Written Testimony

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Entitled

Challenges in the Retirement System

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The American Benefits Council (the "Council") thanks Chairman Grassley, Ranking Member Wyden, and all Members of the Finance Committee for holding this hearing regarding Challenges in the Retirement System, and for the longstanding bipartisan leadership of this committee in enhancing retirement security.

We very much appreciate the opportunity to testify. The private retirement system has helped millions of Americans achieve retirement security. Even so, the system can be improved and strengthened, and there are numerous existing bipartisan proposals – several of which are discussed below – that we believe can help achieve that result.

The American Benefits Council is a Washington D.C.-based employee benefits public policy organization. The Council advocates for employers dedicated to the achievement of best-in-class solutions that protect and encourage the health and financial well-being of their workers, retirees and families. Council members include over 220 of the world's largest corporations organizations serving employers of all sizes. Collectively our members directly sponsor or administer health and retirement benefits for virtually all Americans covered by employer-sponsored plans.

STRONG SUPPORT FOR BIPARTISAN RETIREMENT SOLUTIONS

In a November 2018 election day poll conducted by Public Opinion Strategies, nearly eight in 10 American voters (78%) showed a strong preference for bipartisan solutions to our retirement policy challenges, saying that compromise and cooperation would most improve their ability to save for a secure retirement.

For many years, retirement policy legislation has enjoyed a proud tradition of bipartisan leadership and support. That is how Congress has achieved so many improvements and enhancements to the private retirement system in the past, and we believe that bipartisanship is likewise the path to future success.

There are many retirement policy proposals that have been introduced and that are worthy of discussion. A number of retirement provisions now pending in Congress, several of which are discussed below, deserve immediate consideration and **we strongly recommend their enactment as soon as possible.**

The retirement provisions referenced above are largely based on:

- the Retirement Enhancement and Savings Act of 2019 (S. 972), introduced by Chairman Grassley and Ranking Member Wyden ("**RESA**");
- the Retirement Security and Savings Act of 2019 (S.) (the "**Portman/Cardin bill**");
- the Retirement Parity for Student Loans Act (S.) (the **"Wyden student loan bill**");

- the Retirement Security Act of 2019 (S. 321) (the "**Collins/Hassan bill**");
- the Setting Every Community Up for Retirement Enhancement Act of 2019 (H.R. 1994) (the "**SECURE Act**"); and
- the Retirement Plan Simplification and Enhancement Act (H.R. 4524) (the "**Neal bill**").

These bills include many bipartisan, bicameral proposals that are very important to improving personal financial security. In fact, RESA earned unanimous approval in the Senate Finance Committee in 2016 and continues to enjoy broad bipartisan support in the Senate today. Similarly, in April, the SECURE Act passed out of the House of Representatives Ways and Means Committee by a voice vote. These two bills are well vetted, broadly supported by both parties, and endorsed by a wide range of stakeholders. We support prompt passage of these bills. The bills have differences that will require blending of different proposals, but we strongly believe that this is a step that can be taken in a bipartisan bicameral fashion, consistent with a long tradition in the retirement area. We urge Congress to continue to work together on a bipartisan, bicameral basis to finalize compromise legislation as soon as possible. **For example, as discussed below, hundreds of thousands of employees may find their future pension benefits eliminated if RESA/SECURE is not enacted in the very near future.**

We are also very supportive of the next generation of retirement reform, most prominently contained in the Portman/Cardin bill and the Neal simplification bill. These bills contain critical additional reforms that, together with RESA/SECURE, can further usher in a new era of retirement security. **In light of the shortfall in retirement savings discussed below, we cannot afford to wait to help tomorrow's retirees.**

THE CRITICAL ROLE SERVED BY THE PRIVATE RETIREMENT SYSTEM

In October of 2018, the American Benefits Institute – the education and research affiliate of the Council – published a paper entitled American Benefits Legacy, the Unique Value of Employer Sponsorship. Before discussing the excellent legislative proposals contained in the above bills, we wanted to take this opportunity to share with you the important findings of that paper. These findings strongly support the purpose of the bills, which is to further strengthen a private retirement system that is working well but can still be improved.

In the late 1990s, the Employee Benefit Research Institute (EBRI), developed a model to simulate retirement income adequacy. The model provides summary Retirement Readiness Ratings that simulate the proportion of households projected to have adequate resources in retirement.

