

Legislation Details (With Text)

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Title:	Urging the U.S. Senate to vote no on the resolutions of disapproval that will block U.S. Department of Labor rules governing automatic-enrollment, payroll-deduction programs for states and cities, thus preventing these entities from helping millions of people save for retirement.				
Sponsors:	Councilmember Parker, Council President Clarke, Councilmember Green, Councilmember Taubenberger, Councilmember Reynolds Brown, Councilmember Domb, Councilmember Greenlee, Councilmember Johnson, Councilmember Henon, Councilmember Gym, Councilmember Blackwell, Councilmember Squilla				
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Urging the U.S. Senate to vote no on the resolutions of disapproval that will block U.S. Department of Labor rules governing automatic-enrollment, payroll-deduction programs for states and cities, thus preventing these entities from helping millions of people save for retirement.

WHEREAS, In August 2016, the U.S. Department of Labor issued a rule allowing states to create auto-IRA programs by exempting them from federal retirement law - the Employee Retirement Income Security Act (ERISA) of 1974 - if the programs met certain conditions, thereby limiting liability. This rule would effectively allow states to direct some employers with an automatic payroll-deduction system to set aside a portion of their employees' paychecks into an Individual Retirement Account (IRA); and

WHEREAS, Based on formal feedback from various municipalities, the Department of Labor followed up with a rule in December 2016 allowing cities of a certain size (cities larger than the smallest state - Wyoming - with a population of almost 600,000) to establish auto-IRA programs; and

WHEREAS, The need for states and cities to establish these auto-IRA programs has arisen from the growing state of retirement insecurity. According to Philadelphia City Council testimony from Diane Oakley from the National Institute on Retirement Security (NIRS), there are 40 million working-age households with no retirement account assets, whether in employer-sponsored 401(k)-type plans or in IRAs; and

WHEREAS, According to the Schwartz Center for Economic Policy Analysis at The New School for Social Research, Philadelphia retirees and workers are in even worse shape than workers and retirees nationwide. Philadelphia City Council commissioned the Schwartz Center to prepare a report entitled "Are Philadelphia Residents Prepared for Retirement?", and the report found that in Philadelphia, 20 percent of retirees are poor, compared with 9 percent nationwide, and 30 percent have incomes between 100 and 200 percent of the federal

poverty level, compared with 23 percent nationwide. Additionally, in Philadelphia, 48 percent of workers ages 25-64 work for an employer that sponsors a plan, compared with 53 percent nationwide, and 37 percent of workers actually participate in a plan, compared with 45 percent nationwide; and

WHEREAS, Since 2011, 29 states have either proposed or enacted measures to allow all workers access to retirement savings accounts. States like California, Connecticut, Illinois, Maryland, and Oregon have already passed such laws, and some of these states have begun implementation of these laws. If Congress intervenes now with these states' rights to proceed forward, it will undoubtedly result in expensive and lengthy lawsuits. Many other states, including Pennsylvania, are in the process of developing bipartisan legislation to help their citizens in retirement; and

WHEREAS, Some cities, including New York City, Seattle, and most importantly, Philadelphia, are also exploring auto-IRA programs. In June 2016, City Council's Committee on Labor & Civil Service held a hearing on the state of retirement security in Philadelphia. The hearing featured testimony from Philadelphia citizens negatively impacted by insecurity in retirement, several prominent experts in retirement security, and policymakers from other states and cities that are exploring solutions to this issue. The hearing was a true demonstration of intergovernmental cooperation as it was attended by representatives from state and federal government; and

WHEREAS, In October 2016, the City Council of Philadelphia unanimously approved a resolution creating a Task Force on Retirement Security for Private Sector Employees in Philadelphia, the purpose of which is to explore best practices to address the retirement security crisis in Philadelphia, particularly for private sector employees who are not offered a retirement plan by their employer, and to make recommendations to Council regarding potential solutions; and

WHEREAS, The Task Force's members represent a unique combination of stakeholders and are comprised of business-member organizations, academic and financial research experts, private-sector labor unions, and nonprofit organizations which represent seniors and low-income Philadelphians. The Task Force has met several times since its creation, and because they realize that policy solutions should not be recommended without a thorough understanding of the related costs and implementation-related concerns, they are currently focused on getting a feasibility and costs study completed; and

WHEREAS, The Task Force's members are committed to providing City Council with a recommendation, or menu of options for a policy solution, by the end of 2017. The members of the Task Force come from both sides of the political aisle and they take their work very seriously. They are committed to public-private partnerships as a solution to retirement security, and are ever-mindful of the impact that widespread retirement insecurity can have on state and local budgets. They also realize that they do City Council the best service not by rushing forward with a singular policy recommendation, but instead by thoroughly vetting all the policy options, and by providing Council with the best possible information so that Council can make an informed decision for passing enabling legislation; and

WHEREAS, On Wednesday, February 15, 2017, the U.S. House of Representatives passed H.J. Res 66 and H.J. Res 67, resolutions of disapproval which allow Congress to scrap the Department of Labor rules that were issued in August and December 2016 allowing states and cities to establish auto-IRA programs. The legislation now heads to the U.S. Senate; and

WHEREAS, If the Senate passes the resolutions of disapproval, it will effectively kill all states' and cities' current efforts to address retirement insecurity via auto-IRA programs unless they have already passed enabling legislation, and maybe even kill the efforts of the states that have already passed enabling legislation.

Furthermore, the resolution of disapproval is a very blunt legislative tool that will forbid the Department of Labor from ever touching this area of policy again unless explicitly authorized to do so by Congress; and

WHEREAS, Without a national, state, or local solution to the issue of retirement security, the crisis is only going to get worse over the next few decades. Many experts are warning about a “silver tsunami”, where the retirement crisis will become a financial crisis. It is the duty of the states and cities to try and protect their citizens; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That it urges the U.S. Senate to vote no on the resolutions of disapproval that will block U.S. Department of Labor rules governing automatic-enrollment, payroll-deduction programs for states and cities, thus preventing these entities from helping millions of people save for retirement.