S. Hrg. 116–524

INVESTIGATING CHALLENGES TO AMERICAN RETIREMENT SECURITY

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

DECEMBER 9, 2020

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PUBLISHING OFFICE
46–722—PDF WASHINGTON : 2022

COMMITTEE ON FINANCE

CHUCK GRASSLEY, Iowa, *Chairman*

MIKE CRAPO, Idaho	RON WYDEN, Oregon
PAT ROBERTS, Kansas	DEBBIE STABENOW, Michigan
MICHAEL B. ENZI, Wyoming	MARIA CANTWELL, Washington
JOHN CORNYN, Texas	ROBERT MENENDEZ, New Jersey
JOHN THUNE, South Dakota	THOMAS R. CARPER, Delaware
RICHARD BURR, North Carolina	BENJAMIN L. CARDIN, Maryland
ROB PORTMAN, Ohio	SHERROD BROWN, Ohio
PATRICK J. TOOMEY, Pennsylvania	MICHAEL F. BENNET, Colorado
TIM SCOTT, South Carolina	ROBERT P. CASEY, JR., Pennsylvania
BILL CASSIDY, Louisiana	MARK R. WARNER, Virginia
JAMES LANKFORD, Oklahoma	SHELDON WHITEHOUSE, Rhode Island
STEVE DAINES, Montana	MAGGIE HASSAN, New Hampshire
TODD YOUNG, Indiana	CATHERINE CORTEZ MASTO, Nevada
BEN SASSE, Nebraska	

KOLAN DAVIS, *Staff Director and Chief Counsel*
JOSHUA SHEINKMAN, *Democratic Staff Director*

SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY

ROB PORTMAN, Ohio, *Chairman*

CHUCK GRASSLEY, Iowa	SHERROD BROWN, Ohio
BILL CASSIDY, Louisiana	MICHAEL F. BENNET, Colorado
JAMES LANKFORD, Oklahoma	ROBERT P. CASEY, JR., Pennsylvania
TODD YOUNG, Indiana	CATHERINE CORTEZ MASTO, Nevada

CONTENTS

OPENING STATEMENTS

WITNESSES

ALPHABETICAL LISTING AND APPENDIX MATERIAL

COMMUNICATIONS

INVESTIGATING CHALLENGES TO AMERICAN RETIREMENT SECURITY

WEDNESDAY, DECEMBER 9, 2020

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY,
PENSIONS, AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The WebEx hearing was convened, pursuant to notice, at 10:01 a.m., Dirksen Senate Office Building, Hon. Rob Portman (chairman of the subcommittee) presiding.

Present: Senators Grassley, Lankford, Daines, Young, Carper, Cardin, Brown, Whitehouse, and Cortez Masto.

Also present: Republican staff: Michael Sinacore, Economic Policy Advisor for Senator Portman; and Jamie Cummins, Tax Counsel for Chairman Grassley. Democratic staff: Chad Bolt, Legislative Assistant for Senator Brown; and Drew Crouch, Senior Tax and ERISA Counsel for Ranking Member Wyden.

OPENING STATEMENT OF HON. ROB PORTMAN, A U.S. SENATOR FROM OHIO, CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY, COMMITTEE ON FINANCE

Senator PORTMAN. Well, listen, I do not have a big gavel here, so I am going to just pound my fist on the table and say this hearing will come to order.

I can see a number of my colleagues are already on. I thank you for joining us, and a special thanks to Sherrod Brown and his staff for working together with us to plan this hearing. I have been looking forward to this hearing for a long time. I appreciate the Finance Committee allowing us to move forward with it now.

We have some great witnesses. I am sorry we have to be remote, because I would love to be in person talking to you, but I think this is best given where we are with the COVID–19 challenge. And we have opportunities to speak, and will continue to, but this I think is really exciting, because retirement security to me is not only just critically important for all Americans—and frankly savings has taken a hit, as you know, during the coronavirus—but also this is an opportunity for bipartisan work. And I think we will hear about this later from Senator Brown and Senator Cardin and others, but regardless of who gets the majority in the Senate come January, this is an area where I think we have the potential to make some real progress, because I think it has been and will be bipartisan.

And when you look at the support it has among the American people, it is really impressive. I mean everybody talks about who supports what in terms of tax policy, but I can tell you that the idea of being able to save more for your own retirement is just broadly popular.

So this is an opportunity for us. I have worked a lot with Senator Cardin over the years on these issues. I notice he is on the hearing—he is in his office today. I would not say he is in the hearing room, but he is joining us remotely. And you know, we have done some good things to help people save more for retirement, and it has improved retirement savings considerably.

Last year we introduced the latest iteration of Portman-Cardin, and that is called The Retirement Security and Savings Act, which has had some broad support, bicameral and bipartisan. In fact, 27 of the Portman-Cardin provisions were included in this new SECURE 2.0 legislation introduced by the Ways and Means chairman, a Democrat, Richie Neal, and the ranking member, Kevin Brady, on the House side. If that is not bipartisan, I do not know what is. So the two of them coming together, I think is terrific.

There are some provisions in ours they do not include, and there are some in theirs we do not include, but that, in our view, is just an opportunity, when you have so much common ground between the two proposals. So I think it is a really good starting point. And again, it gives us a great opportunity to get something done.

A lot of other colleagues have worked on this issue. Sherrod Brown has worked on it on a bipartisan basis. Senator Daines and Senator Warren have a retirement lost and found bill that is interesting. Senator Collins and Senator Hassan have their assistance to military spouses, which I like. So I think there is a lot of opportunity for members of the committee, and even outside the committee, to come together on something here.

The one that Ben Cardin and I have introduced recently focuses on what I think are the four big problems that could be identified and addressed through legislation.

One is to help lower-income and part-time workers, and this is an obvious issue. You know, you only have 20-some percent of people who are part-time and low-income saving now. So when people are living paycheck to paycheck, it is tough to set money aside. And so we help in that regard in a number of ways.

Second, it focuses on small businesses. Why? Because that is where the opportunity is. Less than half of workers employed by small businesses have access to an employer-sponsored plan—think about that—as compared to 88 percent of workers employed by large businesses. So it is small businesses that we really ought to target and focus on to expand coverage for so many working Americans. And Eric talks about his restaurant business. A lot of them are small businesses like that that just cannot afford to put together a plan. So we help in that regard. And they are also concerned about the complexity of it.

Third, we have an issue with baby boomers. A few of us on this call would fit in that category. And we just are not saving enough, as a generation, and have not been. And therefore we do some things to help encourage people who are getting ready for retirement or are near retirement, to save more. And then finally, as folks are living longer, retirees, even those who have accumulated some savings, are finding that they are outliving those savings. And living longer is good news. Longer, healthier lives are great, but they are tough on our bank accounts, especially when current laws force Americans to start depleting their taxable retirement savings account at 72. So that is an issue too. And that long-term savings piece, how you ensure that that nest egg is adequate for people living longer and healthier lives, is a key issue.

So we have made progress on some of these issues, but the lack of sufficient retirement savings remains an urgent problem for our country. And it is an opportunity, again, for us. In 2020, we moved this legislation to this point. Now in 2021, we have to get it across the finish line.

Unfortunately, the pandemic, as we talked about, has just exacerbated the need to improve savings. We may not be seeing a V-shaped recovery in this pandemic. I think we are going to see more, as we have so far, a K-shaped recovery. And it is K in terms of savings, meaning it is not just going down like it normally would in a recession and back up the same way; you have some people who are doing well and others who are not. And many of those who are not are some of these low-income and part-time workers we talked about.

So that is why we allow those workers to have more opportunities through both expanding savings plans for them, but also allowing part-time folks to be able to access plans more easily, lowering the number of hours someone works where they qualify, in particular, in retirement plans.

We also make the Saver's Credit refundable, which is not without controversy, I understand that, and some of my Republican colleagues have concerns there. And we can talk later about why I think that is important as part of an overall balanced plan.

We also have a provision that allows recent graduates to receive matching retirement contributions through their employers as they pay off student loans. This is a good connection between an obvious problem out there with student loan debt and retirement. So it is a way to approach both.

A second set of solutions on small business I talked about makes it easier to establish the plans. We increase the tax credit. We have a lot of companies that want to adopt auto-enrollment and encourage their employees to save more for retirement, but that can be expensive. And so it does enhance the start-up credit for small businesses. It makes offering auto-enrollment features much more cost-effective for employers. We like auto-enrollment. We make it more cost-effective.

For those near retirement, whom we talked about, we want to be sure that those who are saving money have the opportunity to be able to spread that out over time. And so that is part of what we do here through QLACs and also through changing the minimum required distribution laws to take it up to 75.

By the way, before the pandemic, 9.7 percent of Americans 75 and older were working. It is, I am sure, more than that now, but that is up from just about 7 percent 10 years ago. So we have more and more Americans, again, working into their 70s. That is just a reality.

Like all good legislation, we have taken ideas from Senators in both parties. And we know there is more to do and more to improve on. I think we can learn a lot about that today in this hearing, because we have some great witnesses and great colleagues on the dais.

So with that, let me recognize my colleague and my friend and fellow Ohioan, Ranking Member Sherrod Brown, for his opening statement.

[The prepared statement of Senator Portman appears in the appendix.]

OPENING STATEMENT OF HON. SHERROD BROWN, A U.S. SENATOR FROM OHIO

Senator BROWN. Thanks for doing this, and thanks for the spirit of cooperation in putting this hearing together. I am especially appreciative that Mr. Barr is here from Zanesville, OH, a town very similar to the one I grew up in, Mansfield. And I appreciate you, Mr. Stevenson, being here from Columbus, OH, from Nationwide. So thank you. And I appreciate our colleagues Senators Casey and Cardin and Cortez Masto for being on the call. And, Mr. Kreps, thank you for your public service and leading in this hearing. And Mr. Luskin, thank you.

The focus, as Rob said, of today's hearing is retirement security. We cannot talk about that without acknowledging the looming crisis on the minds of millions of retired Americans and workers in Ohio and across the country. Literally tens of thousands of Ohioans are affected by this. These workers and retirees in the multiemployer pension system are in danger of losing their retirement security they have earned over a lifetime.

This crisis affects thousands of Ohioans. It affects the massive Central States pension plan, Iron Workers Local 17 pension plan, the Southwest Carpenters pension plan, the Bakers and Confectioners pension plan, and so many others. It touches literally every State in the country. It touches, maybe most strongly, or most destructively, the part of the country that Senator Portman and I represent. If this multiemployer system collapses, it will not be just retirees who feel the pain. Current workers will be stuck paying into pensions they will never receive. Small businesses will be left drowning in pension liability that they cannot afford to pay. Businesses that have been in the family for generations could face bankruptcy, and workers will lose jobs.

These plans were already in danger before the pandemic. Now the economic emergency we are in has only put them in a worse position. They were hit by the financial crisis and the recession that followed. Now they are being hit again by an economic crisis disproportionately hurting small businesses and workers, as Wall Street has recovered.

The House has done its part. They have passed a bipartisan solution. The Senate needs to do its part too. The pension system should be part of the work we are doing on COVID–19. There is no reason we should not be able to do this as part of a year-end deal.

I ask my colleagues to think about the workers whose lives and livelihoods will be devastated if we do not do our jobs. These workers and retirees have rallied in the name of a gentleman named Butch Lewis, an Ohioan who helped lead this fight. He passed away far too soon, fighting for his fellow workers. Mr. Lewis was in Cincinnati. His wife, Rita, has continued this fight. She has become a leader and an inspiration to many. Rita once told me that retirees and workers struggling with this crisis—pre-pandemic—feel all too often like they are invisible.

Those Americans should not be invisible to us. They are not to me. They are not invisible to my colleagues who have worked with us for years now trying to find a bipartisan solution. We just cannot give up on that. The multiemployer system is to me the most urgent retirement matter. We also have a lot of work to do, as Senator Portman said, to protect and expand security for all workers.

Over the past few decades, we have watched what happens when Wall Street runs the economy. Corporate profits go up. CEO pay soars. Stock buy-backs explode. But wages are flat, and the middle class shrinks. That is the fundamental problem underlying this whole crisis, that wages are flat and the middle class shrinks. Americans' economic security has eroded, and so have their retirement options. Too many workers have no retirement account through their employers, as we all know. Fundamentally, our tax system is set up to reward the already wealthy with more wealth, instead of empowered to help everyone save and invest for their futures.

Forty percent of adults do not have $400 to weather a financial emergency, let alone save for retirement. Instead of focusing on those who already have plenty saved, we have to do more to help everyone else get started in the first place. That is, I hope, what this hearing mostly will be about.

We have had 4 years of an administration that made things worse, not better. In his first months in charge, President Trump, with help from the Republican-controlled Congress, made it harder for States to get auto-enrollment programs off the ground. President Trump and the congressional Republicans' massive tax cut in late 2017, early 2018, helped the wealthy and corporations and threatened deep cuts to Social Security and Medicare. Just yesterday, the Senate confirmed the Trump appointee to the Federal judiciary who has advocated for abolishing Social Security. This November, 80 million Americans rejected that approach. People are tired of a system where Wall Street runs the show. They voted for a new President and a new direction. Next year we will have an opportunity to do something concrete for middle-class families and low-paid, low-wage workers who need help saving.

We know what some of these solutions are. We have to do more with auto-enrollment, do more in auto-escalation. The States have introduced auto-enrollment plans, like Ranking Member Wyden's State of Oregon, which has seen real success in the early years. Auto-enrollment is the best practice in helping people save.

As I conclude, we have to do more in portability so retirement policies reflect the workforce we have today. Job flexibility should not be a corporate PR term for having no economic security. We have an opportunity to do big things for the American people and fix the multiemployer pension crisis instead of allowing that crisis to get bigger; protect and expand the Social Security benefits that people earn, instead of threatening so-called "entitlement cuts" in the name of a new-found religion on the deficit; and build a defined contribution system that is inclusive, that is equitable, and that meets the needs of today's workforce, instead of relying on the status quo that works well for some but leaves so many behind.

That is our mission. Those should be our goals. I thank very much Senator Portman for doing this hearing today. Thanks, Rob.

[The prepared statement of Senator Brown appears in the appendix.]

Senator PORTMAN. Thank you, Senator Brown. And let me just say, the focus of this hearing, as you know, is on the defined contribution plans, and that is what we have folks here talking about. And we talked about the Portman-Cardin legislation that we have been trying to get a hearing on for some time.

But I totally agree with Senator Brown on the multiemployer front. We have got to solve that problem. And my understanding is, there are discussions ongoing with the House leadership and the Senate leadership, and my fervent hope is that in this final package, whatever it is, whether it is a continuing resolution—I hope it is not—but whether it is that, or whether it is an omnibus spending bill, or whether it is a COVID–19 package in some way, that we include the small-time employer pension reform.

It is time to get it done, and I think we have a good compromise that is consistent with the plan that we all talked about in connection with the Select Committee that was formed to look at this. But this is urgent for our businesses. It is urgent for retirees. And it is urgent for our economy. So we cannot let the PBGC multiemployer program go under water, which is what is going to happen if we do not solve the problem.

So with that, again, thanks to my colleagues for being on. We will get to our witnesses. I thank you for your opening comments, Senator Brown.

We have a great group of witnesses here who are, as I said, experts on this issue, particularly on the issue of how we help people save more for their retirement. I am going to take just a couple of minutes to introduce them.

The first is Scott Barr. Scott is a financial advisor serving small businesses, their employees, and individual investors, at his Zanesville, OH branch. He began his career with Edward Jones in 1999. I really appreciate Edward Jones helping us on these bills over the years, and thanks for being here, Scott. He is a licensed, accredited asset management specialist. He is a 1984 graduate of Miami University.

The next witness is Mr. Eric Stevenson. We talked to Eric earlier. Mr. Stevenson is president of retirement plans at Nationwide Insurance. Eric brings more than 15 years of industry experience to his position, currently managing the team responsible for Nationwide's retirement plans operations, with nearly $115 billion in assets under his management. Eric previously served as senior vice president of Nationwide retirement plans distribution across both the 401(k) and 457 businesses. He joined Nationwide in 2006 in life insurance marketing, and soon after that joined the retirement plan area. Eric earned his bachelor's of business administration and finance from the University of Oklahoma and a master's of business administration degree from Northwestern University's Kellogg School of Management.

Our third witness is Mr. Michael Kreps. Michael Kreps advises a wide variety of clients on issues related to retirement and health matters. He specializes in benefit plan governance, administration, investments, funding, and restructuring. Michael routinely represents clients before regulators. His professional experience includes serving as a Senior Pensions and Employment Counsel for the U.S. Senate Committee on Health, Education, Labor, and Pensions, the HELP Committee, from the 111th to the 114th Congress. He holds a J.D. with honors from the George Washington University Law School.

Last but not least, we have Mr. Joshua Luskin. Joshua Luskin is director of plan administration for 12 governmental defined contribution and defined benefit funds. The funds represent more than 1,200 employers that include public-sector workers, teachers, university staff, and more. His past experience in the private sector was in retail banking, investment management, financial education, change management, and fiduciary oversight.

So we have, again, some witnesses who have some real-world experience to bring to bear here, and we appreciate them coming.

Mr. Barr, why don't we start with you? We are not going to ask witnesses to be sworn in today. We are going to move right to the testimony. Mr. Barr, you are up.

STATEMENT OF SCOTT BARR, AAMS, FINANCIAL ADVISOR, EDWARD JONES, ZANESVILLE, OH

Mr. BARR. Thank you, Senator Portman. Chairman Portman, Ranking Member Brown, members of the subcommittee, thank you for inviting me to testify on the important issue of retirement security. My name is Scott Barr, and I have served as a financial advisor with Edward Jones here in my home town of Zanesville, OH for the past 21 years. As a native Ohioan, it is my pleasure and great honor to address both the men who serve me and the people of our great State.

I would like to express right from the outset Edward Jones's strong support of the Retirement Security and Savings Act of 2019. Edward Jones offers a wide variety of products and services that help individual investors and small business owners achieve retirement security. Over 19,000 financial advisors serve more than 7 million clients and care for more than $1.3 trillion of their assets.

I am here today because I have had the privilege of helping hundreds of my clients plan for and achieve financial security. My clients have confided in me what is most important to them, and they have trusted me to partner with them to guide them toward their financial goals.

I have also found that my small business clients care deeply about helping their employees prepare for their own retirement. They really are interested in offering retirement savings options, both because they know it helps them attract and retain great employees, but also because they know it is just the right thing to do.

Our Nation's private retirement savings system has been a tremendous success. It has enabled folks to build financial nest eggs that will help them supplement the retirement income that they expect from Social Security.

Congressional efforts to promote and expand the private retirement savings system have clearly worked. Edward Jones is very encouraged by the recent congressional effort in the SECURE Act. The start-up tax credits and new tax credit for the adoption of automatic enrollment were significantly important to a small surveying firm I recently helped establish a new retirement plan.

These efforts built on decades of bipartisan support for our Nation's private retirement savings system, spearheaded by the tireless work of Senators Portman and Cardin. And as somebody who works with clients every day and has tried to save for retirement, I would like to take this opportunity to say "thank you" for these efforts.

And, Senator Brown, thank you, sir, for your leadership and dedication in helping the working families of Ohio to save for a secure and dignified retirement. I would also like to thank Chairman Grassley and Ranking Member Wyden for their leadership on retirement savings.

Although we have made progress, there is more work to be done. To further strengthen the retirement savings system, Edward Jones urges you to advance legislation that will, first, make it easier and less costly for businesses of all sizes, but especially small businesses, to offer workplace retirement plans; and second, increase opportunities and eliminate barriers that currently prevent Americans from adequately saving and preparing for their financial future.

In pursuit of these goals, I reiterate our strong support for Portman-Cardin. If enacted, the retirement preparedness of the American worker would significantly improve.

I would like to highlight our support for a few provisions we believe would be most effective in reducing the coverage gap for small business employees, as well as increasing the personal retirement savings of all Americans.

Edward Jones supports the provision that would increase the start-up tax credit made available to small employers when they establish retirement plans. In my experience, employer cost is the most significant barrier to the creation of a workplace retirement plan.

We support the new incentives for employers to offer more generous automatic enrollment programs by directly offsetting some of the employer costs. A tax credit based on employer contributions would be a game-changer for employees.

We support expanding SIMPLE IRA offerings to allow the Roth components. There is no reason to deny SIMPLE IRAs, which are so important to small businesses, the same benefits enjoyed by participants in larger plans such as 401(k)s, 403(b)s, and government 457 plans.

We support allowing employers to make matching contributions to their employees' retirement accounts based on their employees' student loan repayments, and would like to acknowledge Senator Wyden for his leadership on this provision. This provision, I think, would help workers burdened with student loan debt start saving for their retirement earlier in their careers.

