



AMERICAN BENEFITS
COUNCIL

April 6, 2017

The Honorable Sam Johnson
United States House of Representatives
2304 Rayburn House Office Building
Washington, DC 20515

The Honorable Richard Neal
United States House of Representatives
341 Cannon Office Building
Washington, DC 20515

Dear Representatives Johnson and Neal,

The American Benefits Council commends you for your leadership in addressing leakage from retirement savings plans. Although the majority of 401(k) plan loans are repaid in full through payroll deduction, workers can lose valuable retirement benefits if they have a loan outstanding when they lose a job or change jobs. In addition, their participation in retirement savings plans can be interrupted if they take a hardship distribution from their retirement account. The “Savings Enhancement by Alleviating Leakage in 401(k) Savings (SEAL) Act provides a constructive solution to these concerns and will help American workers be better prepared for their retirement.

The SEAL Act allows individuals who, through loss of their job, a job change or for any other reason, have terminated their employment and have an outstanding loan from their 401(k) plan, an extended period of time to roll over the unpaid balance to another qualified savings vehicle. The Act extends this period to the end of the year in which the loan was distributed, plus extensions.

In addition, the SEAL Act removes the prohibition on plan participation applicable to any individual who took a hardship distribution. Given the current state of saving in our country, the prohibition on plan participation placed on individuals who take a hardship distribution is inappropriate. Workers who have a financial emergency should not be punished or discouraged from continuing to save for retirement and the SEAL Act corrects that.

Employer-sponsored retirement savings programs offer critical support to workers and are highly successful in helping Americans meet their retirement income needs. These plans are enormously popular with American workers. The SEAL Act will make retirement savings programs even more effective for employees.

Thank you so much for introducing this legislation.

Sincerely,

A handwritten signature in black ink that reads "Lynn D. Dudley". The signature is written in a cursive, flowing style.

Lynn D. Dudley
Senior Vice President,
Global Retirement and Compensation Policy
American Benefits Council