The model shows that employer-sponsored plans result in a 28.7% increase in the number of low-income households achieving retirement security. While the importance

of employer-sponsored retirement benefits to low-income households will not come as a surprise, what is most illuminating is the extent to which **middle-income groups rely on retirement savings plans through their employer.** Comparing the Retirement Readiness Ratings with and without employer-sponsored retirement benefits shows that the percent increase in the number of households that are saved from retirement income inadequacy is 52.3% for the second income quartile and 18.6% for the third income quartile.

Equally telling is the total dollar value of the benefits that are projected to be provided by employer plans and their role in covering the difference between public benefits and the financial needs of retirees. This is illustrated by EBRI's projections of "Retirement Savings Shortfalls," which calculates the aggregate value of projected financial deficits in retirement for all U.S. households between the ages of 35 and 64. This measurement is somewhat different than the Readiness Ratings because it also includes the anticipated needs to finance long-term care.

The savings shortfall measures the present value of the additional (after-tax) amount each household would need at age 65 to eliminate their expected retirement income deficits. While this shortfall is a relatively small proportion of the total value of all of the resources households are projected to have available to meet their retirement needs, it provides a useful indication of the overall value of the gap that will need to be addressed and the role of employer-sponsored benefits in filling this gap. The aggregate deficit number with the current employer-sponsored retirement benefits is estimated to be $4.13 trillion. **When the simulation was done assuming that there were no employer-sponsored retirement benefits and individuals were to behave in the manner observed for those without access to these plans, the aggregate deficit would jump to $7.05 trillion, an increase of 71%.**

In addition, in furtherance of our support for retirement security, the Council has recently joined a new campaign called "Funding Our Future," an alliance of organizations working to make a secure retirement possible for all Americans. The campaign now consists of over 40 organizations – representing consumers, employers, industry, and a variety of other perspectives – all pushing to educate the general public about the challenges of retirement security and how we can overcome them, both individually and collectively through improved public policy. The campaign has three pillars: (1) making it easier to save at all ages, particularly at the workplace; (2) helping people transform their savings into retirement income and (3) saving Social Security. Advancing policy within each of these pillars will help improve retirement security for millions of Americans.

Key Bipartisan Proposals for Improving Retirement Security

Below we highlight a number of proposals related to improving the retirement security of American workers that we most strongly encourage the committee to support.

Relief for participants in closed defined benefit pension plans

As the environment for sponsoring traditional defined benefit pension plans has become more challenging, many companies have found themselves reluctantly compelled to modify their plans so that new employees hired after a certain date are not eligible to participate. However, under current law, companies that seek to protect older, longer-service employees by continuing to accrue benefits for them until they retire are generally precluded from doing so by the clearly unintended impact of the so-called "nondiscrimination rules." With every year that passes, tens of thousands or possibly hundreds of thousands more participants lose benefits by reason of the adverse effects of the current rules.

The Council urges strong support for nondiscrimination testing reform that would allow employers to continue to accrue benefits for older, longer-service participants in defined benefit pension plans. This provision is included in RESA and the SECURE Act, and was also included in Neal/Tiberi (H.R. 1962) and Cardin/Portman (S. 852) bills from last Congress.

Each year that this issue is not addressed, hundreds of thousands of additional employees are at risk of losing benefits. The Council reached out to two national consulting firms earlier this year. **The consulting firms concluded that if this issue is not fixed in the near future – year-end is too late – at least 430,000 participants could lose future benefits as of January 1, 2020.**

Reducing barriers to saving through student loan repayment programs

The burden of student loan debt serves as an unfortunate barrier to saving for retirement. Given the benefit of compound interest, putting money away early in one's career – especially through an employer-provided plan with matching contributions and low fees – can have a powerful effect on one's retirement savings account balance at retirement age. But student debt prevents many individuals in their 20s and 30s from saving optimally for retirement.

Many employers are interested in helping employees save for retirement despite student tuition or debt obligations and are considering a variety of innovative approaches to do so. We urge Congress to support these programs with policies that embrace innovation.

For example, the Council supports proposals that would make it easier for employers to provide matching contributions to 401(k) retirement plans based on an employee's student loan payments. Such a provision is included in the Wyden student loan bill. The Wyden proposal is also included in the Portman/Cardin bill. Measures such as this that would leverage the tax laws and behavioral economics would go a long way toward reducing barriers to retirement savings for younger workers in particular. Just like saving early, enacting supportive policy as soon as possible will have a positive effect on retirement outcomes.

