The undersigned organizations are committed to preserving and enhancing the voluntary employer-provided retirement system and the tax incentives that support it. These plans are helping millions of American families achieve a secure retirement. **We urge the Committee on Ways and Means to preserve the current tax treatment that both encourages employers to offer and workers to contribute to retirement plans.**

- **Employer-provided plans are a key component of our nation’s retirement system.** Together with Social Security and individual savings, employer-provided retirement plans produce significant retirement benefits for America’s working families. There are approximately 660,000 private-sector defined contribution plans covering 72 million participants and over 47,000 private-sector defined benefit plans covering about 18 million participants. Additionally, nearly 14 million employees of state and local governments have access to an employer-sponsored defined benefit plan, defined contribution plan, and in most cases, both. Recently enacted enhancements to the defined contribution system including automatic enrollment and automatic escalation are expanding participation and improving retirement preparedness. The Bureau of Labor Statistics reports that in March 2011 employer-provided retirement plans were available to 73 percent of full time and 64 percent of all (i.e. both full-time and part-time) private-sector workers. Among employees of state and local government, 99 percent of full-time workers have access to an employer-sponsored retirement plan. Pension plans sponsored by states and local government also distribute monthly benefits to more than 8 million retired public employees and their surviving beneficiaries. This success includes millions of low- and moderate-income workers, the focus of efforts to expand coverage.

- **Changing the tax treatment and/or lowering contribution levels will result in lower retirement savings and fewer workers being offered retirement plans by their employers.** A recent proposal authored by William Gale of the Brookings Institution would change the structure of the tax incentives for retirement savings from a tax deferral to a tax credit. A March 2012 study by the Employee Benefit Research Institute found that the Gale proposal will reduce retirement security for workers at all income levels, not just high-income workers. Specifically, the study revealed that some employers would decide to no longer offer a plan to their workers and some participants would decrease their contributions. The combined effect of these changes would result in reduced savings balances at retirement between 6 and 22 percent for workers currently age 26-35, with the greatest reductions for those in the lowest income quartile. Lowest-income participants in retirement plans with less than $10 million in assets would see reductions as high as 40 percent.

- **Another analysis by EBRI reveals that the illustrative option by the National Commission on Fiscal Responsibility to limit contributions to defined contribution retirement plans to the lesser of $20,000 or 20 percent of compensation will reduce retirement security for workers at all income levels, not just high-income workers.** According to the study, those in the lowest-income quartile will have the second highest average percentage reductions. Small business owners may be less likely to offer a plan to their employees if contribution limits are lowered. Proposals to reform retirement savings incentives must focus on crafting policy that will result in better long-term retirement outcomes for Americans, rather than on short-term deficit reduction.

- **Employer-provided retirement plans offer key advantages to workers.** Employers voluntarily establish these plans and add immeasurable value by acting as fiduciary and investment management overseers, monitoring plan fees, selecting quality investment alternatives, making significant contributions, providing financial education, and encouraging and facilitating savings through payroll deductions. These plans must be operated for the exclusive benefit of and “solely in the interest of” the
participants. They must meet broad coverage and nondiscrimination tests that ensure that the eligibility and operation of the plan are fair. Low and moderate income workers are much more likely to have retirement savings if they are offered a retirement plan at work. The Saver’s Credit benefits lower-income workers who save through these plans.

- **Retirement plans play an important role in the capital markets.** As of December 31, 2011, tax qualified retirement plans held $17.9 trillion in assets, of which approximately $14 trillion is attributable to employer-provided plans. This pool of capital helps to finance productivity enhancing investments and business expansion. Contributions by employees and employers to defined contribution plans continued even through the recent years of financial stress. Changes to the tax treatment of retirement plans that would reduce contributions or discourage the establishment and maintenance of plans could negatively impact the role of these pivotal players in the capital markets.

- **Taxes on retirement savings are deferred, not excluded. Deferral treatment is not equivalent to the exclusion associated with other tax expenditures.** As individuals begin to retire, distributions from retirement savings are taxed and revenue will flow to the U.S. Treasury.

**Conclusion**

The employer-sponsored retirement plan system has introduced tens of millions of American workers to retirement saving. Employers voluntarily establish and promote these plans to help their workers build assets for a secure retirement. Eliminating or diminishing the current tax treatment of employer-provided retirement plans will jeopardize the retirement security of tens of millions of American workers, impact the role of retirement assets in the capital markets, and create challenges in maintaining the quality of life for future generations of retirees. While we work to enhance the current system and reduce the deficit, we must not eliminate one of the central foundations – the tax treatment of retirement savings – upon which today’s successful system is built. The effects of such a change for individuals, employers and the system as a whole are simply too harmful and must be avoided.

AMERICAN BANKERS ASSOCIATION  
AMERICAN BENEFITS COUNCIL  
AMERICAN COUNCIL OF LIFE INSURERS  
AMERICAN SOCIETY OF PENSION PROFESSIONALS & ACTUARIES  
COMMITTEE OF ANNUITY INSURERS  
THE COMMITTEE ON INVESTMENT OF EMPLOYEE BENEFIT ASSETS (CIEBA)  
THE ERISA INDUSTRY COMMITTEE  
THE ESOP ASSOCIATION  
FINANCIAL EXECUTIVES INTERNATIONAL  
FINANCIAL PLANNING ASSOCIATION  
THE FINANCIAL SERVICES INSTITUTE  
THE FINANCIAL SERVICES ROUNDTABLE  
INSURED RETIREMENT INSTITUTE  
INVESTMENT ADVISER ASSOCIATION  
INVESTMENT COMPANY INSTITUTE  
NATIONAL ASSOCIATION OF GOVERNMENT DEFINED CONTRIBUTION ADMINISTRATORS  
NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS  
NATIONAL ASSOCIATION OF MANUFACTURERS  
NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS (NASRA)  
NATIONAL COUNCIL ON TEACHER RETIREMENT  
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION  
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION  
PLAN SPONSOR COUNCIL OF AMERICA