We support the provision permitting workers aged 60 and older to make additional contributions to their employer-sponsored retirement plan. I have many clients who would take advantage of this important provision.

And we support increasing the requirement-of-distribution age to 75. Americans are working and living longer. This change would help address the greatest concern I hear most often: that they will outlive their retirement savings and become a burden.

In closing, on behalf of Edward Jones and myself, I again would like to thank Chairman Portman, Ranking Member Brown, and the rest of the subcommittee for holding this important hearing. Edward Jones fully supports Portman-Cardin. We believe it will strengthen Americans' retirement saving system and help more Americans enjoy the secure, dignified retirement they are working so hard to achieve.

I would be happy to answer questions.

[The prepared statement of Mr. Barr appears in the appendix.]

Senator PORTMAN. Thank you, Mr. Barr. I appreciate it. To all witnesses, we appreciate your trying to keep your oral comments to about 5 minutes, and then your full written statement of course will be made a part of the record.

Thanks very much, Mr. Barr.

Mr. Stevenson?

STATEMENT OF ERIC STEVENSON, PRESIDENT, RETIREMENT PLANS, NATIONWIDE, COLUMBUS, OH

Mr. STEVENSON. Good morning, Chairman Portman, Ranking Member Brown, and members of the subcommittee. Thank you for convening today's hearing. My name, as you mentioned, is Eric Stevenson. I am president of retirement plans for Nationwide, a Fortune 100 firm based in Columbus, OH, providing a full suite of insurance and financial services.

We represent over 26,000 plans across the country—small, medium, large-sized plans—with over $150 billion in assets. And we are the number one provider of plans in the governmental 457 space.

I would also like to thank Chairman Grassley, Ranking Member Wyden, Chairman Portman, Ranking Member Brown, Senator Cardin, and members of the committee, for the work that you have done tirelessly over the years, or we would not be having this conversation. So thank you for your service and your leadership.

One additional thing that we have in common with both you, Senator Portman, and Senator Cardin in particular, is around Ohio and in Ohio, we represent the Ohio Defined Contribution Plan for the State of Ohio, and we protect 75,000 Ohioans, their assets, almost $7 billion across the State, on the corporate side and the government side. And we employ 15,000 associates here in Columbus.

And, Senator Cardin, also in Maryland, we represent about $7 billion of assets for residents of Maryland, $7 billion in total assets, 100,000 of your residents, and importantly for the State of Maryland, Baltimore County, city of Baltimore, Howard County, a number of counties and corporations across the State. But most notably, the first governmental plan that was ever started was the State of

Maryland's. They have been our client for 46 years, and are still our client today. And I will tell you a story about that a little later.

On behalf of all that, we are Nationwide. And like myself, personally, we are proud supporters of S. 1431, the Retirement Security and Savings Act, which I will refer to going forward as Portman-Cardin.

This important legislation builds on bipartisan work accomplished by the SECURE Act, with bipartisan solutions to help Americans prepare for and live in retirement. At Nationwide, we have been busy operationalizing the SECURE Act with new and innovative solutions, particularly around income solutions inside the retirement plans. And once the participants had done the hard work of saving for retirement, we help them take that income in a very smart and tax-efficient way, thanks to the SECURE Act.

I would also like to, as I go forward, connect the conversation and the provisions that you have to three real categories. The first of those is meeting today's financial needs. Second, savings for retirement. And then third, living in retirement.

And before you can start saving for retirement, the first thing you have to do is be able to meet your immediate needs. And one of the biggest obstacles, as we have talked about, is student loan debt. And it is not just kids graduating anymore around student loan debt, but it is those folks now into their 20s, 30s, and even 40s who are burdened with this. And we believe the existing retirement system can play an important role in alleviating some of the pressure.

In particular, we support the proposal permitting employers to make matching contributions to a retirement plan based on student loan repayments. This provision will help workers who otherwise could not, and would not start saving for retirement.

And I mentioned the State of Maryland's plan. We have a participant who joined that plan 4 years after it started. The highest salary he ever made was $83,000. And I can tell you, today after 20 years in retirement, he still has $900,000 saved in that plan. And that is simply because he started early, and that is why we are so supportive of that legislation.

When it comes to saving for retirement, the Portman-Cardin provisions to increase catch-up contributions and collective investment trusts are particularly beneficial.

Someone mentioned it earlier, but we know that nearly half of Americans do not have $400 saved, and there are some who say this is just a lot higher. So anything we can do to get more people enrolled and help them get started and avoid some of the traps, is important.

Along with our friends at NAGDCA, we are excited about the opportunity to make collective investment trusts available to 403(b) plans to help more American workers save, especially those in education, health care, and charitable organizations. CITs are a proven, cost-effective way to help people save, and they are widely available in 401(k) plans, and we think they should be available in 403(b) plans as well.

As reflected in my written testimony, we strongly support NAGDCA and their priorities around ensuring that government retirement plans have a level playing field compared to 401(k) plans and IRAs. It is through a partnership with NAGDCA and EBRI that we have helped to sponsor and fund the Public Retirement Research Lab that has provided much of the data that we have shared today.

And finally, living in retirement—Nationwide is thinking about how we can help participants reach their goals. So we know that 25 percent of the people who are 65 years old now will live to be at least 90. So the provision to increase RMB to 75 helps by giving more time for those working and living longer.

Hopefully, you can tell that Nationwide and I personally are very excited about helping Americans achieve financial wellness and security. I am proud of your work and the partnership, and we hope to be a resource today and ongoing.

[The prepared statement of Mr. Stevenson appears in the appendix.]

Senator PORTMAN. Thank you very much, Mr. Stevenson. Great comments.

Mr. Kreps, you are up.

STATEMENT OF MICHAEL P. KREPS, PRINCIPAL, GROOM LAW GROUP, WASHINGTON, DC

Mr. KREPS. Good morning. I want to thank Chairman Portman and Ranking Member Brown for inviting me to testify today, and for their dedication to improving retirement security for all Americans.

The topic of this hearing is critically important. I think we can all agree that after a lifetime of hard work, everyone deserves the opportunity to live out their golden years with dignity and financial independence.

In 1935, at another time of great national hardship, President Roosevelt, working with Congress, created Social Security to stamp out elder poverty. It has been 85 years, and Social Security is still the bedrock of our retirement system. It is the most effective anti-poverty program in the United States.

But Social Security benefits on their own are not enough to allow most older Americans to maintain their standard of living when they retire. That is why we need a robust, equitable, and inclusive private retirement system. Over the years, a private retirement system has evolved, and there have been many important improvements. The system is working well for a great many people, but there is still more work that needs to be done for those falling through the cracks.

Many working people still do not have access to or are not participating in employer-provided plans. That is particularly true for private-sector employees who are younger, part-time, in lower-wage occupations, and not a member of a union. There is nothing stopping us from taking affirmative steps to reach this uncovered workforce and give them the opportunity to prepare for retirement.

Several States, including California, Illinois, Oregon, and others, are already trying to address the problem through State-based systems to provide for universal, or near-universal access to payroll deduction savings plans.

Similarly, Washington State, working with SEIU, established a savings plan specifically to help home-care workers, most of whom earn very little despite providing critical care to our sick, disabled, and elderly family members.

We cannot forget that millions of working people struggle to pay their bills, let alone save for retirement. Congress took an important step to address that issue in 2001 by creating the Saver's Credit to provide a nonrefundable tax credit to low-income taxpayers for certain retirement plan contributions. But the Saver's Credit does not reach nearly enough people, because many lower-income workers just do not have taxable income.

We can fix that. We can make the credit refundable. We can have it directly deposited into people's savings plans. That approach has bipartisan support, and I commend Chairman Portman, Ranking Member Brown, Senator Cardin, and committee Ranking Member Wyden, for their leadership on this issue over the years.

We should also plug some of the holes that drain people's savings. Close to half of plan participants withdraw part or all of their retirement plan assets following a job change. The lost savings due to these cash-outs amount to between $60 and $100 billion annually. But fortunately, the development of auto-portability will help preserve savings for job-changers by allowing people's accounts to automatically follow them from one employer's plan to the next. Thanks to guidance from the Department of Labor and strong bipartisan support from members of Congress, including many members of this subcommittee, auto-portability will be a reality for millions of plan participants early next year.

Finally, and most importantly, we simply cannot ignore the fact that we are on the brink of over a million Americans losing their hard-earned pension benefits. Most multiemployer pension plans are secure, but some plans, including some very large plans, will become insolvent in the next few years.

The Federal pension insurance program is administered by PBGC and only guarantees a fraction of multiemployer pension plan participants' benefits. Worse yet is that the multiemployer insurance program will be insolvent in 2026. When that happens, PBGC will only be able to pay pennies on the dollar, meaning participants and retirees in insolvent plans will see their benefits slashed to the bone.

It is not these participants' fault their plans are failing. They worked hard. They played by the rules and made significant wage concessions, all so that they could have some measure of economic security in retirement. They did everything they could to achieve the American dream, but they are living a nightmare.

Unless Congress acts soon, retirees, their families, and communities will be devastated. The crisis is upon us, and only Congress has the power to do something about it. We are the richest country in the history of the world, and we owe it to our fellow Americans to find a solution. That is going to require putting aside politics and ideology and doing what is right for retirees. There is simply no time left to lose, as every day that ticks by, the problem becomes more difficult and costly to fix.

I urge members of the subcommittee, and every member of Congress, to act as soon as possible to address this crisis.

Thank you for your time today, your attention to these issues, and for your commitment to making retirement more secure for Americans. I would be happy to answer any questions you have.

[The prepared statement of Mr. Kreps appears in the appendix.]

Senator PORTMAN. Thank you, Mr. Kreps. I appreciate your insights.

Mr. Luskin, you are up.

STATEMENT OF JOSHUA LUSKIN, PRESIDENT, NATIONAL ASSOCIATION OF GOVERNMENT DEFINED CONTRIBUTION ADMINISTRATORS, LEXINGTON, KY

Mr. LUSKIN. Good morning. My name is Joshua Luskin, and I am the current president of the National Association of Government Defined Contribution Administrators, or NAGDCA. NAGDCA members oversee plans in 49 States and territorial government entities and 132 local government entities including counties, cities, public safety agencies, school districts, and utilities. Our plan sponsors administer deferred comp on defined contribution plans, including 457s, 401(k)s, 401(a)s, and 403(b)s.

On behalf of NAGDCA, we sincerely thank Chairman Portman and Ranking Member Brown and the members of the subcommittee for holding this important meeting to explore ways to improve Federal law that can create greater benefits for our plan participants. Additional appreciation is also expressed to Chairman Grassley, Ranking Member Wyden, and the members of the full Finance Committee, for their ongoing commitment to improving retirement systems for America.

One of the most effective ways NAGDCA supports our government DC plans has been our long tradition of partnering with private-sector firms to help identify new opportunities to improve retirement health plans. We collaborate on an ongoing basis on everything from training and education to policy development.

As an example, NAGDCA is excited about their new Public Retirement Research Lab, or the PRRL, which it recently co-founded with EBRI. We are thankful for the critical support that PRRL receives from a number of our great corporate partners, including Nationwide, who is with us this morning. With the PRRL, we are building the largest aggregation of DC government retirement plan data that will allow plan sponsors to commit resources and time for data-driven decisions.

NAGDCA is grateful for the opportunity to testify today in support of our bipartisan proposals. The proposals are directly aimed at improving retirement outcomes for approximately 60 million teachers, first responders, public health-care workers, and hardworking middle-class Americans in State and local government service.

Day in and day out, these individuals provide countless essential services that support the communities we live in. With the remainder of my time this morning, I will focus on a few of NAGDCA's six policy proposals. These proposals were developed and vetted by many dedicated NAGDCA volunteers over many years. We are happy to say that each one has been incorporated into the Retirement Security and Savings Act, which you introduced, Mr. Chairman, together with Senator Cardin.

We thank you for all your passion and leadership in the retirement space, and for your partnership with NAGDCA. I will highlight one key proposal and briefly mention three more.

One of the proposals that potentially communicates a significant improvement is to amend the IRC and securities law to permit 403(b) plans to invest in collective investment trusts, or CITs.

NAGDCA members brought this proposal to the organization and pushed for it to be a priority because of the potential benefits for 403(b) participants—the same benefits that participants in other plans are currently benefiting from. 403(b)s are currently limited by statute to just mutual funds and annuity contracts.

DC plans that are able to invest in CITs can realize lower administrative costs, fees, and greater flexibility. This is one example: a paper by Blackrock estimated that lowering fees by just 20 basis points can result in more than $100 million in aggregate savings per year for these 403(b) plan participants. And for participants having 10-, 20-, 30-plus-year careers, the time value of those savings could really positively impact people's lives.

I also want to mention two other provisions which we believe would make it easier for DC plan participants to consolidate their retirement assets. Consolidation of retirement assets is a proven method to help participants maintain a unified investment strategy, as well as potentially providing lower costs and fees within their employer plans, as opposed to many retail IRAs.

The two changes we suggest are to permit non-spousal beneficiaries to roll inherited IRA assets into their DC plans and to allow participants with Roth accounts in their DC plans to roll Roth IRA assets into their employer-sponsored plans.

We, finally, encourage Congress to help us clean up the anachronism in IRC section 457(b) known as the "first day of the month" rule. This rule requires participants, if they want to change their elected deferral, to make the change before the first day of the month in which then the change will go into effect. This provision was enacted as an administrative convenience prior to the advent of modern record-keeping technology. Not only will eliminating it make life easier for plan participants and record-keepers, but we believe it will also help participants make better savings decisions.

Chairman Portman and Senator Brown, thank you again for this opportunity to share some of NAGDCA's ideas about how to improve DC retirement systems. I look forward to the Q&A and continuing to work together to support changes which can result in better retirement outcomes for so many hard-working people.

Thank you.

[The prepared statement of Mr. Luskin appears in the appendix.]

Senator PORTMAN. Mr. Luskin, thank you very much. And thanks to all the witnesses for their very helpful testimony. We are now going to go to questions. Because I will be here until the bitter end and enjoying every minute of it—except when I have to run out for votes—I am going to wait and ask my questions later because there are some colleagues on the line and they are going to have to run.

We have votes scheduled for 11 o'clock, which is about 20 minutes from now. And what I am going to ask my colleagues to do is, if you would work me, I can run up and vote in the Capitol, but some of you are going to have to take the gavel here so we can be continuous. I do not want to stop this hearing. There is such great information and so many people interested.

The order we have is based on when colleagues showed up for the call. We are going to start with Senator Brown, and then Senator Grassley, Senator Bennett, Senator Lankford, Senator Cardin, Senator Daines, Senator Casey, Senator Cortez Masto, Senator Young, and Senator Whitehouse. Not all of you are on the line now, but as they come on, they will have opportunity.

So let's start with you, Senator Brown.

Senator BROWN. Well, I mean, he is in the majority party and he is chairman of the committee, so if Chuck wants to go first, I am certainly fine with that.

Senator PORTMAN. Chuck, would you like to go first?

[Pause.]

Senator PORTMAN. Are you on, Chuck?

Senator BROWN. I think he is on mute. I am fine to do it either way, but——

Senator PORTMAN. Senator Grassley, if you are on, we would love to hear from you first. If not, we will go to Senator Brown.

Senator GRASSLEY. I would like to go. And before I ask questions, there are a couple of short things I want to announce.

First of all, thank you, Chairman Portman and Senator Brown, for this hearing. It is very important. And I applaud you and Senator Cardin for your leadership on retirement security issues. In the coming days, I plan to introduce legislation that builds on the SECURE Act and important provisions of Portman-Cardin, as well as stuff in the recently introduced House Ways and Means bill that Chairman Neal and Ranking Member Brady have put into place.

And then, secondly, before I ask questions, just to follow on what Senator Portman had said about our efforts to get a multiemployer pension plan, we have been negotiating with our Democratic colleagues for more than a week to find a solution on the multiemployer pensions. And I would still like to find a way to reach a deal.

Both sides have very much been working diligently and very much in good faith, and I appreciate that. And we plan to keep at this problem until we find a solution.

I want to go to COVID–19's impact for my first question, for all witnesses. The pandemic continues to cause pain for many individuals and businesses, and I have heard from a number of Iowans that the pandemic has affected their retirement savings, or even reduced their retirement savings.

And I know many provisions have already been mentioned. But which do each of you see as the most relevant and urgent need, given the current crisis that we have with the pandemic? Any order you want to, jump in, please.

Mr. BARR. Senator Grassley, this is Scott Barr with Edward Jones here in Zanesville. I think I would like to take a shot at answering your question. I think it is a great question, and our firm believes that the Portman-Cardin bill was structured to address the needs of lot of different sectors of the economy and sectors of workers. So folks who are affected by the pandemic are, I think, going to benefit from the bill as it stands right now.

I think it is a great question.

Senator GRASSLEY. Does anybody want to add to that?

Mr. KREPS. This is Michael Kreps. Thank you so much for that question, and obviously the pandemic has had a pretty profound impact on working people, both moderate-, upper-, and lower-income working people. In the CARES Act, Congress provided some helpful relief to allow people to have access to their retirement savings, and that will be helpful to re-up and to think about doing again. But at the same time, we have to recognize that a large portion of the population does not have a lot saved in their retirement plan, and we need a strong social safety net to take care of these folks and to support families in crises like this.

Senator GRASSLEY. Do either of the other two of you left want to——

Mr. STEVENSON. Sure, Chairman Grassley. I will try not to be redundant. A couple of things that I would call out, number one, the student loan provision—and Portman-Cardin will be an important piece to that. People have just got to get a habit of saving more. That is a great way to start.

The second one I would mention is the volatility that we have seen through COVID, not just people taking money out, but people investing poorly. When the market goes down, they sell. When the market goes up, they buy. And in the first SECURE Act, the income allowance to put guarantees inside of retirement plans will really help us reduce some of that volatility for participants and help them be much better prepared over the long term in terms of retirement savings.

Senator GRASSLEY. Thank you. Go ahead, sir.

Mr. LUSKIN. Like my colleague just mentioned, we do believe that the Portman-Cardin package was structured very carefully to address the different needs of many people struggling currently.

There are a lot of different populations that are impacted and have felt the economic effects of the pandemic. Having multiple tools to be able to address this—there is some value too.

So thank you very much for that question, Mr. Chairman.

Senator GRASSLEY. Before I go to the other question, I remind Senator Portman, I do not have a clock in front of me. So when I have used up my time, you will have to tell me.

Mr. Stevenson, in your testimony you note that both the opportunity and the means to save are needed in what you call the "beginning planning" stage of saving. I agree with you that both are essential.

The question: in your opinion, how important is automatic enrollment in this equation?

Mr. STEVENSON. Yes, I think it is very important. And I would add, another of the provisions in the bill is around the Saver's Credit. I think that is an important provision. They need both the means and the opportunity. And auto-enroll/auto-escalate creates the opportunity and the means with the provision that we can expand the Saver's Credit, especially the part that allows that refund to go right into the account so it is for retirement savings and not spent, which I think is critical.

Senator GRASSLEY. Okay, I guess I have time for one more question. So, to Mr. Barr, in your testimony you cite data that says 37 percent of the businesses point to the cost as the main reason for not starting a retirement plan.

The current-law small business startup credit seeks to defray some of those costs. In your view, what impact would be the most helpful in bridging the small business coverage gap?

Mr. STEVENSON. That is a great question, Senator. Thank you for your question. I think the startup credit is a major player in this. I think that the number one issue that I run into with my small business clients is cost. How much is the extra expense going to cost the business to start the plan up?

The firm I think supports the entirety of Portman-Cardin because it really very closely addresses those issues. In addition, the auto-enrollment and the auto-escalation, both of those provisions go a long way toward encouraging businesses, with the tax credit that is associated with that, to make that part of their plan so that they can help their employees save.

Senator GRASSLEY. Thank you, Senator Portman.

Senator PORTMAN. Thank you, Mr. Chairman.

Mr. Chairman, we gave you some leniency because you are Mr. Chairman, but thank you for raising the question of the clock. The Finance Committee was not able to put the clock on the screen today. However, we are keeping a clock here. And if it is okay, what I will do, colleagues, is limit the questions to 5 minutes. And then at that 5-minute mark, I will indicate, when we are probably a minute out, or 30 seconds out—how about that, at 4½ minutes—so that we can try to get as many questions as we can get in today.

And we are happy to have a second round, again, if people are able to stay. Senator Brown, you are up.

Senator BROWN. Senator Portman, there is a clock on the screen that at least some of us can see.

Senator PORTMAN. Oh, there is?