We are supportive of other proposals to give employers greater flexibility in helping their employees with student loan debt. For example, Senators Mark Warner and John Thune and 20 other Senators have sponsored a bill (S. 460) that would permit employers to pay down student loans for their employees without triggering taxable income for their employees, up to an annual limit of $5,250 on the total of such repayments and other educational assistance.

Self-correction procedures

Plan sponsors should generally be permitted to self-correct inadvertent plan violations under the IRS' Employee Plans Compliance Resolution System (EPCRS) without a submission to the IRS or a fee payable to the IRS. Under a proposal included in the Portman/Cardin bill, all inadvertent plan violations could be self-corrected under EPCRS without a submission or fee to the IRS, provided that this rule would not apply if the IRS discovers the violation on audit and the employer has not at that point taken actions that demonstrate a commitment to correct the violation. The bill, which we strongly support, would also make improvements to the self-correction process that would make self-correction a more reliable and effective process. The Neal bill, which we also strongly support, similarly includes a provision that would expand the use and availability of EPCRS.

Open MEP reforms

Policymakers are constantly searching for ways to improve retirement plan coverage, and Council members believe that the best way to do so is to build on the employer-based system. Open multiple employer plans (MEPs), which enjoy bipartisan support in Congress, present a significant opportunity to do so.

We urge the committee to support legislation that would eliminate the punitive "one bad apple rule" (under which compliant employers in a MEP are penalized for violations by other participating employers) and permit open MEPs by eliminating the "nexus" requirement (under which all participating employers must share a pre-

existing relationship or common business purpose). **Facilitating the use of MEPs will create greater economies of scale, thereby reducing the cost of plan participation and broadening coverage for many, including the independent and contingent workforce.** This proposal is included in RESA, the SECURE Act and the Collins/Hassan bill.

We would like to briefly note three key issues regarding the MEP proposals:

- ***Clarify that gig workers can participate in MEPs.*** Until a court case in late March, it was clear, under more than 30 years of Department of Labor authorities, that gig workers and other independent contractors without employees could participate in a MEP under certain circumstances, and would similarly be able to participate in an open MEP under the legislation. The court case called that into question, which jeopardizes some current MEPs and undermines a key objective of the open MEP legislation. We urge RESA and the SECURE Act to address this issue by clarifying that gig workers can participate in MEPs, as has been the longstanding rule.

- ***Clarify that small businesses that join a MEP are eligible for the new plan start-up credit.*** RESA and the SECURE Act increase the cap on the tax credit available to small employers that start a plan from $500 to $5,000. Under present law, it is unclear if a small employer joining an existing MEP is eligible for the credit. The issue is that the credit is only available for the first three years of a plan's existence. So if the MEP has been in existence for three years, the credit may be unavailable to a small employer that joins the MEP. If the MEP had been in existence for a year, for example, when the employer joins, then the credit may only be available for two years.

    - *Concern:* The concern is that the advantage of a MEP is that it can produce lower costs for participating employers. If small employers' net costs in the first three years are materially higher under a MEP than under a single employer plan, due to the fact that the credit is not available with respect to the MEP, that could reduce interest in joining a MEP.

    - *RESA addresses this concern.* RESA addresses this concern very effectively by clarifying that small employers without a plan may claim the credit if they join an existing MEP.

- ***Provide the same MEP advantages to charities, churches, and public educational institutions.*** Currently, the MEP provisions in RESA and the SECURE Act do not cover 403(b) plans, which are widely used by charities, churches, and public educational organizations (the only entities permitted to maintain such plans). We support expansion of the MEP provisions to cover 403(b) plans, so that these entities can enjoy the same new economies of scale being made available to taxable employers.

Improving required retirement plan reports and disclosures

Under current law, employer-sponsored retirement plans and IRAs are required to provide a variety of reports and disclosures to participants at various times or upon the occurrence of specified events. The Council believes there is a significant opportunity to improve both the content and the timing of required disclosures in a manner that provides for more effective and meaningful communications to participants and account owners, while also decreasing administrative costs for plans and IRAs. We support bipartisan proposals to take such steps, such as proposals included in both the Portman/Cardin bill and the Neal bill. Those proposals would:

- direct the Treasury Department, the Department of Labor (DOL), and the Pension Benefit Guaranty Corporation (PBGC) to review the reporting and disclosure requirements and make recommendations to Congress to consolidate, simplify, standardize, and improve these participant communications; and
- direct Treasury and DOL to consolidate certain overlapping notices.

