AMERICAN BENEFITS COUNCIL

July 16, 2019

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20515

The Honorable Charles Schumer
Democratic Leader
U.S. Senate
Washington, DC 20515

Dear Majority Leader McConnell and Democratic Leader Schumer:

The American Benefits Council (Council) urges the Senate to pass the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, which includes provisions that are very important to protecting and improving personal financial security. Many of the provisions included in the SECURE Act are also included in bipartisan, bicameral legislation including the Retirement Enhancement and Savings Act (RESA) which was initiated by the Senate Finance Committee after extensive efforts to build consensus proposals that would strengthen retirement security.

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 and collectively either directly sponsor or support sponsors of health and retirement benefits for virtually all Americans covered by employer-provided plans.

We are very pleased the bill includes nondiscrimination testing reform for defined benefit pension plans. This issue is very important for our member companies and their employees. Many companies sponsor different retirement plans for employees hired before or after a certain date. Under current law, companies that seek to protect older, longer-service employees by continuing to accrue benefits for them until they retire are precluded from doing so by the unintended effect of nondiscrimination rules.

Eventually these companies are compelled to cease the accrual of additional benefits altogether; clearly a result that neither employers nor plan participants want to see happen. The SECURE Act would allow older longer service employees to continue to accrue benefits. Timing of passage is important since many companies will be forced in the near future to make the decision to discontinue these plans hurting more and more employees with each closure. Due to legal constraints, major decisions regarding benefits for 2020 need to be made in the next two or three months. Decisions cannot be delayed until December. So if the SECURE Act does not pass in the next two or three months, according to data from our consulting firm members, potentially hundreds of thousands of employees could lose future benefits as of the beginning of 2020.

We are also pleased that multiple employer plan (MEP) reforms are included in the bill, including permitting "open MEPs" and eliminating the punitive "one bad apple rule," under which compliant employers in a MEP are penalized for violations by other participating employers. Facilitating the use of MEPs will create far greater economies of scale, thereby reducing the cost of plan participation and broadening coverage for many, including for the so-called "gig" workforce.

There are a number of additional bipartisan, bicameral proposals in the SECURE Act that would advance retirement security, including:

- The age 70½ trigger for required minimum distributions would be raised to age 72, effective for distributions after 2019 with respect to individuals who attain age 70½ after 2019.

- The automatic escalation 10% cap would be increased to 15% on safe harbor automatic enrollment arrangements.

- Premiums paid to the Pension Benefit Guaranty Corporation (PBGC) by plans serving multiple charities or cooperatives (CSEC plans) would be reduced to the levels in effect before 2006, consistent with both funding rule changes and the very low risk these plans pose to the PBGC.

- A workable fiduciary safe harbor would be added for plan sponsors selecting an annuity provider for defined contribution retirement savings plans.

- Portability of lifetime income products voluntarily offered in defined contribution plans would be improved.

Thank you for your recognition of the value of employer sponsored retirement plans.

Sincerely,

Lynn D. Dudley
Senior Vice President, Global Retirement & Compensation Policy

cc: The Honorable Charles Grassley, chairman, Senate Finance Committee
The Honorable Ron Wyden, ranking member, Senate Finance Committee