Senator BROWN. Yes, for some of us.

Mr. Stevenson, we will start with you. You said in the response to Senator Grassley's first question that people should get in the habit of saving more. If you and Mr. Barr would both answer this question: what is Edward Jones, what is Nationwide doing to help lower-income families save for a dignified retirement?

Mr. STEVENSON. I will jump in. It is a great question, Senator Brown. The key for us is that we have to get people started early. And the education, how we show up, how we provide retirement education and engaging them—employers, the small businesses and large businesses have done a great job of providing incentives. And then it is up to us to make sure we go out and engage them and get them enrolled in the plans and get them started and keep them in the plans.

The provisions in this bill around, again, whether it is the Saver's Credit, whether it is auto-enroll/auto-escalate, when people can see the progress they are making, that is amazing. And the previous SECURE Act, one of the provisions was that we start them out to show people what their savings look like in terms of monthly income. That has been a huge add to the plan. So now we can show them their pension, their 457, and Social Security, show them all that in one picture. It is very encouraging for people to get started and stay engaged in the process.

Senator BROWN. Mr. Barr, would you add to that?

Mr. BARR. I think he had a great answer, and I would point out what Edward Jones is doing. In my practice, Edward Jones, I think as much as any firm out there, opens the doors to the serious long-term investor across the entire income spectrum, socioeconomic spectrum of folks who value the service and advice that we provide.

In addition, as a firm we support the entirety of Portman-Cardin, and we believe that the Saver's Credit provision and the enhancement to that Saver's Credit provision is a great way to help folks who are low- and middle-income savers saving for retirement.

Senator BROWN. Thank you both.

Mr. Kreps, I wanted to ask you about the urgency of addressing the multiemployer pension crisis. And thanks for your comments during your testimony.

What is the effect on the economy if Congress does not act soon? Would that impact be limited to union workers and retirees in these plans, or does it go broader than that?

Mr. KREPS. Thanks for that question, Senator Brown. It is an important point. When 1 million participants, over 1 million participants, lose their pension benefits, that is going to be devastating to those families, obviously. People are going to be faced with the horrible choice of trying to decide whether to use the limited assets they have to keep the lights on or buy their medications. And that is not a position we want anyone to be in.

But it is going to have a devastating impact on communities as well. In the Midwest and across the country, there are multiemployer plan participants who are affected by this—all over the country. And when their pensions are ripped away from them, it will be like kicking the leg out from a table. Whole communities will be destabilized. The whole system becomes wobbly.

Children will have to support their parents, and they will be burdened. The governmental systems, the support systems we have in place, to the extent we have them, are going to be taxed trying to support these communities, the businesses that rely on the dollars being spent in the communities, the employers who are going to be faced with increasing liabilities and are unable to continue to keep people employed.

It is going to have ripple effects that go across the economy, which is why it is so important to deal with it now and not wait any longer.

Senator BROWN. And not dealing with it now means it gets worse the longer we wait, correct?

Mr. KREBS. It absolutely gets worse every day we wait.

Senator BROWN. I will note to my colleagues that for years we have been hearing this: the longer we wait to act, the worse it is going to be. It would have been cheaper to fix 3 years ago. It would have been cheaper to fix last year. And now we are in the middle of an economic crisis that is shuttering small businesses and draining people's savings, and retirees cannot wait.

Let me, in the last minute, go one more place with you, Mr. Kreps. We know that people change jobs more often than they used to. When they do, they are often denied a chance to build the retirement savings that Mr. Barr and Mr. Stevenson talked about getting people into early.

Many corporations have made part of their business plan to deny responsibility for millions of their workers by using independent contracting and subcontracting to get out of doing their part to contribute to their employees' retirement.

What can Congress do about the so-called missing participant problem and improving portability for workers who move from job to job over a 20- or 30-year period?

Mr. KREPS. This is a great question, and an important one. Oftentimes when people change jobs, they lose track of their retirement account. It has happened to my family members. I know they have missing accounts elsewhere. And that lost savings can add up over time.

And so the best thing we can do, or one of the best things we can do, is to encourage the use of automatic portability so that as people change jobs, their accounts follow them from job to job, by negative consent.

Additionally, there is some legislation about a lost plan registry that could be very helpful in addressing that problem.

Senator BROWN. Thanks, Mr. Chairman. Thanks to all four of you.

Senator PORTMAN. Thank you, Senator Brown.

Senator Bennet?

[Pause.]

Senator PORTMAN. Senator Bennet, are you on mute, or are you not with us any longer?

[No response.]

Senator PORTMAN. Senator Lankford?

Senator LANKFORD. Senator Portman, thank you very much—Senator Portman and Senator Brown both—for hosting this hearing. It is a tremendous asset to be able to get in this conversation on Senator Portman's and Senator Cardin's piece of legislation that you have worked on for a long time. And I appreciate all the work on that that has gone into that.

I have several questions, and I want to deal with this both on the retirement side and on the emergency fund side. But I have a really pressing question for Mr. Stevenson first.

It is my understanding you were born in Oklahoma, but you now live in Ohio. Is that correct?

Mr. STEVENSON. That is correct.

Senator LANKFORD. So if I were to say the letters "O-S-U" to you, is that Oklahoma State or Ohio State that we are talking about?

Mr. STEVENSON. With all respect, that would be Oklahoma State, my little brother.

Senator LANKFORD. That would be my assumption as well. I just wanted to be able to clarify that, because that is an important feature in this particular hearing with those who are chairing it.

Senator BROWN. What is that flag, Mr. Stevenson? Because it sure looks like an Ohio flag.

Mr. STEVENSON. That is the Ohio flag. This is where I live, and this is where I work and pay taxes——

Senator BROWN. Okay; all right. I just thought I'd check.

Mr. STEVENSON. Senator Lankford is trying to get me in trouble.

Senator LANKFORD. I am not trying to get you in trouble. Just trying to bring clarity into this hearing as well.

Mr. Stevenson, let me ask you an important——

Senator PORTMAN. Senator Lankford, you have an additional 30 seconds, if you acknowledge this mug [holding up an Ohio State mug]. [Laughter.]

Senator LANKFORD. I will be careful with my time then.

Mr. Stevenson, I want to ask you about emergency funds. I notice from your testimony that you are saying about 20 percent of the withdrawals that you are seeing right now from retirement funds are COVID-related issues, are for people who did not have an emergency fund.

We talk a lot about retirement funds. I want to bring up the issue of emergency funds with you. How do we encourage people to set aside more liquid assets as an emergency fund while we are all still trying to deal with retirement funds as well?

Mr. STEVENSON. Senator Lankford, thank you for that question. And I think, while it is not a part of this provision, this bill yet, I think, is a very important piece that would go a long, long way.

What we have seen is, we have seen almost $900 million in COVID-related withdrawals since April. I will say, the last 60 days we have seen those numbers increase each week. And when we talk about how nearly half of Americans do not have $400, I think there is a pretty straightforward way that we could create some legislation that would allow that to be part of our 401(k), 457, 403(b) plans where that money gets—the first $400, first $1,000 is available to that participant for emergency savings. Where it is not an unforeseen emergency, that would really encourage people to start saving early and remove one of the barriers. Because one of the barriers is that people feel like they cannot get access to the money.

If we make that first $1,000 available, I think it will help. I think we would see less impact from an event like COVID.

Senator LANKFORD. So is $1,000 the correct number on that? Or should that number be higher? Obviously, it sounds like you are saying at least $1,000. How did you come to the number of $1,000?

Mr. STEVENSON. I think, you know, we do not—I do not have a position yet on the exact number. I would love to work with Senator Portman, Senator Cardin, and yourself and others in terms of determining that number. But we think that is in the right ballpark.

We do not want it to take away from the long-term savings, but we do think it is an important provision. And it is very expensive and time-consuming for a participant to go through the process of requesting a loan or to think about that. When you are right out of college and your transmission goes out and you need $400, right, or $800 to repair that, you go to credit cards, you go to your parents, or you go do a loan out of your 401(k). We think there is a much easier, more efficient way to do that.

Senator LANKFORD. Okay. Well, let me ask you one more question on this, and I want to be able to open this up to the whole group.

Mr. Stevenson, you have experience both around small restaurants and the employees in them, and retirement. So you have a unique perspective in this. Many individuals who are in hourly jobs or who are just getting started, or in restaurants and other places—I would assume that many people who are even on this conference right now or in this hearing started work in a restaurant, as I did years and years ago.

But very rarely would you actually start retirement planning at that point as well. It is not easy to do. You are part-time. You are hourly. Even setting aside small amounts is more complicated.

Are there ways that we can actually engage with that individual who may be 19, 20, 21, 22 years old just getting started, or someone just out of college who is in an entry-level job, to be able to do retirement savings? They assume that they are going to switch jobs, so it is difficult to do a retirement plan with an entity that you are then trying to be able to move from. Is there an easier way to do that?

Mr. STEVENSON. Yes, Senator Lankford; a couple of thoughts. A couple have already been talked about. One is the ability for portability. Adding that would make a big difference.

Number two, we talked about emergency savings.

Number three, any of those—and two of those are provisions that are already in the Portman-Cardin act. I think if we can move that forward, we can make a difference.

The other one is reducing the time, from 3 years down to 2 years, even 1 year, in terms of when those part-time workers can start saving. That is an important provision that is in the bill. At Nationwide, we are extremely supportive of that.

Senator LANKFORD. Are there other individuals who have a response to that as well, for that part-time worker, or that person just getting started, for saving?

Mr. BARR. Senator Lankford, yes, if you do not mind, I would like to respond to that also. We support the entirety of the Portman-Cardin bill, and that provision, I believe, in my experience, is something that is going to be very important for part-time employees, both because it offers them access, but also because they have done a great job of threading the needle on not having too much of an impact on the expense to the employer.

So we support that provision of Portman-Cardin.

Senator LANKFORD. Thank you for that, Mr. Barr. Any other responses to that, for the part-time worker just getting started, for retirement savings?

[No response.]

Senator LANKFORD. All right. Thank you, Mr. Chairman. I appreciate very much your indulgence and our conversation about the correct OSU initials as well. And I appreciate you all holding the hearing. It is extremely important to us.

Senator PORTMAN. Not at all. I am glad we had you outnumbered two to one today at least. Thank you, Senator Lankford.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

First, I really do want to thank you and Senator Brown for conducting this hearing. Senator Portman and I have been working on pension issues from the time we were in the House of Representatives. So it is really gratifying to have this hearing where we can really explore going to the next plateau on pension reform.

And to Senator Brown, we really do need to deal with the multiemployer issues. I know it is not the subject for today's hearing, but I thank you for your leadership on that critically important issue.

There are many provisions in the Portman-Cardin bill, and I am not going to go through all those provisions before I ask questions, but I want to sort of follow up on Senator Lankford's point.

And that is, one of the challenges we have is getting younger workers to get engaged in savings. Some are part-time workers, so therefore extending and expanding eligibility for part-time workers will help in offering them an opportunity to start saving for retirement at an earlier age.

Many of those work for small companies that do not have pension plans. And offering additional incentives for small businesses to set up plans will mean we will have more workers participating in plans. And again, a lot of these are younger workers who today do not have that opportunity.

And although it is extremely important—the tax deferral concept of saving for retirement—we find the most effective way to get younger people engaged in saving for retirement is when there is a match. If that match comes from an employer, very few people want to leave money on the table. Very few workers want to leave money on the table.

But if the employer does not offer the plan, there is not a match unless they qualify for the Saver's Credit. And the Saver's Credit has been a real godsend in getting people, younger people, engaged, as we can see in our own Federal plan that we have on savings, the Thrift Savings Plan.

So my question is to—I believe Mr. Kreps brought this up, but I think others did as well. We have a provision in Portman-Cardin that provides for a refundable Saver's Credit, with the refundability going directly into a retirement savings account. And I would like to get your view as to how effective you think that would be in getting younger workers and lower-wage workers to participate more in retirement savings, particularly at a younger age.

Mr. KREPS. I will address that quickly, and maybe others can weigh in if we have time, but I think what you and your colleagues have done in that bill, to propose making the Saver's Credit refundable, is one of the most important things we can do.

Right now, the Saver's Credit, while well-intentioned—and it definitely helps a lot of folks—it misses the people who probably need it the most and need the most help saving. And anything we can do to boost them up, to give them a shot to have a safe and secure retirement, is critically important. And I hope Congress will strongly consider moving not just your legislation, but in particular that piece of it to help lower-income people, as soon as possible.

Senator CARDIN. And, Mr. Chairman, I wanted to highlight that, because I know that it is an area we are going to have further debate on in our committee. And I do think it is a measure that can have a major impact on reaching a population today that is just not saving for retirement at an early enough age.

And I know other members want to ask questions, and I have had opportunities to talk to many of the people on this panel about our bill, but once again, to Senator Portman, thank you for your partnership, for your leadership on these issues, and I thank all our panelists.

Senator PORTMAN. Thank you, Senator Cardin. And we will have a chance to get into the Saver's Credit more later, I hope. As I said, I want to talk about that. And there is so much in this bill that helps to both deal with the small business issue and deal with the specific issue of lower-income and part-time workers who are not currently accessing plans, and therefore not saving.

With that, we have votes that have started. I am going to continue to chair until Senator Young is ready to spell me. He said he was willing to do that. So let's move on to Senator Daines and Senator Young. If you are on, can you let me know, and I will run up and vote.

Senator YOUNG. Senator Portman, just so that you know, this is Senator Young. I am indeed here. I am happy to relieve you whenever you require it so that you might go vote.

Senator PORTMAN. Great. You have the gavel, and let us turn to Senator Daines.

Senator YOUNG [presiding]. Okay; Senator Daines.

Senator PORTMAN. Next we have Senator Casey, Senator Cortez Masto, and then you. So you can go in that order.

Senator YOUNG. Do we have Senator Daines with us?

[No response.]

Senator YOUNG. If not, we will go with Senator Casey, if present. We are in the middle of votes, so it is understandable if some of my colleagues are not currently present.

Senator Cortez Masto, are you present?

Senator CORTEZ MASTO. I am here, Senator Young. Thank you. Thank you. And let me just say again, thank you to Senator Portman and Ranking Member Brown for this great conversation, and a needed conversation, and to my colleagues as well for their legislation in this space.

Can I—I know we are going to talk about this later, but I am interested in the refundable Saver's Credit. And, Mr. Kreps, I want to address it this way: I come from Nevada. We have been so hard-hit with our hospitality-based industry. There are 60,000 fewer Las Vegans employed in the hospitality sector compared with this time last year, and that does not include so many workers who have seen their hours cut.

The bottom line is, there are too many Nevadans who are not able to even put away for retirement right now. I am curious: if we had folks who have spent down their retirement savings during COVID, how do we help them catch up? Is the refundable Saver's Credit the answer to that? I would be curious to get your thoughts.

Mr. KREPS. That is a very good question. I appreciate it. I do think the refundable Saver's Credit would help people. It is effectively a Federal support for savings that matches their contributions, so that would be incredibly helpful for them.

But in the larger context, we have relied in part on addressing the pandemic through allowing people to tap their retirement accounts. That is fine, and that helps a lot of people, but at the same point it also highlights that maybe we do not have the strongest support system for folks who are suffering out there, and who were not prepared to address the pandemic in the way they should have been.

The retirement system by itself cannot address all these problems. We have to think bigger, and in a broader context.

Senator CORTEZ MASTO. And I appreciate that, and that is my concern. And that is why we have put so much money in other areas to support individuals with direct payments and unemployment insurance to help them with their rent, to help them with food insecurity. I mean, there is so much that needs to be done right now.

But this brings me to the next question. And maybe, Mr. Stevenson, I would like for you to speak to it. I believe you are the one who identified there is about 20 percent, or about $900 million in COVID-related withdrawals that you have seen. Is that correct?

Mr. STEVENSON. That is correct. Out of our plans, yes.

Senator CORTEZ MASTO. Just out of your plans. And I am curious, because during this pandemic, there is so much need right now. Should that not be higher? I mean, given the fact that we have provided opportunities through the CARES Act and the HEROES Act for so many to draw down or take advantage of their retirement accounts because of the lack of income coming in, that does not seem as high. And I am curious. And I am going to open it up to all of you. Is that a reflection of maybe they do not have retirement accounts, or they are unwilling to draw down on the retirement accounts?

My concern is that they do not have retirement accounts or the emergency assistance they even need. And so I am curious to hear your thoughts on that.

Mr. STEVENSON. So, thank you for that. But as that relates to the $150 billion that we have, it is about 20 percent of the total withdrawals that people normally would take; 20 percent of them are COVID-related. So we thought that was quite high.

While we were encouraged by that, that more people did not need to tap into it, it is 100-percent voluntary. We made it available, and made everyone aware that that provision is there. So we were encouraged that people were in better shape maybe than we might have thought going into it, and they did not need to tap into their retirement savings at even greater rates.

Senator CORTEZ MASTO. That is helpful. That is helpful to hear. Anyone else? Any other perspectives based on your experience, on what you are seeing?

Mr. LUSKIN. From the public sector, the experience with NAGDCA, we found that we had about 50–50 plan sponsors taking that provision. We do not see a whole lot of use of it, but it did disproportionately affect our health-care workers and our first responders. And so it was being accessed by the people who needed it the most, who were impacted the most, but also there was a lot of focus on education, because that is the time value of money. Any withdrawal you take right now, 10, 20 years, if it is $1,000 now, $5,000 now, in 20 years it will be $10,000.

So a lot of education was focused on that. But having more access to retirement plans, having more people enrolling in retirement plans, has quite a lot of downstream benefits.

Senator CORTEZ MASTO. Thank you. Let me also add my support for the auto-portability. I think that is so necessary. I mean, I think anybody who has been in the workforce would appreciate that opportunity.

Mr. Kreps—and I only have so much time left—can you speak to how that might impact someone who is facing a longer gap between jobs?

Mr. KREPS. Yes. The real benefit is, when they have a longer gap between jobs, they are at a higher risk of losing their retirement account. And so the benefit here is that, as people move from employer to employer, their account can follow them on an automatic basis. And rather than what they do now in often cashing out their savings and paying the taxes and penalties, they will maintain their savings over the course of their career. They will build more and more personal wealth and hopefully be able to retire with some dignity.

Senator CORTEZ MASTO. Thank you. I appreciate that. I know my time is up. I will submit the rest of my questions for the record.

Gentlemen, thank you so much for the conversation this morning.

Senator YOUNG. Thank you, Senator Cortez Masto.

Well, Senator Portman will return and I believe will be accepting the gavel once again momentarily, but I have some questions for our witnesses.

I really thank you for all of your good work. And I commend my colleagues, Senator Portman and Senator Cardin, for their effort to kick-start this discussion with respect to retirement security, with their Retirement Security and Savings Act, and for holding this hearing today, as we look to lay the groundwork for what we hope will be another bipartisan retirement bill success story in the next Congress.

The ongoing pandemic is causing a multitude of problems for Hoosiers, from unemployment to remote learning challenges to, sadly, illness and even death among family and friends.

I am hopeful we will reach a bipartisan deal in the coming days in a relief package that will help to address some of these immediate challenges. But I am also mindful of the long-term ramifications of the pandemic in a host of areas, including retirement security.

I want to ask a question of Mr. Stevenson. Sir, in your testimony, you noted the work that Nationwide has undertaken to support workers during this pandemic and the CARES Act. Could you update us on how you have implemented the CARES Act to support workers through coronavirus-related distributions and other provisions of the law, Mr. Stevenson?

Mr. STEVENSON. Thank you, Senator Young. The CARES Act was really, as you know, as we all know, a very important piece of legislation to support our workers. And Nationwide has—our goal is to make sure that it was easy and accessible.

When the volatility in the markets first hit, we saw an incredible spike in phone calls. People called in to check on their balances, and those concerns. And we made sure that we had people and technology so that we could answer those questions quickly and efficiently, and deliver the right kinds of content to help people remain calm so they did not make the mistake that so many do of selling when it is low and buying when it is high.

We also delivered more and more education and workshops, and engaging with the plan sponsoring the participant. A piece that is really important is our partnership with our clients, the small business owners, the government entities. Their voice is even more important than our voice. So we partnered with them to tell the story. There is so much credibility there with the participant to help them make the right decision.

And the other part that we moved quickly on, as I referenced a little bit earlier, is, one of the greatest things that happens during all the volatility is participants do not know how to react. And so people have saved sometimes $100,000, $200,000, $1 million, and they can really blow that quickly.

So, allowing us to be able to deliver annuities, or in-plan guarantees inside of a retirement plan—which is a very efficient delivery vehicle—we managed the volatility. So just like a target-date fund, participants start saving in that, and then the professionals take over. The same way now with this capability. We will manage that process all the way through retirement into income, and really help participants be much better prepared to live in retirement after they have worked for 20 or 30 years to save—have worked so hard to save so much.

