September 22, 2011

Filed via e-mail at ofe@treasury.gov

Department of the Treasury
Main Treasury Building
1500 Pennsylvania Avenue, NW
Washington, DC  20220

Re:  Comment on President’s Advisory Council on Financial Capability Proposed Themes and Principles

Dear Sir or Madam,

The American Benefits Council (Council) very much appreciates the opportunity to comment on the themes and principles related to financial literacy proposed by the President’s Advisory Council on Financial Capability (PACFC). We understand that PACFC’s role is to advise the President and the Secretary of the Treasury on how to promote and enhance individuals’ and families’ financial capabilities. The Council believes promoting financial literacy is very important to the enhancement of financial security, especially in retirement – so important that we included raising financial literacy as the first of nine goals in the Council’s long-term strategic plan, “Safe and Sound: A Ten-Year Plan for Promoting Personal Financial Security” published in 2004 (Safe and Sound). The Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council's members either sponsor directly or provide services to retirement, health and other employee benefit plans that cover more than 100 million Americans.

Safe and Sound includes a number of recommendations aimed at increasing personal savings, some of which have already taken shape. The Pension Protection Act of 2006 implemented a number of our recommendations, including permanency of increased contribution levels for IRAs and defined contribution plans, enhancement of the Savers tax credit for low-income individuals and key guidance promoting automatic enrollment. Automatic enrollment has been very successful, especially in getting lower compensated
employees to contribute to their employer-sponsored retirement plans. But much more can still be done. For example, defined contribution plans, such as 401(k) and 403(b) programs, are often challenged by onerous regulations and litigation.

Pre-tax retirement plan deferrals should not be viewed as tax expenditures since those savings are later paid out and taxed.

The first goal in Safe and Sound is to “Raise Financial Literacy.” Policy recommendations include the following:

- Provide public sector and private foundation funding to develop educational tools that can be used by employers, government and other stakeholders in educating workers about saving, investment and income management principles. Education efforts also include information about projected longer life spans, and how workers can financially prepare for longevity risk.

- Introduce financial education into grade school, high school and college curricula.

- Expand legislation that allows employees to receive financial education and advice through their workplace and/or from a retirement plan administrator. If the education and advice is provided through the employer, qualified advisers affiliated with plan investment offerings may participate (with certain worker protections provided), and employers should be protected from fiduciary liability for the specific advice provided to individual participants.

This goal and these policy recommendations mesh rather well with the first two themes of PACFC: (1) we should build a financially capable workforce and retiree community (which is necessary for a stable and globally competitive economy), and (2) financial education should take its rightful place in American schools. In addition, PACFC’s principles indicate “financial capability means knowledge-based action” and the Council wholeheartedly agrees. Knowledge-based action is the most important factor in decisions concerning retirement savings and other benefit-related issues.

To promote financial security, the Council believes the continued involvement of employers in providing employee benefits is crucial. Many studies have shown that employees would have little or no retirement savings without employer-sponsored benefits. In addition, the logical place for more financial education, outside of the traditional school setting, is in the workplace. But many employers interested in providing financial education are also concerned about costs and potential liability. Employers need a regulatory environment

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and fiduciary rules that facilitate, rather than discourage, both investment advice and investment education. In addition, we recommend the development of educational tools that can be used to educate all employees, as well as more personal education through qualified advisers.

The Council notes that employer-sponsored benefits have numerous disclosure requirements and each statutory or regulatory change seems to result in new disclosure requirements. The voluminous disclosures received by participants will not be useful without the financial literacy necessary to properly analyze and apply information in the notices to their decision-making process.

The Council also urges PACFA to consider the significant importance of electronic communication, not only for required notices but also as an educational tool that adapts to the individual employee. For example, employees interested in general financial education could obtain the necessary information on a web page and those who are interested in more details could drill down by clicking on links. Paper notices do not promote the same flexibility – providing notices with enough educational information for more interested participants could discourage other participants who only want general information instead of a voluminous document.

When thinking of employer-provided benefits, many employees focus on retirement and health benefits but other employer-provided benefits – such as disability coverage, life insurance, and long-term care insurance – are just as critical to the financial security and capability of the employee. When considering individuals’ and families’ financial capabilities, we urge PACFC to keep in mind the importance of these benefits and keeping employers involved.

Again, we appreciate the opportunity to comment on PACFC’s proposed themes and principles. We believe that the American Benefits Council offers an important and unique perspective of the employer sponsors of, and service providers to, all types of employee benefit plans. We encourage you to contact us if you have any questions or need further input.

Sincerely,

Jan M. Jacobson
Senior Counsel, Retirement Policy