A related issue that we urge the committee to consider is one that affects those plan participants who are *not enrolled in the plan* but who nevertheless are considered participants if they are *eligible* to enroll in the plan. Under current law, even non-enrolled participants are required to receive the same reports and disclosures as participants who are enrolled in the plan. Because these non-enrolled participants are likely receiving plan communications that do not relate to them, the Council strongly supports the proposal in the Portman/Cardin bill under which non-enrolled participants would not be required to receive the unnecessary notices that they receive under current law. Instead, such participants would receive an annual reminder of their eligibility to participate in the plan.

Stop indexing the PBGC variable rate premium for single-employer plans

A bipartisan proposal aimed at addressing concerns over PBGC premiums, which are a factor in causing employers to terminate or engage in pension plan de-risking activities, is included in the Portman/Cardin bill. Today, single-employer defined benefit plans pay both a per-participant flat-rate premium and a variable-rate premium to the PBGC each plan year. Both types of premiums are currently indexed. But indexing the variable-rate premium does not make sense because the variable-rate premium is calculated based on the plan's unfunded vested benefits, an amount that is inherently indexed. As a result, indexing the variable-rate premium will eventually lead to companies owing 100%, 200%, or even more of their underfunding to the PBGC. The Portman/Cardin bill would address this by eliminating the indexing of the variable-rate premium and freezing such rate at the 2018 premium level ($38 per $1,000 of unfunded vested benefits).

Correcting the mortality tables used by defined benefit plans, and other funding issues

A number of factors have led many employers in recent years to terminate or freeze their defined benefit pension plans. Not least among these factors are increasing PBGC premiums and uncertain plan funding obligations, which can fluctuate depending on interest rates and other factors that are often outside of the plan sponsor's control, such as the mortality table that must be used for purposes of calculating a plan's funding obligations. The Treasury Department is required to update the mortality table that defined benefit plans must use for this purpose at least every 10 years. The most recent mortality table update was included in regulations that were published in October 2017.

The Treasury Department issued new mortality tables for pension plans in 2017, increasing plan sponsor costs by an estimated over $36 billion over 10 years. These regulations were flawed in two respects. First, the 2018 tables relied on assumptions developed by the Society of Actuaries (SOA), which SOA has since acknowledged overstate pension obligations. In addition, the regulations used a higher rate of future mortality improvement in the new mortality tables than the rate used by the Social Security Administration (SSA) or any other regulatory organization. The Council supports the Portman/Cardin bill provisions to correct both flaws, (1) correcting the incorrect 2018 tables and (2) prohibiting the regulations from assuming future mortality improvements at any age that are greater than 0.78% (i.e., the weighted average used by the SSA).

We also want to emphasize that while many employers have been able to fund up their defined benefit plans, many other employers have faced significant challenges in that respect. Due to the declining helpfulness of the pension smoothing provisions and sustained low interest rates, some single-employer pension plans face sharp increases in minimum funding contributions over the next several years. These spikes are in many cases expected to be followed by much smaller minimum funding contributions in subsequent years. Nonetheless, the significant increases in funding contributions will create substantial hardship for some companies that would otherwise be on solid footing to support their pensioners if modest relief were provided. The Council encourages the committee to consider options that provide flexibility to single-employer plans sponsors facing funding obligations that are disproportionately large compared to the size of the employer's business.

Permitting higher catch-up contributions for individuals age 60 and older

Even though most Americans understand the benefit of saving for retirement throughout their working years, younger workers in particular often face competing financial priorities, such as buying a home, paying off student loans, and raising a family. These expenses can make it challenging for many workers to prioritize saving

for retirement until their 40s, 50s, or even 60s. In 2019, most employees are generally limited to making elective deferrals of $19,000 to a 401(k), 403(b), or governmental 457(b) plan ($13,000 with respect to SIMPLE IRAs and SIMPLE 401(k)s). But individuals age 50 and older may make a "catch-up" contribution of an additional $6,000 ($3,000 for SIMPLEs). To give workers nearing retirement age an even greater ability to better prepare for retirement, the Council supports the provision in the Portman/Cardin bill that would increase the catch-up contribution for participants age 60 or older to $10,000 ($5,000 for SIMPLEs).

