



AMERICAN BENEFITS COUNCIL

January 30, 2020

The Honorable Gregorio Kilili Camacho Sablan
Chairman
Subcommittee on Early Childhood,
Elementary and Secondary Education
House Education and Labor Committee
2411 Rayburn HOB
Washington, DC 20515

The Honorable Tim Walberg
Ranking Member
Subcommittee on Health, Employment,
Labor and Pensions
House Education and Labor Committee
2266 Rayburn HOB
Washington, DC 20515

Dear Chairman Sablan and Ranking Member Walberg:

On behalf of the American Benefits Council (“the Council”), I am writing to express our strong support for the Retirement Plan Modernization Act (H.R. 5676), bipartisan legislation you have introduced to increase and index the amount of accrued benefits that a retirement plan may distribute upon termination of employment. The Council strongly supports this common sense modernization proposal to help prevent employees from losing track of their savings, and reduce administrative costs for employers sponsoring retirement plans.

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.

Under current law, a plan can distribute to an employee his or her accrued benefit or account balance upon job change, if the value of the benefit is no greater than \$5,000, and the distribution can be rolled over into an IRA or another employer’s plan. This longstanding provision protects employers – and, by extension – current employees from bearing the cost of smaller balances belonging to former employees. More importantly, it helps ensure that departing employees do not lose track of their savings

by allowing them to take these smaller balances with them. Congress periodically updates this limit, but it has not been raised in 23 years.

Your bill would wisely adjust the current \$5,000 limit to \$8,000 to account for inflation over the last two decades and then provides for automatic increases in the future based on the cost of living rules that apply to other retirement plan limits. Standardizing inflation adjustments with other retirement limits in the Internal Revenue Code is a sensible way to ensure our retirement system works in a cohesive manner for the mutual benefit of employer plan sponsors and participants.

Under the Retirement Plan Modernization Act, as under current law, any employee with a balance over \$200 would have the right to have their distribution directly contributed tax-free to an IRA or their new employer's plan to help ensure their retirement savings are preserved for their retirement.

The Council appreciates your leadership on this matter and encourages you to call upon us if we can assist your efforts to enact your bill.

Sincerely,

A handwritten signature in cursive script that reads "Lynn D. Dudley". The signature is written in black ink and is positioned below the word "Sincerely,".

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