Senator YOUNG. Thank you very much. It sounds like you have really played an important role to help your clients through this crisis.

Mr. Barr, in your testimony you mention a new study that found the pandemic has altered the retirement planning of nearly 68 million Americans, with most of those planning to retire later. In addition, about 20 million Americans have paused their contributions to retirement savings during this uncertain time.

What do you see as the long-term impact, sir, of those changes? And could you elaborate on the proposals you think would be most effective at incentivizing Americans to continue saving, or making up for that lost time?

Mr. BARR. Thank you, Senator Young, for the question. It is a great question. It is very pressing, and an issue that I deal with every day. And to be frank, not just with COVID. COVID is a sudden change. COVID is a sudden change that has altered, from the study's point of view, exactly those statistics that were in my testimony. Twenty million folks have stopped making contributions, but folks go through sudden change all the time. They change jobs. I have clients who are in the middle of what is known as the sandwich generation. They are taking care of children, their grandchildren, and they are taking care of elderly parents.

So there are lots of circumstances in one's life that cause a sudden change. The provisions that the Portman-Cardin legislation permit that I think will have a huge impact on all of those things are, first, any opportunity that my clients have to put money away if they are incentivized to do so. Most of my clients try to do just that, when they can. So that helps with retirement savings on the way in.

Catching up at age 60, that provision in the Portman-Cardin legislation is also something that I am certain many of my clients are going to take advantage of, because there are times in their life when they do not have the opportunity to put as much away as they normally would, and they would later in life.

And then finally, a provision that is very near and dear to me—the biggest fear that every client has is running out of money and becoming a burden. We think the provision that increases the required minimum distribution age to 75 attacks the problem from the back end, that distribution time.

Senator YOUNG. Thank you so much.

My final question is directed at Mr. Luskin, whom I want to thank for your service, sir, to the thousands of Hoosiers who serve in the public sector in the great State of Indiana and rely on the funds you help to oversee for their retirement.

As you noted in your testimony, the average employee starts savings for retirement at age 32. Many of them have accumulated significant student loan debt, and you indicated that debt has the impact on their ability to participate in an employer-sponsored retirement plan.

What can we do to address student loan debt while also encouraging younger workers to begin saving for retirement earlier in their careers?

Mr. LUSKIN. Thank you for the question, Senator Young. And because I am representing NAGDCA and a few of the provisions that we have approved, I will not go into too much detail as far as the student loans go. So I do apologize. But I think one of the points that you made was a great point in your conversation with the other witnesses that has to do—as you look at the retirement cycle and looking at the Hoosiers we support, it starts out with making sure people are participating.

And then as you get to the end of that retirement cycle, it has to do with, what is your balance, and how are you able to go ahead and break that down into replacement income?

So we are looking at those two bookends. But during their whole career, as you mentioned, most government employees, this is their second career, and they need to be able to make choices to be able to either invest in their retirement or invest in paying off their student loan debt.

So I go back to the obvious. I have been raised by educators, so providing education to the participants that allows them to make the best decisions becomes very important, regardless of what is the option.

Senator YOUNG. Well, thank you so much. It is my understanding that Senator Portman has returned. And if indeed that is the case, I will be handing the gavel back to you, sir. You have the baton, as we say in the Navy.

Senator PORTMAN. Excellent. I appreciate having it. And I thought you did a superb job in handling this delicate responsibility, and good questions.

I think we have Senator Whitehouse next, if you are with us, Senator Whitehouse?

Senator WHITEHOUSE. I am here with you. I thank you and Senator Cardin and Senator Brown very much.

The problem of where you set defaults when people are making choices is an important question. If I am not mistaken, a psychologist won the Nobel Prize in Economics a couple of years ago for his work on choice, and where defaults are set, and how people make choices.

I have what we call the auto-IRA bill, which sets the default that employees are automatically enrolled in their IRA plan unless they opt out, as opposed to automatically not enrolled in their IRA plan unless they opt in.

The employee retains full choice. It is just a question of where the default is set. It exempts smaller businesses, and businesses in States that already have a similar program operating at the State level. And I think it is one way to address the problem of having 25 percent of non-retiree adults having no retirement savings or pension at all. And only 55 percent of workers participate in employer-sponsored retirement plans when they have them.

So I would like to ask—let me ask Mr. Kreps. Do you believe that an auto-enrollment IRA program would help in that circumstance? And specifically, are there elements that we have learned from the successful State auto-enrollment IRA programs that, if we were to spread one across the Federal system, we should use as models?

Mr. KREPS. Well, thanks for that question and for your leadership on this issue. Clearly, if we had a national requirement that employers either provide a plan or automatically enroll their employees in a savings program, more people would save. There is really no question about that.

Where we set the default matters, as you said, and we can look to what they are doing in Oregon, Illinois, California, elsewhere, to fine-tune it at the Federal level, if we go that direction, to make it the most effective. But there is no question that that would get more people saving.

Senator WHITEHOUSE. And it leaves the employee with complete freedom of choice. If they want one or the other—anybody who feels strongly about which way to go can make their own decision. It is not taking choice away from anybody. It is just following this choice theory problem, setting the default in a way that signals people to their own best interests.

Mr. KREPS. I completely agree.

Senator WHITEHOUSE. That is the one point that I wanted to raise, and I look forward to having that default setting question be a part of the conversation as we move forward with Portman-Cardin. Thanks, very much.

Senator PORTMAN. Thank you, Senator Whitehouse.

Let me say to the panelists and those who might be tuning in, we had a great turnout of Senators today. Some had to go vote, or go to other hearings, but we had to pass over Senator Bennet. If he is now with us, I ask him to speak up.

[No response.]

Senator PORTMAN. Senator Daines?

[No response.]

Senator PORTMAN. He is not with us? Well, to both of them, thank you for being on the hearing call and listening, and to all my colleagues, thanks for participating.

As I said, I am here to the bitter end. So I am going to ask a few more questions, many of which are questions that have been touched on, but I think we need a little deeper dive.

The first issue that I mentioned earlier was the fact that we do not have adequate savings among low-income and part-time workers. These are people who are working, and yet they are not saving. And I think it is important that the bill lowers the number of hours that someone has to work before they qualify to be saving in a retirement plan. That was improved by the SECURE Act, by the way. We take it to the next level.

A lot of workers have part-time jobs. And by the way, a lot of parents, particularly women, work part-time raising their kids. And it is particularly important now, during the pandemic, to address that concern about, how does this address the COVID–19 reality? With child care being as expensive as it is, part-time jobs are sometimes all people can do because they have to take care of their kids when the schools are closed.

So I think that it is really important that we help. It is a great opportunity. The matching thresholds being increased for those workers is also important, and that is something that ought to be emphasized, as we give employers the opportunity to increase the match so that those individuals can save money more quickly and build up their nest egg.

Only about 25 percent of low-income workers are saving. We have heard that over time. Some say 22 percent; whatever the number is, it is too low. And the Saver's Credit being made refundable will help there.

And by the way, again I have some colleagues on my side of the aisle who have some concerns about this. I do think the Saver's Credit has worked well, but it has run into sort of a roadblock in terms of its ability to help people that I think can be answered through refundability.

And we are careful about it. The money goes into a retirement account, as an example, which I think is very important. It is not easy to administer that, but I think it is very important that it go into retirement.

I would also say I am excited about this provision that would allow recent graduates to receive matching retirement contributions from their employers if they have student debt to be paid off. Again, this goes to a lot of these lower-income and part-time workers too. If they have some debt—and as was said earlier by Mr. Stevenson, some are in their 30s and 40s and they have this debt still hanging over them that makes it hard for them to save for retirement. And it is a national problem. And here we have a partial solution.

The small business issue we have talked a lot about today, and I appreciate again the help we have gotten over time from the small business community as to what would make it easier for them to have a plan. And auto-enrollment to encourage employees to save for retirement is very important. And you know, that was one of our previous reforms, and we are very excited about the difference it makes. If you are in a plan that maybe has 70 percent participation, typically if you have auto-enrollment, it goes up to about 95 percent.

Senator Whitehouse just talked about it in relation to his bill, but he is correct, in the sense that where there is an auto-enrollment option, people do not have to make the decision. So I do think that we are helpful there because, for small businesses, that can be expensive.

In fact, just starting a plan can be expensive. That is why it enhances the start-up credit for small businesses, so they can put auto-enrollment in place and put a plan in place, making it more cost-effective for them.

And then those who are at or near retirement, again the data is that I think only 55 percent of baby boomers are close to being prepared for their retirement. And again, a lot of those good people are living longer, and they have not been able to save enough. Others have saved virtually nothing.

But I think it is critical for that person who maybe could not save as much money when they were younger—they were paying off college debt for instance, or saving for their kids to go to college. And now they have the opportunity later in their career to be able to put some more money aside.

So that is why we have the catch-up contribution for people who are 60 and up. And we also think it is important to help manage that retirement. So going to 75, we think is really important for the minimum required distribution.

My dad was working into his 70s, and he would always complain to me about why he had to take his money out and pay taxes on it when he was still working, well into his 70s. And unfortunately, with this pandemic, more and more people are finding themselves in a situation where they have to work longer hours and more years in order to just sort of stay up. So I think it is particularly helpful now. And I appreciate what you all have said about those provisions.

Anyway, those are some of the things that we had a chance to talk about today, and I think they are very important.

On auto-enrollment—and that goes back to a bill we introduced back in 1999 with Senator Cardin and myself, and this next generation of auto-enrollment legislation, I think will help. It allows employers to increase the initial default contribution from 3 percent of pay to 6 percent, and then gradually increases the default rate to 10 percent of pay over time.

Can anyone share views on that? I might start with you, Mr. Stevenson, because I know you have an interest in this, but do you think that will be helpful?

Mr. STEVENSON. Without question. Thank you, Mr. Chairman. And quite frankly, all of the provisions that you just ran through we wholeheartedly support—and auto-enrollment in particular. Auto-enrollment and auto-escalation—I think those are both really important.

And one of the things we do not talk enough about is just the pattern that it creates. Once people get started, they get in that habit and they see that balance grow, and they are glad they did it. And one of the things I would point to is—we hear this all the time, especially from firefighters and police where there is a strong sisterhood/brotherhood—once somebody gets in the plan, they keep contributing, and they are so glad they did. And that is essentially what we are doing with auto-enroll and auto-escalate: we are making that more systemic in getting people in those plans.

So anything that we can do to support that, we will. And we have seen great success with that on the corporate side, where companies apply that without it being legislated. So anything else that we can do, we are with you.

Senator PORTMAN. Great. Well, thank you, thank you. And again, you are in the trenches dealing with this every day, and trying to encourage companies to do it, and I think that more incentive helps.

On the catch-up contribution—and anybody can jump in here—the current bill would create a higher catch-up at 60, as I said: $10,000 versus $6,500 at age 50. How would that higher limit help people to get a more secure retirement? And maybe, Mr. Barr or Mr. Kreps, you guys could talk about that a little bit.

Mr. BARR. Thank you, Senator Portman. I would be happy to answer that question. First, let me say I really do want to thank you and Senator Cardin for your incredible work on this bill. Edward Jones supports every provision of it. It is, we think, a very needed piece of legislation, and it really hits the mark against the target that people need to be incentivized to save more.

The catch-up contribution, in my opinion, increasing the RMD date to 75, all of those provisions—if somebody has the opportunity to save more money, it has been my experience that they do. It is also my experience that with increasing the required minimum distribution age—you mentioned your father earlier in your comments. I had that situation happen frequently in my office as well.

Having people allow their money to compound over time by contributing, and by educating them to do so and allowing people a little bit of extra time at the end to take care of themselves—their number one concern is that they become a burden to their families, to their friends, to their community. And these provisions, I think, help with that.

So we applaud your efforts, and we thank you.

Senator PORTMAN. I am, again, happy that we have made some progress for small businesses. We talked about that earlier. Mr. Kreps, you may want to talk about this, but the SIMPLE plan that we proposed back in, I think it was enacted in 1996, I think has been helpful. The small business startup credit was established in 2001. I think we have done some things to help on SIMPLE plans and on start-up credits that helped small businesses, but still we have these numbers that are inescapably discouraging, that many small businesses are not offering plans.

Mr. Kreps, why don't you start, but also obviously, Edward Jones, you would have—Mr. Barr, you would have a strong view on this. Talk to us about what we should do with regard to small businesses. And particularly, SIMPLE plans do not permit employees to make Roth contributions now, which I have always thought was a mistake. All other plans permit it. 401(k)s permit it. 403(b) plans, 427 plans, Mr. Luskin can talk about.

So I would like to give small employers all those options, including the Roth option. Is there any reason not to do that? Can you comment on that?

Mr. KREPS. I cannot think of a reason not to give them a Roth option. And in kind of the larger context, when we look at the uncovered workforce, the folks who do not have access to a plan, a lot of them are employees of small businesses. And I am sympathetic to a small business owner who does not have the time or energy to go through the complicated process sometimes of establishing and running a 401(k) plan, and sometimes they need a simpler option. So anything we can do to incentivize them to take those steps, to make the economics work better through credits, to give them more options, is great. That will help expand coverage.

Senator PORTMAN. Thank you. Any other thoughts on that? Then I want to go to Mr. Luskin for a question. Any others?

[No response.]

Senator PORTMAN. Mr. Luskin, I want to ask you to take a look at one provision. It is the non-spousal assets being able to be rolled into a plan. Can you talk about that a little and how that might affect some of the beneficiaries you serve?

Mr. LUSKIN. Absolutely, and thank you for the question, Senator. When it comes to rolling over the non-spousal beneficiaries to IRAs, it goes back to what we were talking about, about some of the benefits behind asset consolidation.

The larger balances you have open you up to additional investment vehicles that can lower investment costs and administrative costs. And lowering those costs for those individuals allows them to partake in a better return. Because expenses and paying for good investment advice and so forth are important, lowering those allows them to have better returns and to build up their balances more.

And so what we are trying to do is give people the opportunity to consolidate their accounts, which allows them to align their asset allocations to make sure that they have financial plans that will provide them with better opportunities to be retirement-ready. Because, once again, and I apologize for reiterating, but by the end of the game when you are getting ready to retire, you need to convert that balance—and the larger the balance the better—into replacement income.

And the lower income you make, the higher your replacement income needs to be. So consolidating the assets gives you a lot of advantages when it comes to, not just your financial plans but lowering your investment and administrative costs to make sure that those balances can grow.

So that is what we are looking to support: providing that ability.

Senator PORTMAN. Let me follow on that for a minute then. One of the ways to give plans the flexibility they need to ensure you can get the most gain out of your investment might be these collective investment trust provisions. Can you talk about that? I think in your opening statement you talked about how this will save plans a significant amount—I think you said a total of about a billion dollars. Can you talk a little about the collective trust, the investment trusts provision and how that might be helpful?

Mr. LUSKIN. Absolutely. And thank you for the opportunity for that question. I had the privilege of being raised by educators and understand the population being impacted. So thank you for that.

Essentially right now, the crux of the argument is that we want to provide 403(b) participants with the same advantages that participants in other plans have. Once again, having an open market is very important, and there are a lot of different options, depending on the plan's metrics, where you have access to annuity contracts, mutual funds, or CITs, and what we are looking to support is allowing especially some of these larger plans, these large 403(b) plans, to have access to the CITs, because not only does it give them lower fees, but it gives them the opportunity to have pricing flexibility, customized investment options, and to mitigate potential downside risks.

And so providing that vehicle and that option that fits for that specific plan's sponsor should be something that should be provided.

And on the other side of the coin—it is always important to look at that other side of the coin. I cannot think of a single reason why we would not want to provide that option for them, especially people who work so hard and are dedicated to the public and our communities.

Senator PORTMAN. Well, good.

Here is another one that we have not talked about today, which is exempting Roth assets in a plan from the required minimum distribution rules. And I think that also helps your beneficiaries, and I don't know if you, and maybe Mr. Barr, want to comment on that for a minute. That is one that I think is an important provision in this bill that has not gotten much attention.

Mr. LUSKIN. I agree. Mr. Barr, would you like to go first?

Mr. BARR. That is a provision that I am not as familiar with, so I will defer to you, Mr. Luskin. Thank you.

Mr. LUSKIN. Thank you.

Right now, traditional IRAs are exempt from RMDs. And what we are looking to do is, once again—one of the biggest considerations about that is to the point of people who are coming near retirement age maintaining those large balances.

And so right now, IRAs are not required to have an RMD on those Roth accounts, but plan sponsors in governmental retirement plans are. So what we are simply looking to do is provide our government participants who work so hard the same benefits that IRAs are providing.

So we are just looking to even the field.

Senator PORTMAN. Yes. And, Mr. Barr, I know how strongly you feel about RMDs, so I was giving you a chance to just talk generally about RMDs too. But thank you, Mr. Luskin, for that.

There are a lot of great provisions in this bill that are going to affect people's lives. I said at the outset, this is about peace of mind in retirement. And I think Mr. Kreps talked about the golden years. You know, people work hard, and they end up in retirement and find, "Oh, my gosh, I am outliving my savings, and I do not want to be a burden on my family or others."

So everything in this bill, I think, is directed toward that in one way or another.

I see that Mr. Daines has now joined us. Steve, if you would like to ask questions of the witnesses, that would be great.

Senator DAINES. Yes; thank you, Mr. Chairman. I am really glad you are holding this hearing. This is an important issue of retirement security. We think about how many Americans, how many Montanans, work hard to save for decades with the hopes of achieving a peaceful retirement. They want a retirement—and I have been listening to this back-and-forth conversation where folks do not have to worry about outliving their savings. And how do we promote more personal responsibility as it relates to saving more money so they can do that on their own and not have to rely on somebody else?

It is so important, we have found, that people who are in the workplace today are aware of how much they need to save to achieve their desired retirement, and to make sure they do not make any significant errors or mistakes along the way.

One easy thing that Congress could do—and, Chairman Portman, thanks for mentioning this bill that I am working on with Senator Warren—is helping future retirees with this Retirement Savings Lost and Found Act.

As we dug into this issue, we found, first of all, Americans, by no surprise, are switching jobs at a higher rate than ever before. But they are unknowingly leaving behind 401(k) balances. In fact, there was a study from a major investment management company that showed up to 30 percent of employees left behind some retirement savings when they switched jobs—nearly 1 in 3. So this bipartisan bill I have with Senator Warren would solve that problem. It would assure that people keep more of their hard-earned money by creating a national lost and found registry for retirement accounts—one place to go and find this information. And it would be using data that employers are already required to report. So it would not add another reporting burden to employers.

And by using this registry, employees could find all the former employer-sponsored retirement accounts in one easy location online. It would be a big help for employers who often spend a lot of time, a lot of hours, trying to reunite employees with their lost accounts.

So this would be a win for Montana workers, for families, businesses, and I would like to see it passed. I just wanted to highlight that as a piece of legislation I think would be a pretty commonsense fix and help here to build larger retirement accounts longterm.

Well, I have a question for the whole panel. With that kind of introduction, would you agree that creating a retirement savings lost and found registry would be helpful to reunite workers and retirees with their missing retirement accounts? I will start with the panel, and whoever wants to jump in, go ahead.

Mr. STEVENSON. Senator Daines, thank you for joining us, and this is Eric Stevenson of Nationwide, and we certainly support that piece of legislation that you have discussed and outlined.

The other part I think that is also important is, everything we can do to strengthen beneficiaries, making sure that these plans have really clear beneficiaries on them, also helps with us tracking that down. Because you are right: they have earned it. They worked hard, and that money should follow them wherever they go.

Senator DAINES. Great. Thank you, Mr. Stevenson.

Somebody else?

Mr. KREPS. Senator Daines, I would also like to echo what Mr. Stevenson just said. It is an important piece of legislation. And one part of that legislation that I particularly like is that it is forward-looking, and not only does it form this registry but then has the ability for the administrator of this program to basically work with the private sector to actively try and find people who have missing accounts. And that is important.

Senator DAINES. Yes.

Mr. BARR. Senator Daines, as somebody who has spent time helping clients do just that, I agree that it does address a critically important issue for lots of Americans. And I extend the offer that our firm would be happy to help you in any way that we can.

Senator DAINES. Well, I appreciate it. We will have you review the bill and make sure we got it right, and any other feedback you might give before we have a hearing on it.

But you know, we are parents to four children. All of our children now have graduated from college and have started their own careers and have their 401(k) accounts. And we had those dad and mom moments helping our kids setting those up and telling them to maximize it with the match, and so forth.

