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Honoring a Lifetime of Public Service

From Managing Editor Bob McEvoy:

Following are heartfelt words from Beth Kellar, President/CEO of the Center for State and Local Government Excellence (SLGE), regarding the passing of one of my outstanding role models, former ICMA Board Vice President, city manager, and beloved advisor to us all, Flip McConnaughey. Flip also shared his distinguished career with our United States Senate.

Flip McConnaughey, the consummate public servant, made many contributions to the profession over his 44-year career, over half of it in local government.

When he served as an ICMA Vice President (1990–1992), he signed up for the ICMA Committee on Professional Conduct. Flip quickly observed that many ethics complaints were not necessarily violations of the ICMA Code of Ethics. He concluded that a new "Tenet 13" should be established to remind people not to do something really dumb.

Flip met with ICMA members every year after he became Senator Enzi's Chief of Staff. In March 2016 as he underwent chemotherapy treatments, he came to the Saturday morning meeting of the Governmental Affairs and Policy Committee to update them on what was not happening in Congress.

"Getting appropriation bills passed this year is like pushing Jello up the Hill," Flip said.

We will all miss Flip's wit and wisdom. ■

– Beth Kellar, President/CEO of the Center for State and Local Government Excellence (SLGE)

Remembering George "Flip" McConnaughey

by U.S. Senator Mike Enzi, R-Wyo.

September 21, 2016, was a day that I will never forget. It was on that day I learned that my longtime friend and Chief of Staff George McConnaughey, or Flip as we all knew him, had lost a valiant battle he had waged against cancer for the past year.

In the end, there is only faith, family, and friends – Flip was one of the richest men I know in all three categories. He was my friend, my soul brother.

Now, I didn't know Flip when he was the center for the Glenrock Herders football team, or when he graduated from the University of Wyoming, or when he married his wife Shelia, or when he got the job as Casper's assistant city manager. I didn't get to know him until I was mayor of Gillette and I was able to persuade Flip to pull up roots and become Wyoming's first city administrator.

We have gotten a lot of things done working together over 40 years, but Flip never worked for me, he has always worked with me. As a team, we used his city skills. I was just a salesman.

Flip was a people person. He was a brother to me, and through the years he provided me with teachable moments too. I can still hear him say: "Mike that is something you really need to do." Everyone learned to listen closely to Flip's commonsense instruction. He always downplayed his role. The most prideful thing I ever heard him say was, "Not bad for a butcher's son from Glenrock."

Now he has gone home to be with his Lord and Savior, and I'm sure heaven is glad to have him. As the old adage reminds us, God must have needed someone with his skills and abilities to take him from us—well

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PRESIDENT'S CORNER

by Peter B. Austin, County Administrator, McHenry County, Illinois

NACA President, Peter B. Austin

As the seasons pass by us rapidly, NACA is also experiencing noticeable changes which I want to highlight in this issue of the Journal. NACA has plenty of new members, new board members, and a newly named scholarship honoring a longtime leader in local government and NACA.

NACA now has over 620 members from across the country! This growth is due, in large part, to the inclusion of Arizona and the reinstatement of California, Minnesota, and North Carolina as block state members. We owe a great deal of gratitude to NACA At-Large Director, Jimmy Jayne, for working with the County Supervisors Association of Arizona (CSA) to bring Arizona onboard, and NACA Regional Vice President, Scott Arneson, for working with the Association of Minnesota Counties (AMC) to reinstate Minnesota's status. We are thrilled to welcome local government professionals from these states, along with those from California and North Carolina who are temporarily reinstated pending actions from the County Administrative Officers Association of California (CAOAC) and the North Carolina Association of County Commissioners (NCACC) in early 2017.

We also have some changes to our board. Steve Mokrohisky, County Administrator, Lane County, Oregon, has been appointed as our At-Large Director for the West Coast Region and Bob Lawton, County Manager, Yates County, New York, has been reappointed as our At-Large Director for the Northeast Region. With these appointments, we currently have no vacancies remaining on our board.

