Many anticipated changes are coming to Washington in 2019, as a result of November’s midterm elections. Democrats picked up 40 seats in the House of Representatives, while Republicans added two seats to their majority in the Senate. New faces will abound, and retirement issues are anticipated to become a priority.

2019 Congress will look much different than in years past

Democrats are reclaiming the majority in the House of Representatives for the first time since 2011. With a revote likely for a disputed race in North Carolina, Democrats will begin the year with a 235-199 margin in the House.

In the Senate, Republicans increased their majority by two seats, widening their lead by a 53-47 margin in 2019. Washington has not seen this particular configuration – a Democrat-controlled House, a Republican-controlled Senate, and a Republican president – since 1987.

New faces will abound: there will be 11 new Senators and a whopping 102 new members of the House of Representatives, nearly a quarter of the entire chamber. For the first time in history, there will be more than 100 women in the House. The 116th Congress that convenes in January will be the most diverse in history.

A divided Congress is typically a recipe for gridlock and 2019 is looking like no exception. House Democrats are expected to use the subpoena power that comes with chairing Congressional committees to inundate the Trump administration with investigations, requests for documents and calls to testify. This will likely dampen the already-low Republican enthusiasm for working together.

Leaders of both parties have identified some issues that have a chance at bipartisanship, notably infrastructure and reducing prescription drug prices. Retirement savings is another area frequently cited as fertile for bipartisan compromise.

Retirement policy a priority for 2019

Rep. Richard Neal (D-MA), a 30-year veteran of Congress, is set to become the chairman of the powerful House Ways & Means Committee in January. The committee has jurisdiction over taxes, health care, trade and retirement policy. Since the election, Neal has been telling audiences that his top three priorities as chairman are “retirement, retirement and retirement.”

Neal has indicated that he intends to re-introduce in early January two pieces of retirement legislation that he has long championed. The first is a comprehensive bill addressing a wide array of pension and retirement issues, including provisions to make it easier for small businesses to offer retirement savings opportunities to their
employees. That bill is likely to include simplified “pooled employer plans” (also known as “open multiple-employer plans” or “open MEPs”), which would allow unrelated small businesses to band together to offer a plan to their employees. President Trump has endorsed the idea, and the Labor Department has proposed regulations in this area, but it is widely seen that Congress needs to make changes to the law in order to make pooled employer plans work. The idea has strong bipartisan backing and a very good chance at becoming law in 2019.

Neal’s second priority is more ambitious: the so-called Automatic Retirement Plan Act, which would require employers with 10 or more employees to establish a 401(k) or 403(b) plan, or offer an IRA, for all employees. The bill’s mandate has long been a sticking point, particularly with Senate Republicans. Expect Neal to push hard for this legislation early in 2019.

In the Senate, the retirement of Senate Finance Committee Chairman Orrin Hatch (R-UT) leaves an opening for a new leader on retirement and pension policy. Senator Charles Grassley (R-IA) will replace Hatch at the helm of the Finance Committee; Grassley previously chaired the committee in the early-to-mid 2000s and was successful then at passing meaningful retirement legislation. Senator Rob Portman (R-OH) and Senator Ben Cardin (D-MD), both Finance Committee members, have a long history of working together on retirement issues and have already floated draft bipartisan legislation that overlaps considerably with Neal’s bills. The Portman-Cardin proposal, however, does not include Neal’s employer mandate, so that remains an issue to be decided.

Other issues that could be in the mix early next year include several provisions that were part of the year-end tax package that was passed by the House in December but never taken up by the Senate. These include eliminating required minimum distributions for individuals whose total assets in retirement savings accounts is less than $50,000; waiving additional taxes on distributions from retirement accounts that are used to pay for childbirth and adoption expenses; increasing the cap on auto escalations from 10% to 15%; and providing lifetime income disclosure to help individuals understand how their current level of savings translates into a monthly income during their retirement years. Finally, an executive order directed the Treasury Department to review the current rules around required minimum distributions and determine whether those rules needed updating to ensure retirees’ savings lasts long enough. A report with recommendations is expected in February 2019.

It is tricky to forecast how the 2019 Congress will unfold. Bitter partisan disagreements and an embattled White House could push both parties toward their respective corners with little or no pretense of bipartisanship. Controversy, scandal and investigations could derail the legislative agenda. But to the degree that Congress is willing to work on substantive issues, look for retirement issues to be near the top of the list.

The IRS announced in late October that contribution limits for both Individual Retirement Accounts (IRAs) and employer-sponsored retirement plans would increase...
in 2019. The contribution limit for 401(k), 403(b), most 457 plans and the federal government’s Thrift Savings Plan will rise from $18,500 to $19,000 next year. Catch-up contributions for these plans for savers over 50 will remain at $6,000.

For IRAs, the contribution limit increases from $5,500 to $6,000 in 2019, while the catch-up contribution for individuals over 50 remains unchanged at $1,000. In addition, the IRS adjusted the income limits for which contributions to IRAs can be tax-deductible and also adjusted the income limits for Roth IRAs. Those new limits and other details can be found in the IRS announcement.