But also, as we all know here, the importance of starting early, how big an effect that has long-term on the growth of these savings accounts. This would be one way to make sure you do not lose that early investment, which of course turns out to be a big number as you move through life.

Well, I want to ask another question here regarding personal savings rates. One of the trends that surprised us as we were doing some investigation about what is happening with savings rates during the pandemic, is that we have seen a big jump in the personal savings rate. In fact, the personal savings rate in the data that we have collected went from about 7.6 percent in January to north of 33 percent in April.

Now as of October, we have seen this personal rate decrease to 13.6 percent. But it is definitely moving up, which we think is actually a healthy thing for long-term retirement.

Here is my question for the whole panel. Once things get back to normal—and I was at the President's vaccine summit yesterday at the White House. I am encouraged by the direction we are headed here, and we may have some very good news here as a Christmas present for the Nation with these vaccines. But once things are back to normal on the other side of the pandemic, what would you say is the ideal personal savings rate? And how can we make sure that folks at all income levels are saving enough?

Mr. LUSKIN. Thank you, Senator Daines, for the question. I think it is a very good question. And I think it is very dependent on a few factors, depending if your DC plan is a supplemental versus a primary. The savings rate, the 3 percent we are used to hearing, was based off some past research that came out when 401(k)s started to come out. The higher the percentage you need is dependent on if it is a primary or a supplemental. But a lot of the reading I have done points toward double-digit contributions. And I think from your initial question and your motivation, there is a lot of downstream benefit to helping participants get to those rates that help them satisfy their replacement income, because there is so much dependent on the individual needs.

So, thank you.

Senator DAINES. Yes, thanks, Mr. Luskin. Someone else?

Mr. STEVENSON. I would just reiterate. I think the point that Mr. Luskin made is that we think that number depends on what else you have—what is your Social Security benefit; do you have access to a pension? But if the DC, defined contribution, is your only savings vehicle, that number does need to be double-digits and greater—10, 15 percent—to have a real chance at having a secure retirement.

There is a lot of data out there, and we are happy to provide that to your office, some of the information, after this call.

Senator DAINES. I appreciate that. Thanks, Mr. Stevenson; you bet. Did I miss anybody else who wants to provide a thought on that question?

[No response.]

Senator DAINES. If not, Mr. Chairman, I will toss it back to you.

Senator PORTMAN. I appreciate that back and forth with some of the witnesses about the fact that one of our challenges in our system right now is that people are moving jobs more frequently, and sometimes losing savings, which may be relatively small, but it adds up when you have several plans, which is not unusual for the generation of your kids and my kids, particularly as they move from job to job.

I will say on the personal savings rate, just to throw this in, we talked earlier about the K-shaped recovery. My sense from talking to some of the experts on this is, the reason the personal savings rate got so high was that some people were saving more who could afford to and, particularly with the stock market doing as well as it was, and continues to, that higher-income individuals were able to save more—and a lot of middle-income workers as well. But unfortunately, it was not, as you indicated in your comment, Senator Daines, at all income levels. You know, you want to see that kind of savings. And our focus here today has been a lot about the part-time worker, the worker in a small business, the lower-income worker, which is where the huge opportunity is, because they are not saving.

Senator Daines worked for the Proctor and Gamble Company in his distinguished career, and they had a great savings plan. And you know, in effect their profit-sharing plan and 401(k) plan together meant that people were really given great opportunities.

My dad worked there when he was a young man for a couple of years, and he loved the idea at Proctor and Gamble. So when he started his own small business with five people, he started a profit-sharing plan like Proctor and Gamble's. Unfortunately, they lost money the first 3 years and people did not get much in their profit-sharing plan, but he started a 401(k) as soon as he could, and today there are guys I know who turned a wrench their whole career—these were lift-truck technicians; he sold forklift trucks—who are retiring, my age. Guys I have known virtually my whole life are retiring with a nice nest egg for themselves and their family. I ran into one recently who was using it to help his granddaughter go to college right now. It really works. And these were small business workers and not people who had a lot of means, but they had the ability to save and they took advantage of it, and now they have 3-, 4-, 5-, 600,000 dollars coming to them, hopefully spread out over time wisely, as we try to encourage through our legislation through the QLACs and other periodic payment methods. But it really works, and that is what is exciting.

And I know Senator Daines understands it really well, from his experience in big business and small business. So we look forward to working with you on your proposal. In a sense, I think you have had a hearing on it today, and I hope you realize that, and hopefully we can get it in legislation soon.

With that, I want to thank the witnesses, Mr. Barr, Mr. Stevenson, Mr. Kreps, Mr. Luskin. You guys were very helpful today, and you are the experts. We want to continue to stay in touch with you, and we need your views as we put this together.

Senator CARPER. Mr. Chairman?

Senator PORTMAN. Yes?

Senator CARPER. Tom Carper here.

Senator PORTMAN. Oh, Senator Carper. I was just about to close out. Thank goodness you spoke up. Okay, Senator Carper, let me do this if I could, please.

I have to go run vote, so I am going to turn the gavel over to either you or Senator Daines, whoever would like to have it, and——

Senator CARPER. I would like to have it.

Senator PORTMAN. You have the gavel in that case, because I have to run to go vote. I can come back, but I may miss the vote if I do not go now. So for any members who have written questions for the record, you should submit those by close of business on Wednesday, December 16th.

And for our witnesses, again, if you have additional written comments, please provide them. Everything that was in writing is part of the record already, but feel free to add to that.

And with that, I am going to turn the gavel over to Senator Carper, who will formally adjourn this hearing.

Senator Carper?

Senator CARPER [presiding]. Thank you, my chairman. Thank you, Mr. Chairman.

Welcome, one and all.

As the chairman knows, I spent some formative years of my life in Ohio, in Columbus. My dad started off as a claims adjuster for Nationwide and ended up in the home office in Columbus, being sort of in charge of training for claims adjusters all over America for Nationwide. So we have more than a little bit of interest.

And, Mr. Stevenson, I think you are with Nationwide. Is that correct?

Mr. STEVENSON. Yes, sir, that is correct.

Senator CARPER. That is good. There is a great movie out this last year, and I think it was nominated for an Academy Award or two, and the name of the movie is "Just Mercy." And it focuses on the life of an African American attorney who grew up in the rural south, and actually grew up in southern Delaware, and he spent most of his life trying to make sure that justice was provided for people of color as they navigated through the criminal justice system.

You are a dead ringer for him. You are literally a dead ringer for him. I turned on my laptop and saw you, and I said, "Oh, my God, what is Bryan Stevenson doing on"——

Mr. STEVENSON. And we share a last name, which is interesting.

Senator CARPER. A great guy. A great guy.

Is there somebody from Zanesville? Who is from Zanesville on this?

Mr. BARR. Scott Barr. I am, Senator; Scott Barr from Zanesville, with Edward Jones.

Senator CARPER. That is great. And I have a stepson whose life's work is helping people make investments for their retirement security. He is up near north of Detroit. So I am very proud of him and what he does.

So I have all kinds of interest in this hearing. I used to be State Treasurer; I was elected at the age of 29. We had the worst credit rating in the country. We had a pension system, but we had no pension fund; not a dime in our pension fund. We had a deferred compensation program that was just a tragedy. It was just such a screwed-up mess. And we were able to work with the great Governor Pete du Pont and others to straighten out the pension fund and to actually make the deferred compensation program something we could be proud of.

But I have a question for Mike Kreps, if I could. This actually focuses on helping low-income and nontraditional workers save for retirement. But, Mr. Kreps, I believe it was you—and I have been going back and forth voting on the floor and attending other hearings and have gotten a little bit confused here, but I think it was in your opening statement you raised a number of great proposals introduced by my colleagues aimed at helping low- and moderate-income people save for retirement.

And I am reminded in the New Testament of looking out for the least of these, and I think, you know, when I was hungry, did you feed me; when I was naked, did you clothe me, and on and on and on. It does not say anything about, when I was a low-income person and did not have much money, did you help me save for retirement? But I think the inference is the same, and I think there is a moral imperative at play here.

But a related challenge in this space is that most people do not think that much about retirement savings until later in life or at maybe a particular inflection point, maybe getting a new job. And tax time is one inflection point that might be particularly helpful to leverage, especially for people of lower incomes, and maybe for nontraditional workers.

Here is an example out of Delaware. Delaware's Volunteer Income Tax Assistance operator piloted a partnership this year to refer tax preparation clients to a local institution where they can sign up for an IRA.

And, Mr. Kreps, let me just ask, how should Congress, maybe the incoming Biden administration, be thinking about better leveraging inflection points in public-private partnerships to encourage retirement savings, particularly amongst lower-income and nontraditional workers?

Mr. KREPS. It is a great question. And you are right, we have decades of academic and industry research showing very clearly that we can do the most to help people and encourage them to save if we hit them at inflection points when they are thinking long-term about retirement: birthdays, starting a new job, marriages, divorces, death in the family—things where they have to think long-term.

And I think the Congress, the Biden administration, folks in industry, can think a little more creatively about how we can partner together to do things. Imagine if, every time you got a tax refund—you file your taxes and you get a tax refund—a window popped up and said, "would you like to put part of that towards retirement savings?" Or, there was a more national push to get people using the Saver's Credit? Or just more of a national push to get people to save?

I think there is a lot of room to work there, particularly through public-private partnerships, to do the education, to do the kind of pushing on folks to nudge them in the right direction when—you know, they are busy. They are not going to think about retirement 24 hours a day like some of us in this hearing.

Senator CARPER. Thank you. Do any other panelists want to comment on it, please? Thank you for your responses. Anybody else?

Mr. STEVENSON. Senator, I would just add that I think, while using inflection points is helpful, just what I have seen over time, and what the data continues to suggest, is that the auto features are even more impactful.

The auto features are key. The Saver's Credit, expanding that and making that more available, I think those are things that are more standard so that people do not have to have choice. Less choice, I think, will help them. But as they see the balance and they have gotten the habit, then they are hooked. I think that is also an important way to go.

Senator CARPER. To your point on the auto features, the Thrift Savings program for Federal employees—and a lot of people participate in that, as they should. We find that before we had an auto-signup feature, fewer than half of the people joined the Thrift Savings Plan when they joined the Federal workforce. Once we moved to the auto-provision, over three-quarters.

Mr. STEVENSON. And one of the opportunities in that Federal Thrift Savings Plan even now is to help those Federal workers, now that they are in the plan, help them get out of just that safe account, that stable value, and get into more of the equities. That is the next opportunity in that, and I think that is something that we, in the right time, should also have a conversation about.

Senator CARPER. All right; thank you.

All right; anybody else?

[No response.]

Senator CARPER. No? All right, let me find out if at least two of you can spell the word O-H-I-O. Great to see you guys. Thank you so much. Thanks for what you do, and thanks for joining us today.

Does anybody else—I think I am the acting chair. Does anybody else, members or witnesses, wish to comment?

[No response.]

Senator CARPER. No? Going, going, gone. Thank you all. Happy holidays. God Bless you. Thanks so much.

[Whereupon, at 12:03 p.m., the hearing was concluded.]

A P P E N D I X

Additional Material Submitted for the Record

Prepared Statement of Scott Barr, AAMS, Financial Advisor, Edward Jones

INTRODUCTION

Chairman Portman, Ranking Member Brown, and members of the subcommittee, thank you for inviting me to testify on the critically important issues being considered this morning by the Finance Committee's Subcommittee on Social Security, Pensions, and Family. My name is Scott Barr, and I have been an Edward Jones financial advisor in Zanesville, OH for the past 21 years. As discussed further below, I would like to emphasize at the outset Edward Jones' strong support for the Retirement Security and Savings Act of 2019 (S. 1431) ("Portman-Cardin").

Every day my work permits me the chance to build meaningful relationships with our clients—families and small businesses in and around Zanesville, OH. I have had the privilege of helping them plan for and achieve their financial goals—whether it is preparing for retirement, saving for a child's or grandchild's education, or simply working towards a more secure financial future. I have found this work to be tremendously rewarding because I have been able to help my clients, who are often my friends and neighbors, build financial resilience and achieve financially what is most important to them.

As an Edward Jones financial advisor, I take great pride in helping my small business clients work towards a financially secure retirement for themselves and their employees. When given the right opportunity, my clients overwhelmingly strive to put money away for their own retirement. Moreover, I consistently find that my small business clients deeply care about giving their employees a chance to prepare for their own retirement by establishing workplace savings plans and facilitating the savings process for their employees. These small business owners are not only interested in offering their employees retirement savings options because it helps their businesses attract and retain great employees, they also know that it is the right thing to do and they want to help their employees make good financial decisions for themselves and their families.

Edward Jones. Edward Jones offers a wide variety of products and services that are designed to help individual investors and small business owners achieve retirement security for themselves and their employees. Our 19,000 financial advisors serve more than 7 million clients and care for more than $1.3 trillion of their assets. Every aspect of our business, from the investments we offer to the location of our branch offices, is focused on serving the needs of individual investors and small business owners.

Edward Jones recently partnered with Age Wave on a comprehensive study to better understand the way our clients are viewing retirement—across four central "pillars"—health, family, purpose, and finances. The study not only improves our ability to serve them and help them achieve what's most important to them and their families, but also highlights the profound impact the coronavirus has had on millions of American family's retirement security. The study found the pandemic has altered the retirement timing of nearly 68 million Americans, most planning to retire later, and caused more than 20 million Americans to stop making retirement savings contributions—reinforcing the importance of the meaningful legislation we are discussing today. (Source: *www.edwardjones.com/NewRetirement*)

RETIREMENT SAVINGS SUCCESSES AND CURRENT BARRIERS

Successful Efforts to Promote Retirement Savings. Our Nation's private retirement savings system has been a tremendous success for countless Americans because it has enabled them to build a financial nest egg that will help them supplement the retirement income that they expect to receive through Social Security. Congressional efforts to promote retirement savings—in partnership with companies that facilitate those savings, such as Edward Jones—have benefited millions of Americans by encouraging individuals to save for their own retirement and establish retirement plans for their employees.

Edward Jones is encouraged by the most recent iteration of these congressional efforts, which were signed into law as the Setting Every Community Up for Retirement Enhancement ("SECURE") Act at the end of 2019. We are particularly excited to see how the SECURE Act's improved retirement plan start-up costs tax credit for small business and new tax credit for the adoption of automatic enrollment will help to improve the retirement readiness of the individual investors and small businesses employees that Edward Jones serves.

This most recent congressional effort builds upon decades of bipartisan support for our Nation's private retirement system, which has been spearheaded, in many cases, by the tireless work of subcommittee chairman Portman and Senator Cardin, who have worked together so well and so effectively for so many years. As someone who works every day with clients who strive to save for their own retirement and improve the retirement preparedness of their employees, I would like to take this opportunity to thank Chairman Portman and Senator Cardin for their decades-long effort to make it easier for all Americans to save for a financially secure retirement.

This includes, among other important initiatives, their successful efforts to create SIMPLE retirement plans for small businesses, appropriately increase the contribution limits for retirement plans and IRAs and make permanent the saver's tax credit for low- and moderate-income Americans who make contributions to their retirement accounts. Thanks to the leadership on retirement of Chairman Portman and Senator Cardin, my clients and Edward Jones's clients across the country are far more likely to enjoy a financially secure retirement than they were 2 decades ago when I started in this business.

Similarly, I would like to thank committee chairman Grassley, Ranking Member Wyden, and subcommittee ranking member Brown, and all members of the Finance Committee for their many years of leadership on retirement issues. We would not have made the progress we have without all that you have done.

More Work to Be Done. Although congressional efforts to encourage personal retirement savings have benefited millions of Americans, much more can, and should, be done to increase personal retirement savings and encourage the creation of workplace retirement plans, especially for the employees of small businesses.

According to recent data compiled by the Bureau of Labor Statistics, 88 percent of private sector employees who are employed by a business with 500 or more employees have access to a workplace retirement plan. By comparison, only 49 percent of private-sector employees who are employed by a business with less than 50 employees have access to a workplace retirement plan.[1] This coverage gap for small business employees is particularly concerning given that only 28 percent of Americans without access to a workplace retirement plan have any retirement savings.[2]

In my experience, this small business coverage gap is not the result of a lack of interest from small business owners. According to a 2016 survey conducted by the Pew Charitable Trust, 96 percent of all small and medium-sized businesses expressed a desire to help their employees save for retirement.[3] According to the same survey, the most significant barriers preventing small and medium-sized businesses from establishing a workplace retirement plan for their employees were the costs

[1] Bureau of Labor Statistics news release, *Employee Benefits in the United States—March 2020,* available at: *https://www.bls.gov/news.release/pdf/ebs2.pdf*.

[2] *Survey Highlights Worker Perspective on Barriers to Retirement Savings* (September 2017), available at: *https://www.pewtrusts.org/-/media/assets/2017/09/barriers_to_worker_savings_report_draft.pdf*.

[3] *Employer Barriers to and Motivations for Offering Retirement Benefits: Insights From Pew's National Survey of Small Businesses* (June 2017), available at: *https://www.pewtrusts.org/-/media/assets/2017/09/employer_barriers_to_and_motivations.pdf*.

of plan creation and the lack of organizational resources. In fact, 37 percent of the business surveyed cited cost as the main reason for not starting a plan.[4]

We also know, however, that increased access to workplace retirement plans is not a "silver bullet" for all of our Nation's retirement preparedness challenges. This is because, even for many Americans who have access to a retirement plan at work, other financial priorities can prevent them from adequately saving for retirement. Particularly in this pandemic, and when faced with immediate expenses for housing, food, transportation, medical care, and family care, saving for a retirement that may be years away can be daunting for many Americans. These competing financial priorities make it difficult for younger workers to save at the beginning of their careers because they have relatively lower incomes and often carry student loan obligations that account for a significant portion of their income.[5] Most of these younger workers eventually pay off their student debt and increase their earnings, but not until a point in their career when they have few remaining years to save—limiting the benefits of the time value of money. We believe the Retirement Security and Savings Act will meaningfully address these challenges and enable more Americans to save for a secure and dignified retirement.

IMPROVING OUTCOMES FOR INDIVIDUAL SAVERS AND SMALL BUSINESS EMPLOYEES

The financial and legal barriers that make it difficult for more Americans to achieve financial security in retirement are formidable, but they are not insurmountable. Accordingly, to further encourage personal retirement savings and eliminate the barriers discussed earlier, Edward Jones urges this subcommittee and the full Senate Finance Committee to advance legislation that will: (1) make it easier and less costly for businesses of all sizes, but especially small businesses, to offer workplace retirement plans to their employees; and (2) increase opportunities and eliminate barriers that currently prevent more Americans from adequately saving and preparing for their financial future in retirement.

Support for Portman-Cardin. In pursuit of these goals, Edward Jones strongly supports the provisions included in Portman-Cardin. Consistent with Chairman Portman and Senator Cardin's longstanding and bipartisan efforts to improve the private retirement savings of all Americans, Edward Jones believes that the changes included in Portman-Cardin, if enacted, would significantly improve the retirement preparedness of American workers by making it easier and less costly for small businesses to offer retirement savings plans to their employees and increase opportunities for more Americans to save and invest for a financially secure retirement.

Although Edward Jones supports the full suite of changes included in Portman-Cardin, I would highlight our support for the provisions that we believe would be most effective in reducing the coverage gap for small business employees and increasing the personal retirement savings of all Americans.

- *Incentives to Promote the Creation of Small Employer Retirement Plans.* Edward Jones supports the Portman-Cardin provision that would increase the start-up tax credit made available to small employers when they establish retirement plans for their employees. Employer cost is the most significant barrier preventing small employers from offering their employees workplace savings arrangements. Accordingly, tax incentives that help offset those costs can go a long way in expanding retirement plan access to small business employees.
- *Incentives for Employers That Embrace Automatic Enrollment.* Edward Jones supports the Portman-Cardin provisions that would create new incentives for employers to offer automatic enrollment programs that are more generous than what is contemplated under current law. This includes support for Portman-Cardin's "Secure Deferral Arrangement" safe harbor for satisfying the Internal Revenue Code's nondiscrimination rules and a new tax credit to offset small employer retirement plan contributions made in satisfaction of that safe harbor. By directly offsetting some of the employer costs associated with plan contributions, a tax credit based on employer contributions would be a "game changer" for employees who participate in workplace retirement plans made available by their small employers.

[4] *Id.*
[5] We are working on finding statistics or data to support this.