As for the scholarship, Jason Lawrence, Management & Budget Analyst, County of Volusia, Florida, was the recipient of our annual scholarship offered with generous support from ICMA-RC, allowing a first-time attendee from a county to attend the ICMA Annual Conference. This year, Jason was the first recipient of this scholarship under its new name, the Tom Lundy Scholarship. Tom Lundy, recently retired County Administrator of Catawba County, North Carolina, designated himself as the longest serving manager in North Carolina, a past president of NACA and ICMA, and Chair of the ICMA-RC Board of Directors, among various other positions supporting the profession.

Speaking of the ICMA Annual Conference, the 2016 conference in Kansas City was recently held. As usual, NACA members were present and active. Along with our robust conversations during our NACA Idea Exchange, many of our members led conversations on various panels. I would like to acknowledge and thank the following members for their leadership and devotion to the profession they demonstrated during the conference: Carl Harness, Chief Human Services Administrator, Hillsborough County, Florida; Kenneth Terrinoni, County Administrator, Boone County, Illinois; Penny Postoak Ferguson, Deputy County Manager, Johnson County, Kansas; Phillip Smith-Hanes, County Administrator, Ellis County, Kansas; Richard Baron, Process and Project Coordinator, Coconino County, Arizona; Robert E. Reece, County Administrator, Pottawatomie County, Kansas; and Tom Lundy, Retired County Manager, Catawba County, North Carolina, and past president of both ICMA and NACA.

In just a few months, we will be gathering again at the 2017 NACo Legislative Conference in Washington, D.C., between February 25 and March 1. In advance of the conference, on February 24, NACA board representatives will meet with key staff from NACo and ICMA to further our collaborative efforts. We look forward to seeing our members and colleagues.

Peter B. Austin, NACA President
County Administrator, McHenry County, Illinois

NACA

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before any of us were ready to say goodbye. Moving on, we will always remember Flip for the way he taught us how to do our jobs—better—how to get along with friends, family and fellow staffers—better—and how to live our lives fully focused on what we can do today to make our tomorrows better and brighter.

God bless you, Flip. We couldn't be more proud of all you accomplished in your life and all you made possible for us to accomplish in our own lives. We will never forget you. ■

Meeting the Workforce Challenges of Tomorrow

by Amber Snowden

In just four years, in 2020, baby boomers and older workers will make up just 17 percent of the workforce. A majority of working Americans will be members of the Millennial generation or younger, and a "business as usual" strategy is unlikely to help local governments succeed in attracting and retaining the talent they need. Changing demographics, an improving labor market, and legacy benefit costs are challenges that local governments will need to develop new strategies to address.

Panelists at the ICMA Annual Conference session, "Meeting the Workforce Challenges of Tomorrow," agreed that, in order to compete for talent, local governments need to step up their game. Younger – and older – workers in the local government workforce of tomorrow will seek flexibility and learning opportunities. The session was moderated by Elizabeth Kellar, President/CEO of the Center for State and Local Government Excellence (SLGE), with panelists Frank Benest – ICMA liaison for Next Generation Initiatives, Julie Underwood – Assistant City Manager of Daly City, CA, and Joshua Franzel – VP of Research for SLGE. They explained that governments can gain a reputation as an employer of choice by creating learning opportunities inside and outside of the organization, getting their stories out on social media, and being open to telework and other flexible work practices.

"In the old organization, human resources would tell us that employees should not work outside of their job classification," observed Julie Underwood. "Today, we encourage our staff to take on new responsibilities, such as an interim assignment, so they can gain experience."

"Local governments will win the war for talent on culture," argued Frank Benest, "not compensation." He noted that ongoing performance feedback is important to all generations. With four generations now in the workplace, employers should promote interactions between younger and more senior workers.

