



2025 NAGDCA Legislative Priorities

PRINCIPAL PRIORITIES

- **Protect Relevant Retirement Plan Features During Tax Reform Efforts**

NAGDCA opposes Rothification and any tax reforms that could threaten retirement security for public employees. Lawmakers should preserve key governmental plan features and ensure these provisions are not eliminated through tax code consolidation or other changes.

As lawmakers undertake tax reform in 2025, they will need to make cuts in some areas to offset spending on preferred priorities. Retirement plans are one of the largest expenditures in the federal tax code and represent a prime target for lawmaker cuts. Specifically, the Rothification of retirement plans is a persistent threat, and one NAGDCA firmly opposes. NAGDCA is further committed to preserving distinct governmental plan features, like special catch-up provisions for Code section 457(b) and 403(b) plans, that should be maintained and not eliminated through Code consolidation, Rothification, or other changes that would harm retirement security for public employees.

Finally, as appropriate, NAGDCA will advocate for SECURE 2.0 technical corrections to be included in any tax reform package.

- **Timely Guidance from Treasury on SECURE 2.0 Provisions**

NAGDCA urges the Treasury Department to promptly issue SECURE 2.0 guidance, as government plans need sufficient time to implement key provisions.

Plan administrators across the country continue to wait for guidance from the Department of the Treasury on SECURE 2.0 provisions like Roth catch-ups, student loans, and more. Government plans in particular require additional time to implement provisions, so timely publication of guidance is critical. NAGDCA urges the Treasury Department to publish its outstanding SECURE 2.0 guidance as soon as possible.

- **Enhance Investment Options for 403(b) Investors**

Permit Collective Investment Trusts (CIT's) and separate accounts as investment vehicles in 403(b) plans and deemed IRA's as they are in other governmental plans.

Both CITs and separate accounts are common investment choices in 401(a), 401(k) and 457(b) governmental DC plans. However, due to the statutory provisions described above, all participants in 403(b) plans are not able to take advantage of these options, potentially costing them thousands of dollars in retirement as a result of higher investment expenses or reduced returns from not having available the same breadth of investment structures as have long been available to other types of governmental DC plans. Plan sponsors would thus benefit from the use of CITs and separate accounts by having increased flexibility to build more robust investment lineups, at lower costs, often with improved speed to market or other efficiencies. In addition, CITs and separate accounts support increased customization of asset allocations and

glidepaths for the 403(b) plan. Amending IRC Section 403(b) to include these additional investment vehicles has the potential to reduce costs, increase retirement security and improve the overall experience of plan members and sponsors. Finally, improved 403(b) plans can help plan sponsors better recruit and retain top talent.

ADDITIONAL PRIORITIES

- **Clarification of Leave Conversion and Final Pay Plans**

Clarify Internal Revenue Code to ensure governmental employees can convert accrued leave into defined contribution plan contributions at retirement.

Many governmental employees have long tenures at their employers and accumulate significant balances of accrued leave that can be used or cashed out at termination. Some employees wish to convert these leave balances to accruals in a governmental defined contribution plan at retirement. NAGDCA supports (a) clarifying the Internal Revenue Code to provide that (1) governmental defined contribution plans established for the purpose of receiving accrued leave contributions at retirement are consistent with the applicable Code requirements and (2) allowing a governmental employee a one-time election to convert the value of their accrued leave at retirement to an employer contribution to a defined contribution plan is not an impermissible cash or deferral arrangement under the Code and (b) including language requiring the IRS to include these features as permissible options in a preapproved plan document.

- **Improve Roth Plans**

Allow Roth 457(b), 401(k), and 403(b) plan participants to roll Roth IRA assets to their plans.

Lower expenses and coordination of retirement savings are two important ways to improve retirement outcomes.

In the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Pension Protection Act of 2006, Congress acknowledged that coordination of retirement plans is valuable to those with multiple retirement savings accounts. Rolling Roth IRA assets to an employer-sponsored plan would be beneficial to those plan participants who are making Roth contributions to these plans as employer sponsored plans generally have lower fees and administrative costs than other retirement savings plans. In addition, allowing Roth IRA rollovers to Roth accounts in employer-sponsored governmental DC plans would help participants achieve consolidation, enhanced portability, and administrative simplicity.

- **Enhance Distribution Choice**

Allow Qualifying Charitable Distributions (QCDs) from 457(b), 401(a), 401(k) and 403(b) plans, as they are from IRAs.

Under current law, in order to take full advantage of a QCD, a governmental DC plan participant would have to roll plan assets to an IRA prior to the participant attaining age 70 ½ (RMDs, which begin at age 70 ½, are not eligible rollover distributions). If participants were eligible to make QCDs from their 457(b), 401(a), 401(k) and 403(b) governmental DC plans, this rollover step would not be required, and participants' funds could remain in their governmental DC plans until such participants choose to make QCDs.

Provisions of the Tax Cuts and Jobs Act of 2017, effective in 2018, make this issue more relevant. Making QCDs from an IRA allows the taxpayer to donate RMDs tax free even if claiming the standard deduction (\$26,500 standard deduction for married couples), rather than itemizing deductions. Many more taxpayers are expected to use this increased standard deduction.

Thus, allowing governmental DC plans to have this added benefit could further incent participation and retention in governmental DC plans.

- **Support National Retirement Security Month**

To elevate the importance of personal retirement planning, we encourage the House and the Senate to introduce and pass a resolution to support National Retirement Security Month in 2025.

Over the years NAGDCA has found that congressional resolutions provide powerful promotional and educational tools. However, even with the materials provided by recordkeepers and NAGDCA, many plan sponsors have found it difficult to devote time and energy to NRSW planning and programming at the same time that they are preparing and communicating for open enrollment. This has resulted in valuable NRSW messaging getting lost in all of the other communications plan sponsors circulate at that time. Designating the whole month of October as NRSM will give sponsors the flexibility to emphasize retirement security along with other open enrollment messages.