Increasing the age at which RMDs must begin

Under current law, plan participants and IRA account owners must generally begin withdrawing "required minimum distributions" (RMDs) at age 70½. As a result, the RMD rules require many individuals to withdraw funds from their retirement accounts before the time when those funds are needed. The Council believes it is important that retirees be allowed to retain their savings in retirement accounts as long as possible to help protect against the risk of retirees depleting their retirement savings during their lifetime. We therefore urge the committee to support bipartisan proposals such as those in the Portman/Cardin bill, the SECURE Act, and the Neal bill and that would increase the age at which participants and IRA account owners must begin taking RMDs.

Reforming the rules regarding inadvertent overpayments to participants

The complexity of administering a retirement plan can result in a plan incorrectly calculating benefit payments for a participant, especially in a defined benefit plan. Sometimes these errors result in an overpayment being made to a participant. IRS correction procedures in some cases require plans to seek to recoup from participants a discovered overpayment, sometimes months or even years after the overpayment was made to the participant. This often causes significant distress for participants – many of whom were retirees – who had no idea that the plan incorrectly calculated their benefits. Further complicating matters, in many cases an overpayment was rolled over to an IRA or another plan because the participant believed that such amount was eligible for rollover treatment when in reality it was not.

Although recent changes to the EPCRS have established that in some circumstances a plan sponsor may correct for an overpayment without seeking recoupment from the participant, the Council's members believe that additional steps to protect retirees should be taken.

Expansion of electronic disclosure of plan communications

Under current law, there are multiple regulatory standards governing the circumstances under which an employee may be provided with a retirement plan statement, notice, or disclosure in an electronic format. There is longstanding, bipartisan interest in modernizing the delivery rules for these disclosures.

The Council has long supported updating the means of fulfilling disclosure requirements. Our long-term public policy strategic plan, A 2020 Vision: Flexibility and the Future of Employee Benefits, includes recommendations to advance the use of technology in delivering benefits information while ensuring appropriate protections for participants.

Consistent with these recommendations would be bipartisan legislation that gives employers the option to provide required notices and statements in an electronic format while providing participants with appropriate protections and the right to receive paper copies of notices at no charge. Participants would also be provided an annual written notice of the availability of paper notices. One such proposal, the Receiving Electronic Statements to Improve Retiree Earnings Act, was introduced on a bipartisan basis in the Senate in 2018 (S. 3795) (by Senators Sherrod Brown, Michael Enzi, Gary Peters, Rob Portman, Johnny Isakson, and Doug Jones) and in the House in 2017 (H.R. 4610).

Missing participants

Our members devote a great deal of effort and financial resources to sponsoring retirement plans and to searching for those who have unclaimed benefits. We wholeheartedly share the goal of reuniting plan participants with their retirement benefits.

In this regard, we welcomed the introduction by Senators Elizabeth Warren and Steve Daines of the Retirement Savings Lost and Found Act of 2018. This legislation would establish a set of rules, for the first time, that a plan administrator should follow when a participant or beneficiary is missing or unresponsive. The Council believes strongly in the need for comprehensive guidance on plan fiduciary responsibilities with respect to unresponsive and missing participants. The safe harbor provisions in the bill with respect to required minimum distributions and fiduciary obligations are a very important step forward.

Collectively, the provisions of the Retirement Savings Lost and Found Act could make important progress in addressing the problem created when individuals lose track of their retirement benefits at the time they change jobs, and the former employer is not able to locate the person. The creation of a consistent approach for fiduciaries is much needed and greatly appreciated.

We look forward to continuing to work with Congress on these issues as we collect additional input from our members. Their extensive experience with missing and lost participants provides a valuable resource for policymakers, including input with respect to strategies to improve consistency among agencies with regulatory authority for missing and unresponsive participants.

PBGC insurance premiums for CSEC plans

One key bipartisan, bicameral proposal included in RESA and the SECURE Act (as well as the bipartisan Rightsizing Pension Premiums Act of 2017 (H.R. 3596)) would conform the PBGC premiums for pension plans that serve multiple charities or cooperatives (CSECs) to the funding rules that were put in place for such plans by Congress in 2014. CSEC plans have different funding rules than single-employer plans because they pose very little risk that the plans will not be able to pay benefits as promised. That same reasoning is applicable to PBGC premium levels, which should be lower for CSEC plans because CSEC plans pose far less risk than is reflected in the PBGC premiums they currently pay.

New "secure deferral arrangement" automatic enrollment safe harbor

A significant retirement policy success in recent years has been encouraging plan sponsors to automatically enroll their employees in a retirement plan at a default contribution rate, and then to periodically increase that rate over time. But as successful as these automatic enrollment and automatic escalation features have been to date, policymakers are now looking at options to continue building on their success.