Another important strategy is succession planning."Every year in our annual workforce trends poll, SLGE asks respondents to rate their most important issues," noted Joshua Franzel. "Succession planning is one of the top priorities for governments, yet only about 10% of local governments have formally developed a plan." Franzel also highlighted the need for local governments to place an emphasis on training portions of the public workforce that are seeing their roles and responsibilities replaced by technology, such as data entry specialists, meter readers, and file clerks, among others. He noted that many of the lower skill occupations, that typically require less formal education, are among those that BLS projects the greatest decrease in number of positions in local government from 2014 to 2024. One of the models cited for helping these workers prepare themselves for the workforce needs of the future was Upskill.ca which is an initiative focused on nine essential skills related to communication, collaboration, technology use, and continuous learning, among others.

The panelists also discussed the findings of the *Workforce of Tomorrow* report, developed by SLGE and the Local Government Research Collaborative. The report provides recommendations for local governments to revamp their practices to meet the needs of a changing workforce as they address the challenges that lie ahead.

The report's six suggested action strategies include:

1. Reinventing human resources to become more flexible, nimble, and strategic. Seeking staff who champion people management issues and can set the workforce agenda.
2. Revamping antiquated policies and practices to meet the needs and expectations of a changing workforce.
3. Building a brand that tells the great story of public service
4. Focusing on talent management, leadership development, and succession planning to prepare for workforce transitions, build capacity, and grow future leaders.
5. Creating a culture that values and engages employees in meaningful ways.
6. Leveraging technology, data, and automation to improve operations and provide employees with the tools they need. ■

FROM YOUR NACO REPRESENTATIVE

by Eugene Smith, NACA Past President, County Manager, Dunn County, Wisconsin

There is a lot going on these days with the NACo Board of Directors.

The Board met at the Annual Conference held in July, 2016, in Los Angeles County (Long Beach), California. Hopefully, many of you were able to attend this. The venue was great, the events were great, the workshops were great and our members participated in a greater than usual number of the activities.

The Finance Committee of the NACo Board of Directors met in Washington, DC, in November. It was our first meeting in the new headquarters on North Capital Street in a building we share with the National League of Cities. From our rooftop terrace we, literally not professionally, look down upon our colleagues at ICMA whose offices are across the street and less than 200 feet away. At our meeting, we reviewed NACo's investments with Rob Hagans and the Rafferty Group. We got a great update from Matt Chase on the NACo Blueprint with emphasis on: Leadership Development curriculum and content, as well as online training and the exchange platform; the launch of the civic education online game and school curriculum; the rebranding of research activities under the new Counties Futures Lab; our new relationship with Association Management of Public Technology Institute (PTI); and the strategic engagement of county c-suite leaders and experts. We also reviewed the proposed 2017 NACo budget which will be recommended to the full Board for action.

In early December, we will be meeting in Leon County (Tallahassee), Florida, at the same time as the Rural Action Caucus (RAC). While there, we will have the opportunity to participate in several mobile workshops. Leon County Administrator, Vince Long, is expected to be a featured speaker at one of the events. At this meeting, in addition to the regular agenda items of committee reports and financial review, the Board will be taking action on: the proposed budget for 2017; the renewal of the CVS Caremark contract for the NACo Live Healthy Counties discount program; the association management proposal for NACo to manage the Public Technology Institute (PTI); the national network for city and county technologists and policymakers; and 2017 federal policies.

Registration has opened for the Legislative Conference during the last week of February, 2017. The Marriot Wardman Park will be the headquarters hotel. A full agenda is being planned and if you plan to attend you should take advantage of the early bird registration opportunities. ■

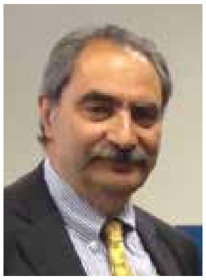
NACA EVENTS AT THE 2017 NACo LEGISLATIVE CONFERENCE

February 25 – March 1, 2017 – Washington, D.C.