- *SIMPLE Roth IRAs.* Edward Jones supports the Portman-Cardin provision that would expand SIMPLE IRA offerings by allowing SIMPLE IRAs to be offered on a Roth basis. There is no reason to deny SIMPLE IRAs, which are so important to small businesses, access to Roth options available with respect to all other types of plans.
- *Support for Retirement Savers With Competing Financial Priorities.* Edward Jones supports the Portman-Cardin provision that was originally introduced by Ranking Member Wyden that would permit employers to make retirement plan matching contributions to their employees' retirement accounts based on their employees' student loan repayments. If enacted, this provision would help workers burdened with student loan debt to pay down those obligations while also starting to save for a secure retirement early in their careers.
- *Age 60 Catch-Up Contributions.* Edward Jones supports the Portman-Cardin provision that would permit workers who are age 60 and older to make additional contributions to employer-sponsored retirement arrangements. This provision would help workers to make up for contributions that they could not afford earlier in their careers due to competing financial priorities.
- *Increasing the Required Beginning Date.* Edward Jones supports the Portman-Cardin provision that would increase the required minimum distribution ("RMD") age from age 72 to age 75. Americans are living longer than they ever have before and should not be unnecessarily forced to distribute retirement savings before they have a financial need.

Support for Other Solutions That Would Improve Outcomes for Individual Investors and Small Business Employees. In addition to our support for Portman-Cardin, Edward Jones supports other legislative proposals that would make it easier for individual investors and small business employees to prepare for a financially secure retirement. Specifically, Edward Jones supports the bipartisan Securing a Strong Retirement Act of 2020, which was recently introduced on a bipartisan basis by House Ways and Means Committee Chairman Richard Neal (D–MA) and Ranking Member Kevin Brady (R–TX). In addition to containing many provisions that are also in Portman-Cardin, this bill includes other important proposals, including:

- *Incentives to Support the Creation of Small Employer Retirement Plans.* Edward Jones supports the provision that would provide small employers with a new tax credit based on the retirement contributions that they make on behalf of their employees.
- *Incentives to Support Retirement Benefits for Military Spouses.* Edward Jones supports the provision that would create new tax credits for small employers that provide accelerated eligibility and vesting rights for military spouses. This provision recognizes the unique challenges that military spouses face in saving for retirement as they move around the globe when their spouses are deployed. We also applaud Senators Collins and Hassan and Representatives Crow and Wenstrup for addressing this important issue in stand-alone legislation.

CONCLUSION

In closing, I would like to again thank Chairman Portman, Ranking Member Brown, and the rest of the subcommittee, on behalf of myself and Edward Jones, for holding this important hearing to discuss the actions that can be taken to make it easier for more Americans to enjoy a financially secure retirement. In pursuit of these goals, Edward Jones fully supports Portman-Cardin and other legislative proposals that strengthen the retirement savings system and help more Americans enjoy the dignified and secure retirement they have worked so hard to achieve.

PREPARED STATEMENT OF HON. SHERROD BROWN, A U.S. SENATOR FROM OHIO

Thank you, Senator Portman, for scheduling this hearing, and to our witnesses for participating today.

The focus of today's hearing is on retirement security, and we can't talk about that without acknowledging the looming crisis on the minds of millions of retired Americans and workers in Ohio and across the country. These workers and retirees in the multiemployer pension system are in danger of losing the retirement security they earned over a lifetime of work.

This crisis affects thousands of Ohioans. It affects the massive Central States Pension Plan, the Iron Workers Local 17 Pension Plan, the Ohio Southwest Carpenters Pension Plan, the Bakers and Confectioners Pension Plan, and so many others. And it touches every State in the country.

If the entire multiemployer system collapses, it won't just be retirees who will feel the pain. Current workers will be stuck paying into pensions they'll never receive. Small businesses will be left drowning in pension liability they can't afford to pay. Businesses that have been in the family for generations could face bankruptcy, and workers will lose their jobs.

These plans were already in danger before the pandemic, and now the economic emergency we're in has only put them in a worse position. They were hit by the financial crisis and the recession that followed, and now they're being hit again by an economic crisis that's disproportionately hurting small businesses and workers, while Wall Street recovers.

The House has done its part. They have passed a bipartisan solution. The Senate needs to do ours. A pensions solution should be part of the work we're doing on COVID relief. There's no reason we shouldn't be able to do this as part of a year-end deal.

I ask my colleagues to think about the workers whose lives and livelihoods will be devastated if we don't do our job. Those workers and retirees in Ohio and around the country have rallied in the name of Butch Lewis, a great Ohioan who helped lead this fight and passed away far too soon, fighting for his fellow workers.

His wife Rita has continued his fight and become a leader and inspiration to so many. Rita once told me that retirees and workers struggling with this crisis feel like they are invisible.

These Americans aren't invisible to me. And they aren't invisible to my colleagues who have worked with us for years now, trying to find a bipartisan solution. We aren't giving up on that.

Though the multiemployer system is the most urgent retirement matter, we also have a lot of work to do to protect and expand retirement security for *all* workers.

Over the past few decades, we've watch what happens when Wall Street runs the economy: corporate profits go up, CEO pay soars, and stock buybacks explode—but wages are flat, and the middle class shrinks. And as Americans' economic security has eroded, so have their retirement options. Too many workers have no retirement account through their employer.

Fundamentally, our tax system is set up to reward the already-wealthy with more wealth, instead of to help everyone save and invest for their futures. Forty percent of adults don't have $400 to weather a financial emergency, let alone save for retirement. Instead of focusing on those who already have plenty saved, we have to do more to help everyone else get started in the first place.

And we've had 4 years of an administration that made things worse, not better. In his first months in charge, President Trump, with help from the Republican-controlled Congress, made it harder for States to get auto-enrollment programs off the ground. President Trump and congressional Republicans' massive tax cut for the wealthy and corporations threatened deep cuts to Social Security and Medicare. Just yesterday, the Senate voted to confirm a Trump appointee to the Federal judiciary who has advocated for abolishing Social Security.

But this November, 80 million Americans decisively rejected that approach. People are tired of a system where Wall Street runs the show—they voted for a new President who has pledged to make government work for everyone else.

Next year we have a real opportunity to do something concrete for middle-class families and low-paid workers who need help saving. We know what some of these solutions are. We have to do more on auto-enrollment and on auto-escalation. The States that have introduced auto-enrollment plans, like Senator Wyden's State of Oregon, have seen real success in the early years. Auto-enrollment is a best practice in helping people save.

And we have to do more on portability so our retirement policies reflect the workforce we have today. Job flexibility shouldn't be a corporate PR term for having no economic security.

We have an opportunity to do big things for the American people. Fix the multiemployer pension crisis, instead of allowing it to grow. Protect and expand the Social Security benefits that people earn, instead of threatening so-called "entitlement cuts" in the name of new-found religion on the deficit. Build a defined contribution system that is inclusive, that is equitable, and that meets the needs of today's workforce—instead of relying on the status quo that works well for some but leaves too many behind.

I know many of my colleagues have ideas in this area, and I look forward to working with all of you next Congress on an effort that builds on the success of the SECURE Act to deliver results for the people we serve.

Thanks again to Senator Portman for scheduling this hearing. I turn it back to you.

PREPARED STATEMENT OF MICHAEL P. KREPS,
PRINCIPAL, GROOM LAW GROUP

Good morning. I want to thank Chairman Portman and Ranking Member Brown for inviting me to testify today and for their dedication to improving retirement security for all Americans. The topic of this hearing is critically important. I think we can all agree that, after a lifetime of hard work, everyone deserves the opportunity to live out their golden years with dignity and financial independence.

In 1935—at another time of great national hardship—President Roosevelt and Congress enacted the Social Security Act (Pub. L. 74–271) to "give some measure of protection to the average citizen and to his family against . . . poverty-ridden old age."[1] It has been 85 years, and Social Security is still the bedrock of our retirement system. It is the most effective anti-poverty program in the United States, having kept 21.7 million Americans above the poverty line in 2019.[2] In fact, without Social Security, 37.8 percent of elderly Americans would have incomes below the poverty line, all else being equal.[3]

But Social Security benefits, on their own, are not enough to allow most older Americans to maintain their standard of living when they retire—whether retirement is a choice or, as is the case for many Americans, a person cannot work any longer. That is why we need a robust, equitable, and inclusive private retirement system.

Over the years, our private retirement system has evolved, and there have been many important improvements. More people are participating in 401(k) plans thanks to the Pension Protection Act of 2006 (Pub. L. 109–280) and the proliferation of auto-enrollment; plans are more transparent than ever before because of improved fee disclosure; and the SECURE Act of 2019 (Pub. L. 116–94) gave employers more tools to help participants protect themselves from the risk of outliving their savings. Although the system is working well for many people, there is still more work to be done for those falling through the cracks.

Many working people still do not have access to, or participate in, an employer provided plan.[4] That is particularly true for private-sector employees who are

---

[1] President Franklin D. Roosevelt, *Statement on Signing the Social Security Act* (August 14, 1935), *available at http://docs.fdrlibrary.marist.edu/odssast.html. See also,* The Social Security Act, Preamble (Pub. L. 74–271) (stating that the purpose of the act was to "provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.").

[2] *See, e.g.,* Kathleen Romig, *Social Security Lifts More Americans Above Poverty Than Any Other Program,* Center for Budget and Policy Priorities (February 20, 2020), *available at https://www.cbpp.org/research/social-security/social-security-lifts-more-americans-above-poverty-than-any-other-program*.

[3] *Id.*

[4] The Congressional Research Service ("CRS") determined approximately 55 percent of all U.S. workers participate in employer-sponsored retirement plans. CRS, *Workers Participation in Employer-sponsored Pensions: Data in Brief,* R43439 (updated December 1, 2019), *available at https://crsreports.congress.gov/product/pdf/R/R43439. See also* The Pew Charitable Trusts, *Employer-Sponsored Retirement Plan Access, Uptake, and Savings* (September 2016), *available at http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/09/employer-sponsored-retirement-plan-access-uptake-and-savings*.

younger, part time, in lower wage occupations, and/or not a member of a union.[5] There is nothing stopping us from taking affirmative steps to reach this uncovered workforce and give them the opportunity to prepare for retirement.

Several States—including California, Illinois, and Oregon—are already trying to address the problem through State-based programs to provide for universal or near-universal access to payroll deduction savings programs.[6] Similarly, Washington State—working with the Service Employees International Union Local 775—established a savings plan specifically to help homecare workers—most of whom earn very little despite providing critical care to our sick, disabled, and elderly family members. And there are efforts at both the State and Federal levels to encourage the expansion of automatic enrollment, including for public employees.[7]

We cannot forget that millions of working people struggle to pay their bills, let alone save for retirement. Congress took an important step to address the issue in 2001 by creating the Retirement Savings Contribution Credit—known as the Saver's Credit—to provide a nonrefundable tax credit to low-income taxpayers for certain retirement plan contributions.[8] But the Saver's Credit does not reach nearly enough people because many lower income workers do not have taxable income.[9] We can fix that by making the credit refundable and having it deposited directly into a savings plan. That approach has bipartisan support, and I commend the chairman, ranking member, committee chairman Wyden, and Senator Cardin for their leadership on this issue.[10]

We should also plug some of the holes that drain people's savings. At least 33 percent and as many as 47 percent of plan participants withdraw part or all of their retirement plan assets following a job change.[11] The lost savings due to these cash-outs amounts to between $60 billion and $105 billion annually.[12] Fortunately, the development of auto portability will help preserve savings for many job-changers—particularly lower-income earners—by allowing a person's account to automatically follow them from one employer's plan to the next. Thanks to guidance from the Department of Labor and strong, bipartisan support from members of Congress, including many members of this subcommittee, auto-portability will be a reality for millions of plan participants early next year.[13]

There is no shortage of proposals with significant bipartisan support that could improve the retirement system. For example, Chairman Portman and Senator Cardin introduced the Retirement Security and Savings Act, and in in the U.S. House of Representatives, Ways and Means Committee Chairman Neal and Ranking Member Brady recently introduced the Securing a Strong Retirement Act of 2020.[14] Chairman Portman and Ranking Member Brown have also been long-time supporters of employee stock ownership plans because of the meaningful impact employee ownership can have on retirement savers across the country.[15] And of course, the most important thing we can do to help people save for retirement is to put

---

[5] CRS, *supra* 4.

[6] Up-to-date information about State-based efforts to improve retirement security is available from the Georgetown Center on Retirement Initiatives at *http://cri.georgetown.edu*. For policy considerations and recommendations, *see* the Center's *2018 Policy Innovation Forum Report: Driving Change to Improve Retirement Outcomes, available at https://cri.georgetown.edu/wp-content/uploads/2019/02/CRI-Policy-Forum-Report-2-28-19.pdf*.

[7] *See, e.g., Securing a Strong Retirement Act of 2020* § 101 (H.R. 8696, 116th Cong.); Internal Revenue Service Priv. Ltr. R. 201743002 (July, 19, 2017).

[8] Internal Revenue Code § 25B.

[9] In 2016, only 5.6 percent of taxpayers claimed the Saver's Credit, and the average credit amount claimed was $182. Congressional Research Service, *The Retirement Savings Contribution Credit* (April 2, 2019), *available at https://fas.org/sgp/crs/misc/IF11159.pdf*.

[10] *Retirement Security and Savings Act* § 104 (S. 1431, 116th Cong.); *Encouraging Americans to Save Act* (S. 3636, 115th Cong.). *See also Securing a Strong Retirement Act of 2020* § 103 (raising the amount of the credit and creating a single credit rate).

[11] Savings Preservation Working Group, *Cashing Out: Impact of Withdrawing Savings Before Retirement* (October 2019), *available at http://preservingsavings.org*.

[12] *Id.*

[13] Pensions and Investments, *Alight to Offer Auto-portability Program to DC Plan Sponsors* (July 15, 2020), *available at http://pionline.com/defined-contribution/alight-offer-auto-portability-program-dc-plan-sponsors. See also* DOL Advisory Opinion 2018–01 (November 5, 2018); DOL Prohibited Transaction Exemption 2019–02, 84 Fed. Reg. 37337 (July 19, 2019).

[14] S. 1431 (116th Cong.); H.R. 8696 (116th Cong.).

[15] *See, e.g., Promotion and Expansion of Private Employee Ownership Act* (S. 177 and H.R. 2258, 116th Cong.). *See also* Jared Bernstein, *Employee Ownership, ESOPs, Wealth, and Wages* (January 2016, *available at http://esca.us/wp-content/uploads/2016/01/ESOP-Study-Final.pdf*.

more money in their pockets through Federal policies that lead to sustained wage growth, greater economic equality, and shared prosperity.

Finally—and most importantly—we cannot ignore the fact that we are on the brink of over a million Americans losing their hard-earned pension benefits. Most multiemployer pension plans are secure, but some plans—including some very large plans—will become insolvent in the next few years.[16] The Federal pension insurance program administered by the Pension Benefit Guaranty Corporation ("PBGC") only guarantees a fraction of many multiemployer pension plan participants' benefits.[17] Worse yet, PBGC projects that its multiemployer insurance program will be insolvent in 2026.[18] When that happens, PBGC will only be able to pay pennies on the dollar, meaning participants and retirees in insolvent plans will see their benefits slashed to the bone.

It is not these participants' fault that their plans are failing. They worked hard, played by the rules, and made significant wage concessions all so that they could have some measure of economic security in retirement. They did everything they could to achieve the American dream, but they are living a nightmare. Unless Congress acts soon, retirees, their families, and their communities will be devastated.

Consider Pat and her husband in New York State. They refinanced their mortgage to pay for their children to go to college, and now, they are terrified that they will lose their house when their pension gets cut. Or Christopher from Buffalo, who cannot work because of debilitating back and shoulder problems caused by decades of manual labor but does not qualify for Social Security Disability Insurance. Or Larry from Michigan, who drove a truck for 40 years when he was diagnosed with cancer and is now relying on his pension to make ends meet.[19] These are not isolated examples. There are over a million real people just like Pat, Christopher, and Larry.

The crisis is upon us, and only Congress has the power to do something about it. We are the richest country in the history of the world, and we owe it to our fellow Americans to find a solution. That is going to require putting aside politics and ideology and doing what is right for retirees. There is simply no time left to lose as, every day that ticks by, the problem becomes more intractable and more costly to fix. I urge the members of this Subcommittee and every member of Congress to act as soon possible to address the crisis.

Thank you for your time today, your attention to these important issues, and for your commitment to making retirement more secure for all Americans. I would be happy to answer any questions you may have.

Prepared Statement of Joshua Luskin, President, National Association of Government Defined Contribution Administrators

The National Association of Government Defined Contribution Administrators ("NAGDCA") thanks Chairman Portman and Ranking Member Brown and the members of the Subcommittee on Social Security, Pensions, and Family Policy for holding this hearing. We also thank Chairman Grassley and Ranking Member Wyden and the members of the full Finance committee for their ongoing commitment to improving America's retirement system.

NAGDCA is grateful for the opportunity to testify today in support of bipartisan proposals to improve the public-sector retirement system and retirement outcomes for the approximately 16 million teachers, first responders, public health workers, and other public servants employed by America's State and local governments.

---

[16] Of the approximately 1,400 multiemployer pension plans, 124 are in critical and declining status and projected to become insolvent. PBGC, *FY19 Projections Report* (2020), *available at https://www.pbgc.gov/sites/default/files/fy-2019-projections-report.pdf*.

[17] PBGC guaranteed benefits are set by statute. The guarantees for multiemployer pension plans are not adjusted for inflation, and the amount has not increased since it was last adjusted in 2000. *See* ERISA §§ 4022A, 4022B. The current maximum guaranteed benefit for a multiemployer plan participant with 30 years of service is $12,870 per year. *Id.*

[18] PBGC, *supra* 16.

[19] These personal accounts were collected by the Pension Rights Center. Pension Rights Center, *Story Bank* (accessed on December 9, 2019), *available at http://www.pensionrights.org/create-content/action/story-bank*.

ABOUT NAGDCA

Founded in 1980, NAGDCA is the premier professional organization of public employer-sponsored deferred compensation and defined contribution plan administrators. NAGDCA's mission is to support plan sponsors and service providers of government-sponsored deferred compensation and defined contribution retirement plans in creating successful retirement security outcomes for their plan participants.

NAGDCA governmental members oversee plans for participants from 49 State and territorial government entities and 132 local government entities, including counties, cities, public safety agencies, school districts, and utilities. NAGDCA's members administer governmental deferred compensation and defined contribution plans, including section 457(b), 401(k), 401(a), and 403(b) plans which provide for employee and employer contributions.

The association provides a forum for working together to improve DC plan operations and outcomes by sharing information on investments, marketing, administration, and the Federal laws and regulations governing DC plans.

NAGDCA is also the sole sponsor of National Retirement Security Month, an annual national campaign to improve retirement security. On October 1st, the U.S. Senate recognized the goals and ideals of National Retirement Security Month, unanimously approving S. Res. 743, led by Senator Enzi and Senator Cardin, and cosponsored by fellow Finance committee members, Senators Young and Hassan.

PROPOSALS TO IMPROVE DC PLAN OUTCOMES AND ADMINISTRATION

Congress has taken major strides to improve the retirement system, including passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act (Pub. L. 116–94) at the end of last year. Not coincidentally, the SECURE Act built on, and incorporated, significant provisions from the Finance committee's bipartisan work on the Retirement Enhancement and Savings Act (RESA) in the 115th and 116th Congresses. While this landmark legislation is beginning to bear fruit, we believe that there is more that Congress can and should do to build on these great accomplishments. Far too many Americans do not have access to a retirement plan and among those who do, too many have not saved enough to enjoy a financially secure retirement.

To that end, NAGDCA strongly endorses the following six targeted proposals and urges that the Finance committee include them in a new bipartisan package of retirement legislation that Congress can advance as soon as possible. All six provisions have already been incorporated in the Retirement Security and Savings Act, introduced by Chairman Portman and Senator Cardin ("Portman-Cardin"). We thank both Senators for their decades of leadership in the retirement space and for their support for these sensible improvements to the system.

1. Expand 403(b) plan funding vehicle options to include collective investment trusts.
2. Permit non-spousal beneficiaries to roll inherited IRA assets into DC Plans.
3. Eliminate the 457(b) "first day of the month" requirement.
4. Allow participants with Roth accounts in DC plans to roll Roth IRA assets into these plans.
5. Exempt Roth contributions in DC plans from required minimum distribution rules.
6. Permit DC plan participants to make qualified charitable distributions.

As a membership organization for public sector plan administrators, NAGDCA's policy development process is member-driven. Past and present legislative committee members, executive board members, and representatives of our industry partners have volunteered countless hours because they are passionate about improving the ability of people to reach their own retirement goals. Each of these member-generated proposals has been evaluated and endorsed as enabling plan participants to increase their savings and plan sponsors to administer their plans more efficiently.

