



September 4, 2012

Dear Member of Congress:

We are trade associations who represent employers that sponsor retirement plans for their employees and service providers to such employers and plans. *We are writing to ask you to cosponsor H.R. 3287, a bipartisan bill introduced by Rep. Sam Johnson (R-TX) and Rep. Richard Neal (D-MA) to reduce leakage from 401(k) plan loans by extending the repayment period for individuals who lose their jobs or change jobs.*

Collectively we represent thousands of companies, of all sizes, that provide retirement benefits to millions of American workers and their families. Companies that sponsor defined contribution plans, in particular section 401(k) plans, are held to the law's highest fiduciary standards. Plan sponsors take their duties seriously so that participants will have investments that are prudent and fees that are low.

H.R. 3287, The Savings Enhancement by Alleviating Leakage in 401(k) Savings (SEAL) Act, makes a constructive step in the 401(k) plan loan system by providing flexibility to loan repayment and hardship withdrawal rules regarding 401(k) plans. Every year, workers can lose valuable retirement savings when they lose a job or change jobs if they have an outstanding 401(k) plan loan. In addition, under current law their participation in

a 401(k) plan will be interrupted if they take a “hardship distribution” from their plan to cover a personal emergency.

This bill would reduce leakage from 401(k) plans by allowing workers who, through loss of a job, a job change or for any other reason, have terminated their employment and have an outstanding loan from their 401(k) plan to have an extended period of time to roll over the unpaid balance to another savings vehicle. H.R. 3287 extends the current law repayment period from 60 days, to the due date for filing the tax return for the tax year in which the distribution occurred, plus extensions (of the time to file returns). The bill also allows individuals who take a hardship withdrawal to cover a personal emergency to continue to participate in their employer’s retirement plan. In today’s economy, the current law prohibition on plan participation placed on individuals who take a hardship distribution is inappropriate.

Employer-sponsored retirement savings programs offer critical support and are highly successful in helping American workers meet their retirement savings needs. These plans are enormously popular with workers too. The SEAL Act will make the programs more effective for working Americans.

Signed,

American Benefits Council
American Council of Life Insurers
American Society of Pension Professionals and Actuaries
The ERISA Industry Committee
Financial Planning Association
The Financial Services Roundtable
Investment Company Institute
National Association of Insurance and Financial Advisors
National Telecommunications Cooperative Association
Plan Sponsor Council of America
Retirement Industry Trust Association
Securities Industry and Financial Markets Association
Society of Human Resource Management
U.S. Chamber of Commerce