EVENT	DATE	TIME	LOCATION
Meetings with NACo Leadership	Friday, February 24	9:00am to 11:30am	NACo Headquarters 660 North Capitol Street, NW Suite 400
Meetings with ICMA Leadership and Lunch	Friday, February 24	12noon to 2:00pm	ICMA Headquarters 777 North Capitol Street, NE Suite 500
Executive Board Meeting	Saturday, February 25	3:00pm to 5:00pm	Location TBD
NACA General Membership Meeting and Idea Exchange	Sunday, February 26	2:30pm to 5:00pm	Location TBD
Reception sponsored by ICMA-RC	Sunday, February 26	5:30pm to 6:30pm	Location TBD
No Host Dinner	Sunday, February 26	7:00pm	TBD - Cleveland Park / Woodley Park area
Past Presidents' Breakfast	Monday, February 27	7:30am (tentative)	Location TBD

with Dr. Costis Toregas, The George Washington University

Jobs for the New Economy: the easy and the hard choices for the manager



Everyone wants a piece of the "New Economy" in their county: high paying jobs, clean industry, growth potential unlimited. And what are the basic requirements? Strong school systems, and powerful and fast digital infrastructure is in every economic development primer. And what about the traditional economic development assets? Bricks and mortar buildings? Not necessarily as vital any more, when a small desk with a broadband connection and an innovative mind can bring economic activity locally. Middle skill jobs? Need to rethink skills and recognize that critical success factors in the New Economy need specialized abilities not found in history books.

And parallel to this revolution in economic development around us, there is the promise of the same new technology imperatives inside each and every county court house. Words like cloud computing, location-based transactions, Voice over Internet Protocol (VoIP) telephony and applications that can run on multiple devices abound – new, lean ways to provide technology platforms to speed services that our county taxpayers expect to receive. And like their economic development counterparts, the job requirements for these new platforms are very different from their predecessors. Writing code and executing programs? Not so much, as IT functionality is now assembled like Lego building block houses, with little access to the insides of each system. Maintaining computer machinery where data and applications will reside? Try somewhere else, as cloud and remote storage devices provide cheap and more secure options.

So how can a manager approach this massive change in the technology that could have a big negative effect on the existing labor force? As a county employee, when you have been accustomed to working with technology grounded in "on premises" systems, and writing, verifying and making computer code operational, the simple prospect of dealing with third-party vendors and web-based applications can be challenging. To some, it may feel liberating, but to employees who made their entire careers around ownership and "make here" decisions, it can be downright scary! And the job of a good manager is to understand this dilemma, and to create the potential of re-skilling those employees so that the jobs of the future do not disappear from their sight, but become a ticket to better, more fulfilling jobs.

Let's list a few "old jobs" that are threatened by the cloud and by smarter, more efficient software and application approaches:

- Programming
- Testing and debugging code
- Database administration
- Mainframe support

And some of the "new jobs" beckoning in the wings:

- Mobile phone interfaces and apps
- WiFi platforms
- Fiber optic network development and support
- Penetration testing of the web and applications

Yes, it may be easier to simply hire new talent off the streets who already have these new desired skills, and shuffle valuable but underskilled personnel off to remote offices where they await the pension time to arrive. But beware! These employees may be some of the wiser assets we have – they know the "Orgware" of our systems, the ways that individuals and departments react to information and to new developments, and how to work with user departments and their fears and concerns. These are valuable skills that can help preserve a cutting edge for system successes. The challenge is to provide the employees with 10 or 20-year-old skills a chance to bring them current, while benefiting from their experience of county government and administration.

Of course the question of training costs, and the downtime a worker may experience while the new skills are maturing and to shed the anxiety of new approaches will arise. This is where a proper accounting of costs and benefits must be made, and careful identification of experience, intuition and wisdom be made. You, oh wise reader, must encourage this assessment to be made correctly, and ensure that the skills of the future are provided to loyal and resourceful employees before making hasty decisions based on the widening gap between technology demands and capacity of our current employees to provide them.

There is no doubt that technology will continue to run forward, leaving old thinking and old strategies behind. But as wise administrators, we can make sure that our workforce is retooled and encouraged to evolve and grow into the workforce of the future! ■

On Momentum and Progress

by Stacy Schweikhart, Community Information Manager, City of Kettering, Ohio

"Each of us can make a difference. Together we make change." — Barbara Mikulski, longest serving female member of United States Congress

In 2012, the ICMA Task Force on Women in the Profession was established to examine the current status of women in local government and to update the 1976 ICMA report on the topic. The major finding of the report was that only 13% of local government Chief Administrative Officers were women and that there had been no change in this statistic in thirty years.

