



Insured Retirement Institute

July 18, 2017

Dear Member of Congress:

We are trade associations who represent employers that sponsor retirement plans for their employees and service providers to such employers and plans. We are writing to ask you to cosponsor H.R. 2030, a bill that will reduce leakage from 401(k) plan loans by extending the repayment period for individuals who lose their job or change jobs. This bill was introduced by Representatives Sam Johnson and Richard Neal on April 6, 2017.

Savings Enhancement by Alleviating Leakage in 401(k) Savings Act H.R. 2030.

Collectively we represent hundreds of companies, of all sizes, that provide retirement benefits to millions of American workers and their families. Companies that sponsor defined contribution plans, in particular §401(k) plans are held to the law's highest fiduciary standards. Plan sponsors take their duties seriously so that participants will have investments that are prudent and fees that are reasonable.

H.R. 2030, The Savings Enhancement by Alleviating Leakage in 401(k) Savings Act or "The SEAL Act," makes a constructive change to the 401(k) plan loan system by providing flexibility to loan repayment and hardship withdrawal rules regarding 401(k) plans. Every year, workers can lose valuable retirement savings if they feel they must take an outstanding loan into income when they lose a job or change jobs. In addition, under current law their participation in a 401(k) plan will be interrupted if they take a "hardship distribution" from their plan to cover a personal financial emergency.

This bill would reduce leakage from 401(k) plans by allowing workers who, through loss of a job, a job change or for any other reason have terminated their employment and have an outstanding loan from their 401(k) plan by giving them an extended period of time to roll over the unpaid balance to another savings vehicle. H.R. 2030 extends the current law repayment period from 60 days, to the due date for filing the tax return for the tax year in which the distribution occurred, plus extensions (of the time to file returns). The bill also allows individuals who take a hardship withdrawal to cover a personal emergency to continue to participate in their employer's retirement plan. Given the state of the current economy, the current law prohibition on plan participation placed on individuals who take a hardship distribution is too strict.

Employer-sponsored retirement savings programs are highly successful in helping American workers meet their retirement savings needs. Surveys have repeatedly shown that these plans are enormously popular with American workers. The SEAL Act will make 401(k) plans more effective for working Americans.