 20th century, overseeing an employee retirement plan meant having a deep knowledge and expertise of investing and plan design. In the 21st century, it is essential for plan sponsors and fiduciaries to accept, understand, and monitor the fact that participants engage with their retirement plan on a digital basis. Employees are making important financial decisions on digital devices, including those that affect their retirement.

Unfortunately, billions of records have been stolen through data breaches in recent years and identity theft continues to trend upward. The U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) reported criminals continue to exploit vulnerable business processes with business email compromise schemes – over \$9 billion in possible losses affecting U.S. financial institutions and their customer since 2016. A new market for non-financial credentials is emerging in the cybercrime underground, thanks to mass data breaches and phishing attacks exposing billions of usernames, email addresses and passwords in the last two years. In short, cybersecurity related risk continues to grow in general and defined contribution retirement plans can offer a prime target for cyber related crime.

NAGDCA further recommends its members consult the Data Security Oversight Board of the SPARK Institute to stay abreast of recent developments.

STUDENT LOAN ASSISTANCE

In general, NAGDCA supports employer-provided student loan assistance as a means to increase employee retirement savings.

Employer assistance with paying student loans in any form provides a financial wellness benefit that attracts and retains employees, as well as encourages increased retirement savings by public employees.

Student loan assistance may take many forms. Under one common type of benefit, employers pay or reimburse student loan amounts to lenders or employees on a tax-free basis under IRC section 127(c) up to \$5,250 per year through 2025. NAGDCA supports legislation that would make this tax benefit permanent.

Another common type of benefit allows an employer contribution to a defined contribution plan (e.g., 457(b) or 403(b) or 401(a)) that matches an employee's payment of student loan amounts up to a specified percentage or dollar amount of pay. This benefit encourages retirement savings for employees who may not otherwise have the ability to contribute to their defined contribution plan due to student loan debt. NAGDCA supports legislation or regulatory action that would clarify the rules for this type of match program, including for governmental plans.

Alternatively, employers can match the employee's payment of student loan amounts as an additional payment towards student loans in accordance with the rules under IRC 127(c). Employees should have the choice between a match to their defined contribution plan or a payment towards student loan debt.

In October 2021, the Department of Education announced several significant but temporary changes to the Public Service Loan Forgiveness (PSLF) Program regarding eligibility, known as Temporary Expanded Public Service Loan Forgiveness (TEPSLF), which expire at the end of October 2022. NAGDCA supports an extension of the TEPSLF period for an additional twelve months until October 2023.

EMERGENCY SAVINGS ACCOUNTS

NAGDCA believes emergency savings accounts can be worthwhile savings vehicles so long as they are easily administered and do not detract from retirement savings priorities.

As Congress explores emergency savings vehicles, NAGDCA recommends Congress prioritize a voluntary, efficient, and affordable system that minimizes administrative and compliance burdens on plan administrators. NAGDCA further recommends that Congress apply a statutory cap on deferrals so as not to distract participants from retirement savings priorities. Participants should be able to easily access accounts in institutional capital preservation accounts or bank accounts. If an emergency savings proposal satisfies the above criteria, NAGDCA does not seek a carve-out for governmental defined contribution plans (457, 401(a) and 403(b)).



We thank the Legislative Committee for its efforts on this project and its ongoing commitment to improving the understanding of legislative issues across the NAGDCA membership.

To learn more about NAGDCA's legislative priorities, advocacy efforts, and updates on legislation affecting the government defined contribution plan landscape, visit the [Legislative Action section](#) of the NAGDCA website.