Their research and recommendations focused on five categories:

- Changing dynamics of families
- Development of tomorrow's leaders
- Membership recruitment and retention
- Elected officials
- Professional development and conference planning

As a result of the study, the ICMA Task Force on Women issued a report calling on leaders in local government to support efforts to advance the leadership representation of women in the profession. ICMA has continued the conversation and for the first time, the 2016 ICMA Conference featured a full slate of education sessions related to expanding leadership of women. Notable and major forces for advancement of the cause, former ICMA Presidents Bonnie Svrcek and Pat Martel gave voice and served as champions for expanding leadership diversity. Along with the continued efforts by ICMA three additional efforts, each outstanding in their own right, emerged to answer the call. Together they are creating momentum that is leading to change.

The Engaging Local Government Leaders (ELGL) network didn't just step up, they jumped in feet first and launched the #13percent initiative. ELGL is a network of innovative local government leaders from all disciplines and administrative levels who share a passion for making our communities the best they can be. ELGL believes that attracting and retaining local government professionals requires making meaningful connections. ELGL members share information – a learning process that empowers all of us to work harder, smarter, faster and more creatively. ELGL provides educational offerings that address new trends and ways we can proactively respond as local government professionals.

ELGL took the #13percent challenge head on with a diverse arsenal of approaches. ELGL leaders travel to conferences or host webinars, conduct trainings and present education sessions bringing awareness to the #13perent challenge. The core of the ELGL #13percent effort is a robust digital media campaign. Members and thought leaders from throughout the nation regularly share articles, observations and personal stories all linked with the hashtag #13percent. In true ELGL form, local government professionals from all fields and all leadership levels contribute original content that explore the topic from new and inspiring perspectives. These columns are posted on the ELGL website, shared on social media and included in daily ELGL e-news updates.

Earlier this year, ICMA released data on women in the local government management profession. This commitment to continue to provide data on women in the profession is a critical component of measuring progress and ICMA should be commended for leading the charge. The data highlighted the total number of ICMA members by state, the number of female chief administrative officers (CAOs, referring to city managers and city administrators), and the number of female assistant CAOs.

- 6,617 ICMA Full and Affiliate members work for U.S. local governments
- 28.5% of these members are women
- 3,412 ICMA members, or 51.5%, serve as U.S. local government CAOs
- 15.3% of these U.S. local government CAO members are women
- 1,100 ICMA members, or 16.6%, serve as U.S. local government Assistant CAOs
- 37.2% of these U.S. local government Assistant CAO members are women

Since the original 1976 report and the 2012 report that followed, the percentage of female CAO ICMA members has crept from 13% to 15%. At the pace of a 2% gain every 30 years, it will be 2052 before we reach gender balance at the top level of leadership in our communities. A consistent ratio of ICMA CAO membership growth will continue to yield a nearly stagnant result. The fuel for a change in trajectory has to be the addition or advancement of new women to CAO leadership roles, and the data showing that 37.2% of Assistant CAOs are women holds some promise.

The #13percent team from ELGL examined the ICMA data and discovered that there may indeed be more to the story. Could there be more progress out there that isn't being measured? Would data from state level or other national associations tell a different story? With that in mind, ELGL is working directly with the National League of Cities and the U.S. Conference of Mayors, along with state public management associations to add to the ICMA data set in hopes of telling a more complete story.

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In 2006, a group of female public administrators in California got together and decided it was a great idea to form some type of group for women to support each other in the profession. Women Leading Government was formed, and ten years later the example set in California is now rapidly spreading to other states. The mission of Women Leading Government state chapters is to help women succeed in public service by enhancing career-building models that develop leadership skills and by networking professional women in government. State chapters now exist in Arizona, California, Delaware, Florida, Ohio, South Carolina, Texas and Virginia.

