



AMERICAN BENEFITS COUNCIL

November 14, 2011

The Honorable Sam Johnson
United States House of Representatives
Washington, DC 20515

The Honorable Richard E. Neal
United States House of Representatives
Washington, DC 20515

Dear Mr. Johnson and Mr. Neal,

The American Benefits Council commends you for your leadership in addressing leakage from retirement savings plans. Every year, workers lose valuable retirement benefits because they have a loan outstanding when they lose a job or change jobs. In addition, their participation in retirement savings programs is often interrupted when they take a hardship distribution. The Savings Enhancement by Alleviating Leakage in 401(k) Savings Act of 2011 (the "SEAL Act") provides a constructive solution to these concerns and will help American workers be better prepared for 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 economy, the prohibition on plan participation placed on individuals who take a hardship distribution is inappropriate. Workers who have a financial emergency should not be discouraged from saving for retirement and the SEAL Act corrects that.

Employer-sponsored retirement savings programs offer critical support and are highly successful in helping Americans meet retirement income needs. They are enormously popular with American workers. The Seal Act will make the programs more effective for employees.

Sincerely,

Lynn Dudley
Senior Vice President, Policy
American Benefits Council