



ANGELA MONTEZ
SENIOR VICE PRESIDENT

LEVELING THE PLAYING FIELD FOR PUBLIC WORKERS

ICMA-RC Senior Vice President, General Counsel and Chief Legal Officer Angela Montez advocates lower costs and greater participation in defined contribution plans

Public employees are the backbone of local communities, serving as teachers, fire fighters, police, EMTs, park employees and in many other roles to benefit all of us. Without them, no town, city or county can function, but when it comes to retirement security, the playing field is not level for public employees.

As one of the leading providers of public sector defined contribution plans, ICMA-RC has long sought to ease the burdens of local and state governments by helping their employees build retirement security. ICMA-RC's Angela Montez is advocating for changes at both the federal and state level that will make it easier for public employees to save for retirement—and bring them into parity with employees at private sector companies. We asked her to tell us more about this advocacy initiative.

How did ICMA-RC's advocacy get started?

Montez: ICMA-RC has always engaged in advocacy through participation in, and partnerships with, other organizations. We've found, however, that public sector retirement plan issues often get drowned out, because the private sector plan community is much larger and more vocal. We want to bring public sector issues into the conversation, providing the public plan perspective as members of Congress draft legislation and agencies develop regulations.

Our focus is on retirement and retiree health in the public sector where we can help to further our mission. We also support issues pertinent to the larger retirement community to provide

greater coverage and greater savings opportunities to all Americans.

You're working to make collective investment trusts, or CITs, eligible as 403(b) plan investments. Why is that important?

Montez: Historically, 403(b) plans, which are defined contribution (DC) retirement plans for employees of public schools and certain other tax-exempt organizations, were almost entirely invested in annuities to provide a guaranteed income stream similar to a defined benefit (DB) plan. These plans couldn't even include mutual funds until 1974.

Because of this history, you see significantly higher fee structures in 403(b) plans than in 401(k)s and 457 plans. CITs can help reduce expenses. They provide the same investment strategies as mutual funds with greater flexibility and at a significantly lower cost. It has been estimated that incorporating these vehicles into 403(b) plans could save teachers and other public employees as much as \$10 billion per year¹ — a meaningful contribution to public employee retirement security.

What are you doing to advocate for this change?

Montez: Earlier this year, we asked the IRS for a private letter ruling to permit 403(b) plans to invest in CITs on a limited basis.

We've also met with officials of leading legislators, including Senators Rob Portman (R-OH) and Ben Cardin (D-MD), to advocate that the CIT provision be included along with a broad package of retirement savings reforms, in the Retirement Security and Savings Act.

You've also been working to allow governmental plans to implement auto-enrollment and auto-escalation.

Montez: Auto-enrollment changes the dynamic of plan participation to allow easy, automated enrollment at the start of a new job with the goal of increasing retirement security. While this plan feature is not mandated, and participants can opt out at any time, it has substantially increased participation and retirement savings in the plans that have used it.

Governmental 457 and 403(b) plans are governed by state law. The issue is that many states have laws against garnishment or wage deduction that have nothing to do with retirement, but they can effectively prohibit auto-enrollment, where employees have to actively opt out of, rather than opt into, a plan.

Only a small number of states have amended their laws to permit or require auto-enrollment. In most cases, there's been no real opposition to the change. It's just a matter of making state legislators aware of what's needed to make this feature available to public plans.

This is a state-by-state process, where we have partnered with a number of organizations. We intend to focus on approximately five states per year, starting with ones where legislation has already been introduced or where we have a strong presence.

It sounds like you have a lot of exciting initiatives in the works.

Montez: Yes, it certainly would be exciting and beneficial to public employees if these changes are enacted.

¹ Aon-Hewitt, "How 403(b) Plans are Wasting Nearly \$10 Billion Annually, and What Can Be Done to Fix It", January 2016.