Retirement Savings Permanence Bulletin

Plan Simplification is Important for Retirement Savings and Security

Action Requested: Since workers save virtually nothing outside of tax-favored retirement plans, **it is very important that the simplifications for employer-sponsored retirement savings plans in EGTRRA be made permanent in the final conference report of the pension reform legislation (H.R. 2830/S. 1783).**[1]

Background: The savings rate for workers since 1980 has generally been negative when employer and employee contributions to qualified retirement plans are subtracted from the working-age population savings rate.[2] A recently published brief indicates that savings rates for the working-age population are much more positive than reported overall savings rates because the official rates include the dissavings of retirees in the calculation.[3] **Even the working-age savings rate turns negative, however, when employer and employee contributions to qualified retirement plans are eliminated from the calculation.**

EGTRRA made important regulatory simplifications (e.g., repeal of "same-desk rule," repeal of the multiple use test, modification of top-heavy rules) — a number of which are particularly important in helping small- and mid-size businesses initiate retirement plan coverage for their employees. Large employers benefit from many of these simplifications as well, as they help lessen the expense of maintaining a workplace retirement program in today's increasingly competitive and cost-conscious economic environment.

Conclusion: H.R. 2830/S. 1783 must retain these vital measures in the final pension reform bill.

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1 The Pension Protection Act of 2005 (H.R. 2830) and the Pension Security and Transparency Act of 2005 (S. 1783) are currently being merged by a conference committee. Contained only within H.R. 2830 is a provision to make permanent the retirement savings provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

2 Alicia H. Munnell, et al., "How Much Are Workers Saving?" *An Issue in Brief*, Center for Retirement Research at Boston College, October 2005, Number 34. The brief analyzed the personal savings rate data reported in the official U.S. National Income and Product Accounts (NIPA).

3 The Center for Retirement Research brief indicates that looking at saving by age group helps explain the decline in overall savings rates because NIPA combines the saving of the working-age population with the dissaving of those 65 and over. In 2001, for example, the Center for Retirement Research estimates the NIPA saving rate of 1.8 percent consists of a positive rate of 4.4 percent for the working age population and a negative rate of -11.9 percent for those 65 and over.