The League of Women in Government launched in 2015 as an umbrella organization to support local and statewide organizations that advance women in local government leadership. The group works to move the needle forward on the number of women serving at the most senior and executive levels in all areas of local government and harness resources to help women in government reach their maximum potential through a support network of information, development opportunities, and educational forums. The League of Women in Government hosted the first ever Women in the Profession Symposium in partnership with ICMA at this year's Annual Conference in Kansas City. More than 175 local government professionals, men and women from all levels of city/county administration, gathered to hear keynotes from two renowned leaders on women's issues and participate in discussions on what it will take to move from #13percent to #genderbalance.

By now you may be considering how you and your county can get involved. On a personal and professional level, start by learning more about and becoming involved with ELGL (www.elgl.org), the powerful Women Leading Government state chapters (www.icma.org/en/wg/home) and the League of Women in Government (www.leagueofwomeningovernment.com).

Every individual serving in local government can do three things that will help to advance the role of women in the profession.

1. Encourage: Reach out to students at your local high school or university. Talk about the rewards of choosing a career in local government. Discuss how leadership in communities must reflect the demographics of the community and how diversity of all types is essential.
2. Notice and Speak Up: Inherent gender bias exists. Sometimes it is blatant, sometimes it is subtle. It can manifest in convened work groups that are unintentionally all male, in unequal references to gender (females mentioned as 'girl' while males noted as 'men'), in interview questions about balancing home/work or as bold as inappropriate comments about personal appearance. When you hear or see something in the workplace that contradicts gender equality, take notice and speak up.
3. Mentor: In formal or informal ways, commit to being a mentor for women in the field.Women are natural role models for each other, but must make the conscious decision and commit time to being a mentor. Read up on 'Shine Theory'. Men, you have a role too. Connect strong female leaders in your organization to each other or to other female leaders in your community. ■

Stacy Schweikhart currently serves as Community Information Manager for the City of Kettering, Ohio. Stacy is a member of the leadership team for the national Engaging Local Government Leaders network, founder of the Ohio chapter of Women Leading Government and a board member of the League of Women in Government. She is an active contributor to research, essays and podcasts on the topic of attracting the next generation of local government leadership and #13percent, in addition to topics related to public sector communication resources and policies, parks & recreation, citizen engagement and public relations.

Research on Workplace Trends

By Amber Snowden

"State and Local Government Workforce: 2016 Trends" is an annual survey conducted by the Center for State and Local Government Excellence (SLGE), the International Public Management Association for Human Resources (IPMA-HR), and National Association of State Personnel Executives (NASPE) of human resource professionals. Three hundred thirty-one (331) IPMA-HR and NASPE members took part in the survey, which was conducted in March and April 2016. Its findings show that for the third year in a row, state and local governments are reporting an increase in hiring.

Pressure on benefits continues, with employees taking on greater shares of health care costs and contributions to pensions. As the rate of retirements accelerate, there is a greater sense of urgency about recruitment, retention, and succession planning. Read the report online here. ■

By Bob Schultze, President and CEO, ICMA-RC
and John Saeli, Vice President, Market Development and Government Affairs, ICMA-RC

Progress on Two Bills with Significant Retirement Provisions Release of Final Regulations on State Retirement Plans for the Private Sector

In advance of this year's election, Congress took action on retirement provisions that could be considered in whole or in part in the Lame Duck session this year or in the next Congress. With regulatory initiatives from the Obama administration winding down, safe harbors were established by the Department of Labor (DOL) for retirement savings programs managed by states for private sector employees without access to an employer-sponsored retirement plan, and similar safe harbors were proposed for certain local jurisdictions.