Under the existing automatic enrollment safe harbor, plans are generally deemed as meeting certain nondiscrimination testing rules if certain criteria are met, including that employees are automatically enrolled at a contribution rate of at least 3% of compensation in the first year, and such rate must increase by at least 1% a year until the contribution rate is at least 6% (but not greater than 10%) by the fourth year.

The Council encourages the committee to consider proposals that would build upon the existing safe harbor by adding a new automatic enrollment safe harbor for "secure deferral arrangements." A secure deferral arrangement would, among other features, provide for a higher default contribution rate in the first year (i.e., at least six but not greater than 10%) and would remove that 10% cap on default deferrals after the first year. Such proposals have been included in the Portman/Cardin bill, the Collins/Hassan bill, and the Neal bill.

Remove limitations on subsidies resulting from accumulation of retirement assets

Effective retirement saving can improve overall health and financial well-being. Individuals and families should not be penalized for preparing for retirement. The Council urges the committee to support legislation that would exclude current retirement plan assets and future retirement plan benefits from eligibility calculations for state and federal housing and food subsidies.

Along these same lines, the Council supports efforts to allow employers to deposit any employer contributions that would otherwise be made on behalf of special needs employees to the employee's Section 529A (ABLE) account instead of the company's 401(k) plan. Special needs employees frequently choose not to participate in a 401(k) plan, or they must withdraw funds with corresponding taxes and penalties, because the funds accumulated in the plan can imperil their eligibility for much-needed means-tested benefits that they would otherwise be qualified to receive. Under the proposed solution, the employee would have to opt into the ABLE account, if offered by the plan sponsor. The employer contribution would be subject to the same deduction rules currently applicable to 401(k) employer contributions and the employee would be taxed on the contribution made to the account. The amounts would be subject to the Section 529A rules once contributed.

Resolution of the multiemployer pension plan crisis

It is well known that the multiemployer pension plan system is in crisis. In its 2018 Annual Report, the PBGC projects that, absent changes, the multiemployer program is likely to be insolvent by 2026. The Council supports efforts to develop a path forward, such as the efforts that were undertaken last year by the select committee established by the Bipartisan Budget Act of 2018. We believe that arriving at a bipartisan, bicameral solution will maximize the chance of a much-needed sustainable solution that will enhance retirement security and renew confidence in the multiemployer system without inadvertently imposing enormous costs on plan sponsors who are contributing to the plans.

In addition, the Council has been heartened by extensive informal discussions that indicate that Congress is not looking to raise funds for the multiemployer plan system from the single-employer plan system. A bipartisan solution to the multiemployer plan crisis is vital. But using assets from the single-employer plan system is not the answer. The programs are entirely separate and operate under distinctly different rules.

The companies that continue to support the single-employer system are under enormous pressure due to greater funding requirements and numerous increases in premiums (many of which were enacted as a source of revenue for unrelated spending).

Greater premium increases or otherwise financing the multiemployer system through the single-employer system would only accelerate the rate at which single-employer sponsors exit the system, exacerbating a decline in companies participating in the PBGC's single-employer insurance program and thereby worsening the PBGC's problems.

We continue to urge that single-employer premium levels be *decreased* for all single-employer plans. The dramatic increases in PBGC premiums for single-employer plans have been, and continue to be, a key driver in company decisions to reduce exposure to uncontrolled costs through de-risking activities, including exiting the defined benefit plan system altogether. A reduction in future PBGC premiums would have a significant beneficial impact on preserving the remaining plans in the defined benefit pension universe.

A consistent federal framework

I want to close by emphasizing one key point. The fundamental basis for an effective private retirement system is the ability to rely on the single set of national rules applicable to designing and operating retirement plans, especially for companies that operate in more than one state. These rules can be found in Section 514 of the Employee Retirement Income Security Act (ERISA). There is no greater threat to the health of the private retirement system than a possible erosion of this principle of current law. We urge Congress to work with us to support and enforce the federal nature of the rules governing qualified retirement plans.

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The ability to save for retirement is a critically important part of Americans' sense of economic security. Employer-provided retirement plans are a uniquely positive influence on one's financial well-being in retirement. Public policy should therefore encourage participation and adequate savings in these plans whenever possible.

We thank the committee for holding this hearing, for inviting me to testify, and for a long history of dedicated bipartisan work on protecting and enhancing the private retirement system. We look forward to continuing to work with this committee on this critical endeavor.