EXPAND 403(B) PLAN FUNDING VEHICLE OPTIONS TO INCLUDE COLLECTIVE INVESTMENT TRUSTS

First, NAGDCA supports expanding the funding vehicle options for 403(b) plans to include collective investment trusts ("CITs"). CITs are common investment choices in 401(a), 401(k) and 457(b) governmental DC plans. However, with only limited exceptions, IRC section 403(b) limits funding arrangements to annuity contracts issued by an insurance company and custodial accounts invested solely in mutual funds. Therefore, participants in 403(b) plans are not able to take advantage of these options, potentially costing them thousands of dollars in retirement as a result of higher investment expenses or reduced returns from not having available the same breadth of investment structures as have long been available to other types of governmental DC plans. In a May 2020 viewpoint entitled *Improving Investment Outcomes for 403(b) Plan Participants,* Blackrock analysts estimated that the lower fees could result in more than $100,000,000 in aggregate savings per year for 403(b) plan participants, which could translate into ". . . thousands of dollars in increased savings for an individual 403(b) plan participant invested in a CIT over the course of his or her career."

Plan sponsors would benefit from the use of CITs by having increased flexibility to build more robust investment lineups, at lower costs, often with improved speed to market and other efficiencies. In addition, CITs would support increased customization of asset allocations and glidepaths for 403(b) plans. Amending IRC section 403(b) to include these additional investment vehicles has the potential to reduce costs, increase retirement security, and improve the overall experience of plan members and sponsors. Finally, improved 403(b) plans can help plan sponsors better recruit and retain top talent.

Section 117 of Portman-Cardin would amend IRC section 403(b) to permit CITs as investment vehicles for all types of 403(b) plans. Corresponding changes would also be made to the Investment Company Act of 1940, the Securities Act of 1933, and the Securities Exchange Act of 1934.

PERMIT NON-SPOUSAL BENEFICIARIES TO ROLL INHERITED IRA ASSETS INTO DC PLANS

Second, NAGDCA proposes permitting non-spousal beneficiaries to roll inherited IRA assets to their 457(b), 401(k), 401(a) or 403(b) plans. Lower expenses and coordination of retirement plans are two important ways to improve retirement outcomes. In the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Pension Protection Act of 2006, Congress acknowledged that coordination of retirement plans is valuable to those with multiple retirement savings accounts. Allowing non-spousal beneficiaries to roll inherited IRA assets to their employer-sponsored plan would be beneficial to those plan participants as employer-sponsored governmental DC plans generally have lower fees and administrative costs than other retirement savings plans. In addition, allowing IRA rollovers to employer sponsored governmental DC plans would help participants achieve consolidation, enhanced portability, and administrative simplicity.

Section 304 of Portman-Cardin would amend IRC section 408(d)(3)(C) to permit non-spousal beneficiaries to roll IRA assets to their 457(b), 401(k), 401(a) and 403(b) governmental DC plans.

ELIMINATE THE 457(B) "FIRST DAY OF THE MONTH" REQUIREMENT

Third, NAGDCA proposes eliminating the "first day of the month" requirement in 457(b) plans. IRC section 457(b) provides that a plan participant's deferral changes must be made prior to the first day of the month in which the change is to commence. This provision was enacted as an administrative convenience prior to the advent of modern record-keeping technology. Now it is an administrative inconvenience to delay requested changes and is an unnecessary impediment to participants' ability to manage their retirement assets. This restriction is not imposed on other retirement savings plans and should no longer apply to 457(b) plans.

Section 305 of Portman-Cardin would amend IRC section 457(b) to repeal the requirement that deferral changes be made prior to the first day of the month in which the change is to commence. The proposed language would permit governmental 457(b) plans to allow deferrals changes up to a date prior to which the compensation is otherwise available.

ALLOW PARTICIPANTS WITH ROTH ACCOUNTS IN DC PLANS TO ROLL ROTH IRA ASSETS INTO THESE PLANS

Fourth, NAGDCA supports allowing participants with Roth accounts in 457(b), 401(k) and 403(b) plans to roll Roth IRA assets into these plans. As noted above, lower plan expenses and better coordination of retirement savings are two important ways to improve retirement outcomes, as has been acknowledged by Congress.

Rolling Roth IRA assets to an employer-sponsored plan would be beneficial to those plan participants who are making Roth contributions to these plans as employer sponsored plans generally have lower fees and administrative costs than other retirement savings plans. In addition, allowing Roth IRA rollovers to Roth accounts in employer-sponsored governmental DC plans would help participants achieve consolidation, enhanced portability, and administrative simplicity.

If permitted by the respective plan, plan participants may make Roth contributions to a governmental DC plan, but such plans are not permitted to accept rollovers of Roth IRA assets. Section 504 of Portman-Cardin would amend the IRC to allow 457(b), 401(k) and 403(b) plans with Roth contributions to accept participant rollovers from Roth IRAs into these plans.

EXEMPT ROTH CONTRIBUTIONS IN DC PLANS FROM REQUIRED MINIMUM DISTRIBUTION RULES

Fifth, NAGDCA supports exempting designated Roth contributions in DC Plans from required minimum distribution ("RMD") rules, as Roth IRA assets are presently exempt. The disparate treatment between Roth IRA assets and Roth assets in 457(b), 401(k) and 403(b) plans create an incentive for plan participants to roll their Roth assets to a Roth IRA in order to avoid the RMD rules. It would be beneficial for participants to maintain Roth assets in their employer-sponsored governmental DC plans because these plans generally offer lower administrative costs and fees than retail market IRAs. The change should be revenue-neutral.

Roth contributions in 457(b), 401(k) and 403(b) governmental DC plans are subject to required minimum distribution (RMD) rules and must be included when calculating the amount of a participant's RMD. Section 501 of Portman-Cardin would amend the IRC to exclude any designated Roth account in 457(b), 401(k) and 403(b) plans from RMD requirements.

PERMIT DC PLAN PARTICIPANTS TO MAKE QUALIFIED CHARITABLE DISTRIBUTIONS

Finally, NAGDCA supports enhanced distribution choice, specifically the proposal to permit 457(b), 401(a), 401(k) and 403(b) plan participants to make qualified charitable distributions ("QCDs"). IRC section 408(d)(8) permits QCDs from traditional IRA or Roth IRA accounts of up to $100,000 to be excluded from gross income each year. The taxpayer's RMD, made on or after the taxpayer has attained age 72, or any portion thereof, may be considered a QCD and, therefore, is distributed tax-free directly to the qualifying organization. This same tax break is not available for RMDs from qualified plans, 403(b) or governmental 457(b) plans.

Under current law, in order to take full advantage of a QCD as an RMD, a governmental DC plan participant would have to roll plan assets to an IRA prior to the participant attaining age 72 (RMDs, which begin at age 72, are not eligible rollover distributions). If participants were eligible to make QCDs from their 457(b), 401(a), 401(k) and 403(b) governmental DC plans, this rollover step would not be required, and participants' funds could remain in their governmental DC plans until such participants choose to make QCDs.

Provisions of the Tax Cuts and Jobs Act of 2017, effective in 2018, make this issue more relevant. Making QCDs from an IRA allows the taxpayer to donate RMDs tax free even if claiming the standard deduction ($26,500 standard deduction for married couples), rather than itemizing deductions. Many more taxpayers are expected to use this increased standard deduction.

Thus, allowing governmental DC plans to have this added benefit could further incent participation and retention in governmental DC plans.

Section 502 of Portman-Cardin would amend the IRC to permit QCDs from 457(b), 401(a), 401(k) and 403(b) plans of up to $100,000 to be excluded from gross income each year, just as QCDs are permitted from traditional IRAs.

CONCLUSION

Once again, I thank the subcommittee for inviting me to testify on behalf of NAGDCA. It is an honor to work with you to advance targeted improvements to the retirement system which we believe will benefit many people by helping them to be ready for a financially secure retirement. Beyond the individual, the benefits of more people enjoying improved retirement security extend to the community as a whole, leading to increased community well-being and reduced stress on social safety net systems. We look forward to continuing to work with the committee, with your counterparts in the House, with our industry partners and with other stakeholders to move a bipartisan retirement legislative package in the 117th Congress.

QUESTION SUBMITTED FOR THE RECORD TO JOSHUA LUSKIN

QUESTION SUBMITTED BY HON. CHUCK GRASSLEY

Question. The SECURE Act improved the rules governing multiple employer plans, known as MEPs. I have heard that allowing 403(b) plans to participate in MEPs could be beneficial. Do you agree? If not, why not?

Answer. Yes, it would be beneficial to allow 403(b) plans to participate in MEPs. Given the important differences between 401(k) plans and 403(b) plans, increasing coverage and participation using both types of plans is an important, common goal. Further, expanding MEP availability in 403(b) plans can help facilitate efficiencies that allow governmental 403(b) sponsors to provide valuable benefits to their employees while minimizing their administrative burdens. Some of these benefits of expanding MEP availability will be aligned with the current focus on fee compression on investments and the potential reduction of administrative costs/liability we have seen quite extensively discussed in the retirement environment, this change is aligned with the direction retirement industry and plan sponsors have been going for the last decade or so. The broader potential long term benefits of 403(b)s gaining access to MEPS will be participants retiring with larger balances that eventually help with replacement income for retirees. Due to the nature of spending of retirees, additional replacement income spent in communities will provide additional benefits for local economies, the local tax base, potentially reduce the dependency on government assistance to name a few. All different environments will benefit from this but government jobs tend to be better paying jobs in rural communities and this potentially will help support those communities that have been hit hard recently.

PREPARED STATEMENT OF HON. ROB PORTMAN,
A U.S. SENATOR FROM OHIO

The hearing will come to order. I want to first thank all of the witnesses for being here to give us their expertise and counsel on such an important topic—especially as we work remotely during these challenging times for our country. I also want to give a special thanks to Senator Brown and his staff for working together with us to plan this hearing.

As some of you know, I have been looking forward to this hearing for a long time. I appreciate the Finance Committee allowing us to move forward with it now. We've got some great witnesses, and I'm sorry we have to be remote, because I'd love to be in person talking to you, but I think this is best, given where we are with the COVID–19 challenge. And we've had plenty of opportunities to speak and will continue to, but this, I think, is really exciting because retirement security, to me, is not only just critically important for all Americans—and frankly savings has taken a hit, as you know, during the coronavirus—but also, this is an opportunity for bipartisan work, and I think we'll hear about this later from Senator Brown, Senator Cardin, and others.

But regardless who gets the majority in the Senate come January, this is an area where I think we have the potential to make some real progress, because I think it has been, and will be, bipartisan. And when you look at the support it has among the American people, it is really impressive. I mean, everybody talks about who supports what in terms of tax policy, but I can tell you, the idea of being able to save more for your own retirement is just broadly popular, so this is an opportunity for us.

I have worked a lot with Senator Cardin, over the years, on these issues. I notice he is in the hearing—well, he is in his office, so I wouldn't say he is in the hearing—but he is joining us remotely. And you know, we've done some good things, helped people save more for retirement, and it has improved retirement savings considerably.

Last year, we introduced the latest iteration of Portman-Cardin, and that's called the Retirement Security and Savings Act, which has had some broad support, bicameral and bipartisan. In fact, 27 of the Portman-Cardin provisions were included in this new SECURE 2.0 legislation introduced by the Ways and Means chairman, a Democrat, Richie Neal, and the Ranking Member Kevin Brady on the House side. If that's not bipartisan, I don't know what is. So, the two of them coming together, I think is terrific, and there are some provisions in ours they do not include, and there are some in theirs we do not include, but I think that, in my view, is an opportunity when you have so much common ground between the two proposals. So I think it's a really good starting point, and again it gives us a real opportunity to get something done.

A lot of our other colleagues have worked on this issue. Sherrod Brown has worked on it on a bipartisan basis. Senator Daines and Senator Warren have a retirement lost and found bill that I think is interesting. Senator Collins and Senator Hassan have their assistance to military spouses, which I like. So I think there are a lot of opportunities for members of the committee, and even outside of the committee, to come together on something here.

The one that Ben Cardin and I have introduced recently focuses on what I think are the four big problems that can be identified and addressed through legislation. One is to help lower-income and part-time workers. And this is an obvious issue when you know you only have 20-some percent of people who are part-time and low-income saving now. So when people are living paycheck to paycheck, it's tough to set money aside, and so we help in that regard in a number of ways.

Second, it focuses on small businesses. Why? Because that is where the opportunity is. Less than half of workers employed by small businesses have access to an employer-sponsored plan. Think about that. That's compared to 88 percent of workers employed by large businesses. So it's small businesses—that's where we really need to target and focus to expand coverage for so many working Americans. And Eric talked about his restaurant business. A lot of them are small businesses like that, that just can't afford to put together a plan, so we help them in that regard. And they're also concerned about the complexity of it.

Third, we've got an issue with the baby boomers. A few of us on this call would fit into that category. And we just aren't saving enough as a generation, and haven't been. And therefore, we do some things to help encourage people who are getting ready for retirement, near retirement, to save more. And then finally, as folks are living longer, retirees, even those who have accumulated some savings, are finding that they are outliving those savings. Living longer is good news. Longer, healthier lives are great, but they are tough on our bank accounts, especially when current laws force Americans to start depleting and taxing their retirement savings accounts at age 72. That's an issue too, and you know that long-term savings piece, how do you ensure that nest egg is adequate for people living longer and healthier lives, is a key issue.

So, we've made progress on some of these issues, but the lack of sufficient retirement savings remains an urgent problem for our country, and it's an opportunity, again, for us. In 2020, we've moved this legislation to this point; now, in 2021, we've got to get it across the finish line. Unfortunately, the pandemic, as we talked about, has just exacerbated the need to improve savings. We may not be seeing a V-shaped economic recovery in this pandemic. I think we're going to see more, as we have so far, a K-shaped recovery. And it's K in terms of savings, meaning it's not just going down like it normally would in a recession and then back up the same way. You have some people who are doing well and others who are not. And many of these who are not are some of these middle- and low-income part-time workers we talked about. That's why we allow those workers to have more opportunities, through both expanding savings plans for them, but also allowing part-time folks to be able to access plans more easily, lowering the number of hours someone works where they qualify, in particular, in a retirement plan.

We also make the Saver's Credit refundable, which is not without controversy, I understand that. And some of my Republican colleagues have concerns there, and we can talk later about why I think that's important as part of an overall balanced plan. We also have a provision that allows recent graduates to receive matching retirement contributions from their employers as they pay off student loans. This is a good connection between an obvious problem out there with student loan debt and retirement, so it's a way to approach both.

Our second set of solutions on small business I talked about makes it easier to establish plans. We increase the tax credit. We have a lot of companies that want to adopt auto-enrollment and encourage their employees to save more for retirement. But that can be expensive, so it does enhance the start-up credit for small businesses. It makes offering auto-enrollment features much more cost effective for employers. We like auto-enrollment. We make it more cost-effective.

For those near retirement, whom we talked about, we want to be sure that those who are saving money have the opportunity to be able to spread that out over time. So that's part of what we do here through QLACs and also changing the minimum required distribution laws to take you up to 75. By the way, before the pandemic, 9.7 percent of Americans 75 and older were working. It's, I'm sure, more than that now, but that's up from just 7.5 percent 10 years ago. So again, we have more and more Americans, again, working into their 70s. That's just the reality.

Like all good legislation, we have taken ideas from Senators from both parties, and we know there's more to do and more to improve it. I think we can learn about that today in this hearing, because we have some great witnesses and great colleagues who are on the dais. So with that, let me recognize my colleague, and my friend and fellow Ohioan, Ranking Member Sherrod Brown, for his opening statement.

PREPARED STATEMENT OF ERIC STEVENSON, PRESIDENT, RETIREMENT PLANS, NATIONWIDE

Good morning. I would like to thank Chairman Portman, Ranking Member Brown, and all members of the Senate Finance Committee's Subcommittee on Social Security, Pensions, and Family Policy for holding this hearing on American retirement income, and for the invitation to testify.

My name is Eric Stevenson. As president of Nationwide's retirement plans business, I am currently managing the team responsible for Nationwide's retirement plans operation that protects roughly $156 billion in participant assets for over 2.5 million participants. I am passionate about fostering a culture that embraces collaboration to bring value to Nationwide's customers that meets and exceeds the unique retirement readiness needs of plan sponsors and participants. I have nearly 16 years of experience in the industry, starting at Nationwide in 2007 as vice president of marketing, then leading sales and distribution for Nationwide's retirement plans business and now serving as the business president since July 2019. I earned my bachelor's of business administration in finance from the University of Oklahoma and my master's of business administration degree from Northwestern University Kellogg Graduate School of Management. I am also dedicated to public service, serving in a 7-year term confirmed by the Oklahoma Senate for the OU board of regents.

Nationwide, a Fortune 100 company based in Columbus, OH, is one of the largest and strongest diversified insurance and financial services organizations in the United States. Nationwide is rated A+ by both A.M. Best and Standard and Poor's. An industry leader in driving customer-focused innovation, Nationwide provides a full range of insurance and financial services products including auto, business, homeowners, farm and life insurance; public and private sector retirement plans, annuities and mutual funds; excess and surplus, specialty and surety; pet, motorcycle, and boat insurance.

In 1973, Nationwide Retirement Solutions, Inc. was founded to focus on the needs of governmental employees, and we have been a major innovator in this market ever since. As one of the first companies to focus on public-sector 457 plan workers, Nationwide has over 47 years of experience. Today, Nationwide is the largest retirement plan provider serving the public sector with over 7,700 government-sector retirement plans, ranging from smaller county and city plans to mega-size State plans. In addition to the public sector, Nationwide also administers retirement plans in the private sector defined contribution and not-for-profit marketplace.

Protecting roughly $156 billion in participant assets, Nationwide is the 9th largest provider of retirement plans in the U.S. by number of plans administered (about 26,000) and 12th by number of participants, with about 2.58 million. We are the top provider of governmental retirement plans (457 plans) by number of plans and focus on meeting the needs of smaller plans—managing 24,600 plans with less than $10 million in assets (~21 percent of the assets, 34 percent of the plan participants). We also manage some very large plans, including 124 plans with more than $100 million in assets (~60 percent of the assets, 50 percent of the plan participants).

Nationwide greatly appreciates the efforts of the Subcommittee on Social Security, Pensions, and Family Policy and the full Finance Committee to continually improve our Nation's retirement system in a bipartisan manner. We commend Chairman Grassley, Ranking Member Wyden, Chairman Portman, Ranking Member Brown, Senator Cardin, and all members of the committee for their leadership in this regard. Nationwide is glad to be here today in strong support of S. 1431, the Retirement Security and Savings Act, introduced by Chairman Portman and Senator Cardin, which we are confident would help usher in a new era of enhanced retirement security.

The impact of COVID–19 on Americans' health and finances has highlighted several critical needs and challenges affecting workers. Specifically at Nationwide, we've seen the impact of COVID–19 related to the CARES Act provisions passed in March. Since that time, Coronavirus-Related Distributions (CRDs) are close to 20 percent of total withdrawals across our retirement plans, distributing $885M in total withdrawals. Even though the Retirement Security and Savings Act was introduced long before any of us encountered the term "COVID–19," the bill's provisions will help us meet the challenge of both restoring pre-COVID–19 retirement security and enhancing it.

JOURNEY TO FINANCIAL WELLNESS

At Nationwide, we aim to support Americans throughout their entire financial wellness journey. We find it helpful to think about this journey in three key phases:

- Beginning Planning;
- Saving for Retirement; and
- Living in Retirement

The Finance Committee's ongoing work to improve our retirement system has benefited all three phases of American workers' journeys to financial wellness. Building on the recent success of the SECURE Act, Nationwide strongly supports the additional improvements Portman-Cardin will make to Americans' financial wellness. In particular, Nationwide believes the six key proposals highlighted below are critical to supporting workers in their financial wellness journey to a secure retirement.

PHASE 1: BEGINNING PLANNING

The Beginning Planning stage of the financial wellness journey requires that workers have both an opportunity to save for retirement and the financial means to fund that savings opportunity. According to the Bureau of Labor Statistics, 71 percent of all workers and 67 percent of private industry workers are provided with an opportunity to save through an employer-sponsored retirement plan. Plan Sponsor Council of America estimates an average participation rate of 85 percent. Still, too many workers remain uncovered by a retirement plan. Congress took significant steps to address this concern last year by passing the SECURE Act, which included provisions to expand worker access to retirement plans. One of those provisions created a new type of multiple-employer plan ("MEP") called a "pooled employer plan," which is intended to make plan sponsorship more attractive and attainable to small and mid-sized employers and will first be available to employers in 2021.