Retirement Enhancement and Savings Act. On September 21, the Senate Finance Committee unanimously reported out the Retirement Enhancement and Savings Act (RESA) of 2016. RESA provisions, which could be incorporated in future legislation, include the following key provisions:

- **Lifetime Income Disclosure.** Defined contribution benefit statements would be required to annually include a disclosure depicting the lifetime income stream equivalent of a participant's total plan balance in the form of both a qualified joint and survivor annuity and a single life annuity. This provision includes a mandate for the Department of Labor to provide prescribed assumptions and explanations that could be provided to participants to protect plan sponsors from litigation when actual benefits are lower than those projected. While the lifetime income provision is applicable to Employee Retirement Income Security Act (ERISA) plans, public sector plans may choose to follow this as a matter of best practice.
- **Fiduciary Safe Harbor for Selecting an Annuity Provider.** To further facilitate access to a secure stream of income within defined contribution plans, when ERISA plan fiduciaries select an annuity provider, they would be able to rely on representations from insurers regarding their status under state insurance laws.
- **Portability of Lifetime Income Products Enhanced.** To enhance portability of lifetime income products held in retirement plans, should a "lifetime income investment" no longer be available under a plan (including a 457(b) plan), all participants would be able to, without penalty, distribute assets from that investment via either a) a direct rollover to an IRA or other retirement plan, or b) a distribution of an annuity contract.
- **10% Limit on Automatic Escalation Removed.** To facilitate participant contributions toward their retirement security, the current limit on the automatic escalation of contributions to 10% of salary for private sector 401(k) plans would be removed. While not applicable to the public sector, this provision could affect state-level enabling legislation and plan design related to automatic escalation in the public 401 and 457 plans.
- **Hardship Distributions.** Assets in section 401(k) plans accessible to fund hardship distributions would be expanded to include earnings on elective deferrals in addition to elective deferrals themselves. The bill also would eliminate conditions that require participants to take available loans and remove the restriction on making contributions to the plan for six months following a hardship distribution.
- **Five-Year Limit on "Stretch" Post-Death Payments.** Under current Required Minimum Distribution (RMD) rules, retirement plan and IRA beneficiaries generally can draw down their account over their life expectancy. Under this provision, these beneficiaries generally would be required to draw down all assets in the account within five years of the death of the retirement plan participant or IRA owner if the account as of the date of death exceeds $450,000 (indexed for inflation). The provision does not apply to defined benefit plans or to "eligible beneficiaries" (a surviving spouse, a child who has not attained the age of maturity, or an individual who is disabled, chronically ill or is not more than ten years younger than the IRA owner or plan participant).
- **Post-70 ½ Contributions to a Traditional IRA.** The current prohibition on non-rollover contributions to a traditional IRA by individuals who attained age 70½ by the end of the year would be

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repealed. The individual would still need to otherwise satisfy the requirements for a contribution, such as the requirement to have earned income.

- **Rollovers of Loan Offset Amounts.** The period in which a plan loan "offset" can be made with a contribution to an IRA after termination of employment would be increased from the current 60-day rollover period to the due date for the individual's tax return for the year of the offset.
- **Volunteer Firefighter/Emergency Medical Provider Tax Exclusion.** Exclusions for qualified state or local tax benefits and qualified reimbursement payments provided to members of qualified volunteer emergency response organizations would be reinstated for one year, in addition to other related changes.

Retirement Improvements and Savings Enhancements Act. On September 8, Senate Finance Committee Ranking Member Ron Wyden (D-OR) released a discussion draft bill titled the "Retirement Improvements and Savings Enhancements (RISE) Act" which addresses a number of retirement issues. A draft bill generally is a way for a legislator to put proposals on the table for future consideration. Unlike the RESA Act described above, the RISE Act is not bipartisan and contains a number of potentially controversial proposals. The following is an overview of some of the discussion draft's key provisions.

<u>Proposals to Encourage Retirement Savings</u>

- **Refundable Saver's Credit.** The current Saver's Credit would be replaced with a new refundable credit for contributions to an IRA or a qualified plan, with the credit amount contributed directly to a Roth plan account or a Roth IRA. The income level at which the Saver's Credit would be available also would be increased.
- **Maximum age for IRA contributions.** The current prohibition on non-rollover contributions to a traditional IRA by individuals who attained age 70½ would be repealed, as proposed in the RESA Act and described above.
- **Employer matching contributions on student loan repayments.** Employers would be permitted to make matching contributions to a 401(k) plan on behalf of employees who make student loan repayments and are unable to contribute to the 401(k) plan. The employee would be required to provide "evidence" of the loan and repayments to the employer.

Limitations on Roth IRAs

- **Large Roth IRA account balances.** Accumulations in Roth IRAs would be limited to $5 million (or, if higher, the balance on December 31, 2016). If an individual's Roth IRA accumulations as of the end of the prior year exceed the applicable limit, non-rollover contributions to the individual's Roth IRA would be prohibited for the current year, and generally 50% of the excess would have to be distributed.
- **Roth conversions.** Conversions of both IRAs and plan accounts to Roth status would be eliminated.
- **Extension of lifetime Required Minimum Distribution (RMD) rules to Roth IRAs.** The current exemption of Roth IRAs from the RMD requirements beginning at age 70½ (the rules do apply to Roth IRAs after death) would be repealed, subjecting Roth IRAs to the same RMD rules as traditional IRAs.

<u>Required Minimum Distribution (RMD) Changes</u>

- **Increase the required beginning date of distributions.** The date on which RMDs generally must commence would be increased from April 1 following the calendar year in which the individual attains age 70½ to age 71 from 2018-2022, age 72 from 2023-2027, and age 73 starting in 2028. For years after 2028, age 73 would be adjusted by the IRS in accordance with increases in life expectancy.
- **Exception from RMDs for small account balances.** Under current law, IRA and qualified plan balances are subject to the RMD rules at any account balance. This bill would exempt individuals from lifetime RMD rules if an individual's total benefits under all defined contribution plans, defined benefit plans, and IRAs do not exceed $150,000 as of a "measurement date" (indexed for cost-of-living increases). The individual's beneficiary also would be exempt from the after-death RMD rules with respect to the beneficiary's interest in the remaining balances of the deceased individual.
- **Acceleration of RMDs after death ("Stretch IRA").** This provision is similar to the "Stretch IRA" provision in the RESA legislation described above, except that it does not contain the $450,000 threshold and would apply to defined benefit plans.

Department of Labor Finalizes Safe Harbor for State Retirement Savings Programs, Proposes Same for Certain Cities and Counties. The Department of Labor (DOL) finalized a new ERISA safe harbor for state retirement savings programs that require private employers that do not otherwise offer a retirement plan to automatically enroll their employees in a payroll deduction IRA created by the state. The safe harbor was established to support the five states that have enacted legislation calling for such a program, and to encourage more states to adopt similar programs.

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State

DOL adopted this revised safe harbor to address concerns that ERISA could apply to state retirement programs that require automatic enrollment into their payroll deduction IRA program. Under the new rule, an IRA established and maintained pursuant to a state payroll deduction savings program will not be treated as an ERISA-covered plan, even if the program requires employers to automatically enroll their employees, if the following conditions are satisfied.

- The program must be established pursuant to state law.
- The employer's participation in the program must be required by law.
- An employee's participation in the program must be "voluntary."
- Employer involvement in the program is minimal. Employers may not make contributions or otherwise incentivize employees to participate in the program. Also, employers may not receive any consideration for participating in the program other than consideration (including tax incentives and credits) directly received from the state to cover the estimated costs of participating in the program.
- The state establishing the program must be responsible for fulfilling a number of obligations outlined in the final regulation.
- All rights of the employee must only be enforceable by the employee or by the state.

Local

In addition DOL also published a related proposed rule that would extend the safe harbor to payroll deduction IRA programs established by a "qualified political subdivision." The proposed rule, which could be finalized before the end of the year, would allow any governmental unit of a state, including any city, county, or similar governmental body to utilize this safe harbor if the political subdivision: (1) has the authority under state law to require employer participation in its payroll deduction savings program; (2) has a population equal to or greater than the least populous state (roughly 600,000 residents); and (3) is not located in a state that has a statewide retirement savings program for private-sector employees. ■