But simply having an opportunity to save for retirement is not enough. Workers must also be able to afford to take advantage of that opportunity without jeopardizing other critical aspects of financial security. Here, Nationwide believes that the retirement system could be leveraged to help workers meet their short-term financial needs, like paying down student debt, while also increasing workers' ability to make greater and more consistent progress toward their retirement savings goals.

Student Loan Debt

As the number of individuals with burdensome student loan debt grows, fewer workers can afford to make contributions to an employer-sponsored retirement plan, particularly in the early years of their careers. In 2018, Nationwide conducted a study looking at the impact of beginning retirement saving earlier in one's career. On average, employees start saving for retirement at age 31.5. If those employees consistently save until they reach Social Security's normal retirement age, they'd have about 35 years of asset accumulation and potential investment earnings at retirement. However, if they started saving for retirement 8 years sooner, they could have significantly more available for retirement income. If you take a specific example where an employee is paid twice a month and contributes $50 per pay period to an account that earns 6 percent annualized return on investment and the employee starts at age 23, they'd have $88,572 more than if they started at age 31. At $100 per pay period, the difference would be $177,143.60.

At Nationwide, we understand the significant strain that student debt is placing on many workers. The student loan debt statistics are jarring. In the last 3 decades, the cost of a bachelor's degree has increased by 1,120 percent. In less than 30 years, the amount of student debt has tripled. Sixty-two percent owe more in debt than they have in personal savings (source: Commonbond). But this is not just a challenge faced by 20-somethings. Student loan debt is increasingly affecting workers well into their 30s, 40s, and beyond, as some individuals struggle for decades to repay six-figure loans and others return to school mid-career. According to the Employee Benefits Research Institute 2020 Retirement Confidence survey, 7 out of 10 workers report having some kind of non-mortgage debt and say it has impacted their ability to save for retirement or emergencies. Roughly half say their ability to participate in workplace retirement savings plans has been impacted. Also, 1 in 5 workers has student loan debt for themselves, a child, or grandchild, and 9 in 10 of all workers think it would be a good idea if employers offered matching contributions to retirement plans in exchange for workers making student loan payments.

Although the retirement industry can't solve the broader societal challenges created by student loan debt, we do believe that the existing retirement system can be utilized to alleviate some of the immediate pressure and long-term financial impact on workers. As such, we support the provision in Ranking Member Wyden's bill and in Portman-Cardin that would permit employers to make matching contributions to a 401(k) or similar plan on behalf of a participant based on payments the participant makes toward a student loan if certain requirements are met. This provision would help workers who otherwise could not afford to make elective contributions to the plan still take advantage of the employer match and thus begin (or continue) accumulating money for their retirement.

In recent years, we have increasingly seen employers take a greater interest in providing for the overall financial health of their employees. At Nationwide, we believe that the student loan employer match provision will become a popular employer-provided benefit, as it would help employers both respond to workers' concerns over student debt burdens and help ensure a better retirement savings outcome for workers struggling with student debt payments.

PHASE 2: SAVING FOR RETIREMENT

The Saving for Retirement phase of the financial wellness journey emphasizes taking advantage of tax-deferred savings opportunities to the extent possible for an individual and ensuring that any amounts saved are invested efficiently, such as through the avoidance of excessive fees. Every dollar saved must be maximized to give workers the best chance at reaching their retirement savings goals. Here, it is not only important that individuals save as much as possible, but also that plan sponsors and financial professionals provide appropriate products and solutions that put those savings to work for the benefit of the saver.

Increasing Catch-up Contributions

Americans are living longer than ever before, which means workers need to accumulate even more savings in order to have a financially secure retirement. At the same time, many workers in the beginning and middle of their careers face competing financial needs—such as student loan and car payments, home purchases, and the cost of raising a family—that leave workers unable to contribute to a plan the maximum amount allowed each year under the Internal Revenue Code. To put into perspective, roughly 75 percent of full-time workers are living paycheck to paycheck (2017, *CNBC.com*). A 2016 Mercer survey of U.S. workers found that immediate financial concerns are a significant source of worry for all workers, regardless of age, and that retirement income only becomes the highest priority concern for individuals aged 50 or older.

To account for these combined challenges, Americans are working longer than ever before, often using those additional years of employment to make increased contributions to their retirement plans. One way to accommodate both the increase in longevity and those workers who are unable to save at consistently high levels throughout their careers would be to allow savers to make greater "catch-up" contributions to a plan than what is allowed today. The amount available and promotion of this savings vehicle could play a significant role in closing the gap for savers, especially segments nearing retirement.

In this regard, Nationwide supports the provision in Portman-Cardin that would introduce an enhanced catch-up contribution limit for workers age 60 or older. Today, individuals age 50 or older are allowed to make an additional catch-up contribution of $6,500 (indexed) each year to a 401(k), 403(b), or governmental 457(b) plan. Similarly, individuals age 50 or older may make an additional catch-up contribution of $3,000 (indexed) to a SIMPLE IRA or SIMPLE 401(k) plan. The Retirement Security and Savings Act would increase those limits to $10,000 and $5,000, respectively, for individuals age 60 or older, and would also index those amounts. At Nationwide, we believe this additional catch-up limit will make a meaningful difference in helping older workers maximize their retirement preparedness in the very years when many of them are best able to do so.

Exchange-Traded Funds

The SECURE Act increased access to a workplace retirement plan with provisions like pooled employer plans (PEPs) and allowing long-term part-time workers to participate. Further improvements from Portman-Cardin such as expanding the Saver's Credit and reducing the service requirement for long-time part-time workers will further expand access to savings opportunities and provide a strong incentive to participate.

Still, some workers will need to save for retirement outside the employer context. For those individuals, solutions like IRAs and annuities provide an opportunity to prepare for retirement on an individual basis. To that end, we support a provision from Portman-Cardin to allow ETFs as an investment option in variable annuity products. This change responds to clear consumer preference for ETFs and is intended to lower the cost of variable annuity products and better integrate these products for fee-based registered investment advisers (RIAs).

Exchange-traded funds ("ETFs") are pooled investment vehicles that are similar to mutual funds, but ETF shares may be traded throughout the day on the stock market instead of having to be held until after the market closes. ETF products have been one of the fastest growing retail investment products for years, and this rapid rise is often credited to their simple structure, low cost, and intraday trading capability. Those features have made ETFs the preferred choice of many in the RIA community when selecting or making recommendations of investments for their customers. According to Cerulli's 2020 RIA Marketplace Report, "over the past decade, registered investment advisors' (RIAs') average allocation to exchange-traded funds (ETFs) increased 12.3 percentage points, whereas average mutual fund allocations decreased 17.8 percentage points. During the same timeframe, RIAs' use of ETFs rose 38 percent."

Despite the benefits and popularity of ETFs, under current law, ETFs may not be used as investment options in variable annuity contracts. This is largely due to the fact that the current IRS diversification rules were created before ETFs were a viable product category and thus don't anticipate their unique structure.

To provide variable annuity contract owners and advisors with the investment products they prefer, Nationwide supports efforts to allow ETFs to be used as investment options under variable annuity contracts, and we thank the chairman and Senator Cardin for including a provision that would accomplish this in Portman-Cardin.

Collective Investment Trusts in 403(b) Plans

Collective investment trusts ("CITs") are an investment option that typically has lower costs than mutual funds. Although CITs may be used in 401(k) and certain other retirement plans, the Internal Revenue Code currently prevents 403(b)(7) custodial accounts, which are often used by nonprofit, healthcare and higher education employers, from investing in CITs.

The nonprofit and higher education worlds employ over 12.5 million people saving for their retirement, and those savers should have the same access to proven and low-cost vehicles within their institutional plans that their private-sector taxable counterparts enjoy. Nationwide therefore supports the provision in Portman-Cardin that would permit 403(b)(7) custodial accounts to invest in CITs (in addition to the stock of regulated investment companies, which is permitted under current law). We are pleased to partner with our friends at National Association of Government Defined Contribution Administrators (NAGDCA) in supporting this important provision and other provisions to improve 403(b) and 457 retirement plans, including:

- Section 304 to permit non-spousal beneficiaries to roll inherited IRA assets into 457(b), 401(k), 401(a) and 403(b) plans;
- Section 305 to eliminate the "first day of the month" requirement in 457(b) plans;

- Section 501 to exempt designated Roth contributions in 457(b), 401(k) and 403(b) plans from RMD rules, as Roth IRA assets are presently exempt;
- Section 502 to permit 457(b), 401(a), 401(k) and 403(b) plan participants to make Qualifying Charitable Distributions; and
- Section 504 to allow participants with Roth accounts in 457(b), 401(k), 401(a), and 403(b) plans to roll Roth IRA assets into these plans.

PHASE 3: LIVING IN RETIREMENT

The goal of the third and final phase of the financial wellness journey, Living in Retirement, is for savers to experience a financially secure retirement for the remainder of their lives. Although the planning, preparation, and saving that occurred during the first two phases are critical to achieving a financially secure retirement, it is equally important that savers be equipped to make wise decisions and have the appropriate products and tools available in their retirement years to make their savings last. Here again, Nationwide believes that making some modifications to the existing retirement system will enhance individuals' ability to live well in retirement.

Increasing the RMD Age to 75

Today, Americans are living an average of 79 years, 50 percent of Americans age 65 can expect to reach age 85, and 1 in 4 Americans age 65 can expect to live past age 90. For most individuals, the potential need to fund many years of retirement living makes it very important to maintain as much money in savings as possible for as long as possible. One way the current retirement system could better serve those who are living longer and/or working longer would be to increase the age at which required minimum distributions ("RMDs") generally must begin.

We very much appreciate that Congress took action in last year's SECURE Act by increasing the age that triggers the deadline by which RMDs must begin from age 70½ to 72. However, Nationwide encourages Congress to further increase that to age 75, and we support the provision in Portman-Cardin to do just that. This change would allow workers to continue to save more effectively and not require that distributions from retirement savings be taken ahead of the schedule that works best for each saver. Workers face enough challenges in saving enough money to last for a potentially lengthy retirement, and the retirement system's forced systematic depletion of savings should not unduly add to that challenge.

Improving Longevity Annuities

Saving enough money to last for an average-length retirement is already challenging for many workers, but the prospect of having to save enough to protect against the possibility of living to age 90, 100, or beyond can be daunting. A more efficient way for retirees to protect themselves from the risk of outliving their savings in defined contribution plans and IRAs is to share the cost of that risk with others by purchasing a longevity annuity with a portion of their assets. Longevity annuities are deferred annuities that generally begin payments at or near the end of an individual's life expectancy. Since payments begin so late, they can be a very inexpensive way of ensuring guaranteed income after an individual reaches a certain age.

Prior to 2014, the RMD rules were an impediment to longevity annuities because the rules generally required that distributions begin before such an annuity would be scheduled to commence payments. In 2014, the Treasury Department and the Internal Revenue Service ("IRS") published final regulations on "qualifying longevity annuity contracts" ("QLACs"), which generally exempt QLACs from the RMD rules until payments under the contract commence, provided that certain requirements are met. Critically, the regulations limit the premiums an individual may pay for a QLAC in 2021 to the lesser of (1) $135,000 or (2) 25 percent of the individual's account balance under the plan or IRA. Although the $135,000 limit applies across all types of arrangements, the 25-percent limit applies separately to each defined contribution plan and collectively to all IRAs that an individual owns.

The 25-percent limitation is especially problematic when an individual would like to purchase a QLAC using savings in a defined contribution plan where a QLAC is not available for purchase directly through the plan (as is most often the case). In that case, the individual would need to roll money out of the fund and into an IRA before purchasing a QLAC from an insurance company. But the 25-percent QLAC limit on the account balance of all IRAs requires the individual to roll *four times* the amount out of the defined contribution plan than he or she may have otherwise wished to roll over, simply to purchase a QLAC in the desired amount (*e.g.,* in order to purchase a $100,000 QLAC, the individual would to roll $400,000 out of the plan).

While Nationwide appreciates the efforts of the Treasury Department and IRS to facilitate the use of longevity contracts, the QLAC regulations in their present form could be improved to help longevity annuities better realize their potential in helping retirees manage the risk of outliving their savings. We therefore support the provision in the Retirement Security and Savings Act that would direct the Treasury Department and IRS to make key reforms to the QLAC regulations, including eliminating the 25-percent limit and raising the $135,000 cap (2021) to $200,000 (indexed). Those changes, together with other improvements that the provision would make, would go a long way in making QLACs more attractive to both retirees and insurers.

CONCLUSION

Once more, thank you, Chairman Portman, Ranking Member Brown, and all members of this subcommittee, for holding this important hearing and for extending an invitation to Nationwide to testify. Although the journey to financial wellness is one that lasts nearly a lifetime, many opportunities exist to improve our current retirement system and make that journey less arduous for savers. Today, we highlighted six of those opportunities, all of which are addressed in Portman-Cardin. We commend each of you for your ongoing, bipartisan work to improve every phase of Americans' financial wellness journey, and we look forward to continuing to work with you and supporting your efforts to make achieving a financially secure retirement an attainable goal for all Americans.

COMMUNICATIONS

AMERICAN SECURITIES ASSOCIATION
1455 Pennsylvania Avenue, NW, Suite 400
Washington, DC 20004
AmericanSecurites.org
@amersecurities
202–621–1784

Dear Chairman Portman, Ranking Member Brown, and Members of the Subcommittee:

The American Securities Association (ASA), the only trade association exclusively for regional financial services firms, is committed to helping Americans prepare for retirement and other significant life milestones, such as sending a child to college. ASA member companies engage with regulators and policy makers to encourage common-sense, private sector solutions to strengthen the current retirement system and expand savings opportunities for all Americans.

In 2019, lawmakers came together on a bipartisan basis to pass the Set ting Every Community Up for Retirement Enhancement ("SECURE") Act. This major legislation featured dozens of positive reforms to empower more Americans to better prepare for retirement. The Senate Finance Committee played a critical role in crafting the SECURE Act, which ultimately received support from a broad range of industry and consumer stakeholders.

The ASA applauds the Committee's interest in expanding on the positive reforms enacted by the SECURE Act. However, as policymakers continue to consider additional retirement proposals in the coming months, we encourage the Committee to recognize that some provisions included in SECURE Act are only now beginning to take effect. For example, the broadly supported pooled employer plan ("PEP") provisions will be effective on January 1, 2021. These provisions are intended to help more small employers offer retirement solutions for their employees. While some policymakers are debating the merits of placing more enrollment mandates on small businesses, the ASA encourages the Committee to take a more cautious approach until the new PEP framework can fully implemented and evaluated.

Rather than place costly and burdensome mandates on America's small businesses, the SECURE Act correctly recognizes that incentives and increased efficiency are better tools to address the savings gap. While the ASA agrees that additional measures to improve access to retirement savings should be considered, policymakers should also recognize that small businesses are already subject to a mandatory retirement plan in the form of Social Security. As the Committee knows, the Social Security program relies on the private sector to ensure payroll taxes are appropriately collected and transferred to the federal government. Any additional man dates, particularly with differing rules and requirements, would represent a significant challenge for small employers.

Improve Small Business Retirement Plan Options: The ASA supports updating rules that would encourage small businesses to offer retirement plans to their employees. As such, we strongly encourage Congress to consider enhancing and expanding low-cost SIMPLE IRAs. SIMPLE IRAs have been proven successful in encouraging micro-businesses to begin offering retirement savings arrangements to their employees.

Specifically, the ASA recommends that rules governing SIMPLE IRAs be updated to allow for a Roth option while also permitting SIMPLE IRA sponsors to make non-elective contributions on behalf of their employees. These reforms would facilitate the creation of new plans for very small employers while also easing the transition process for those businesses who later choose to adopt a 401(k) savings arrangement. These two proposals, which are included in the Retirement Security and Savings Act introduced by Senators Rob Portman and Ben Cardin, would likely encourage more small employees to consider offering SIMPLE IRAs when a traditional 401(k) might still be too costly or complex relative to the size of their business.

Encourage Utilization of Financial Planning: To encourage access to financial advice, the ASA supports a bipartisan proposal from Senators Portman and Cardin to allow employees to pay for financial planning with pre-tax dollars through employer-sponsored "cafeteria" plans.[1] On average, individuals who use financial planning services save more and are financially better prepared, with one study suggesting that good financial planning can yield nearly 29 percent additional retirement income.[2] Providing employees a tax advantaged benefit to pay for financial planning would expand the use of this critical tool. Additionally, Congress can further encourage work-site education by enhancing existing safe harbor protections.

Build on the Success of 529 Plans: 529 plans are an invaluable tool for families and individuals looking to save for school. Nearly every state sponsors some type of 529 plan, with most states encouraging contributions by offering tax deductions and/or credits. However, in many states, such tax incentivizes are only available for contributions made to the same state's 529 plan. Additionally, some states only allow the account owner, and not third-party contributors, to claim the deduction. To encourage all Americans to start saving as soon as possible, the ASA recommends policymakers enact a modest, above-the-line federal income tax deduction for contributions made to any state's qualified 529 plan.

This policy would promote contributions from grandparents and other family members, providing additional resources for 529 savers. Additionally, under the current system, some would-be savers who anticipate one or several moves out of state—for employment, health reasons or military service—may be reluctant to start making contributions to their current state's 529 plan. Knowing that a federal deduction is available would likely encourage these individuals to enroll in a 529 plan and consistently contribute.

The ASA also appreciates Congress's interest in helping more Americans struggling with student loan debt because of the negative impact debt has on long-term savings goals, including a secure retirement. However, the ASA believes that policymakers should also seek ways to encourage more Americans to start saving ahead of these expenses, rather than financing their education primarily through debt. Increased access to 529 plans could play a vital role in helping more Americans avoid burdensome student loan costs.

Digital Communications: In recent years, Americans have overwhelmingly embraced digital communication over outmoded paper delivery systems. During the pandemic, the ability of our members to work remotely and support their clients virtually depended on the successful adoption of numerous technologies. The ASA believes that lawmakers should support additional legislative and regulatory updates that would shift the default method of delivering plan-related communications to clients. E-delivery has proven to be an effective and popular tool for clients, and we encourage policymakers to continue moving forward in this area. Additionally, a 2018 study by the Investment Company Institute and the American Retirement Association estimates that total printing and mailing costs for paper delivery could exceed $385 million annually. Finally, digital communication also provides greater access for the visually impaired as well as retirement savers who are not proficient in English.

Increase the Required Minimum Distribution Age to 75: The ASA supported language in the SECURE Act to raise the required minimum distribution (RMD) age for plan disbursements from 70½ to 72. This welcomed change better reflects our current reality, in which many Americans are living and working longer than ever before. The ASA believes Congress can do even more to help seniors saving for retirement and is encouraged that both chambers have introduced legislation to would raise the RMD age to 75.[3] This provision would allow seniors more time to amass savings, providing greater retirement security and making them less likely to depend on resource-strained safety net programs later in life.

Thank you for your consideration of our views.

---

[1] Retirement Security and Savings Act of 2019 (S. 1431, 116th Congress).
[2] Blanchett, David, and Paul Kaplan. 2012. "Alpha, Beta, and Now . . . Gamma." *Morningstar White Paper* (December).
[3] Securing a Strong Retirement Act of 2020 (H.R. 8696, 116th Congress); S. 1431.

Sincerely,

Kelli McMorrow
Head of Government Affairs
American Securities Association

FINANCIAL SERVICES INSTITUTE
1201 Pennsylvania Avenue, NW, Suite 700
Washington, DC 20004
888–373–1840
https://financialservices.org/

The Financial Services Institute (FSI) represents independent broker-dealers (IBD) and the independent financial advisors affiliated with them. We are pleased that the Subcommittee is holding this hearing to explore the issues facing Main Street Americans saving for retirement, particularly given that the COVID–19 pandemic has only worsened the country's existing retirement savings crisis. Sadly, too many Americans do not have access to competent and ethical financial advice to help them navigate these difficult times and to ensure their ability to save for a dignified retirement. We wish to register our support for S. 1431 the Retirement Security and Savings Act of 2019 and H.R. 8696 The Securing a Strong Retirement Act of 2020, both of which build on the important improvements made in the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019.

FSI Members believe that all investors should have access to competent and affordable financial advice, products, and services. Research shows that investors who work with a financial advisor are better prepared for their retirement, better understand the costs that may arise in retirement and how to save for them and feel more confident in their ability to be successful in retirement.[1] FSI supports S. 1431 and H.R. 8696 because they provide private sector retirement solutions to ensure that Americans have access to personalized investment advice.

In particular, the legislation would address the current retirement savings crisis by encouraging Americans to begin saving earlier and saving more for their retirement in the following ways:

- Encouraging employees to begin saving for retirement earlier through automatic enrollment;
- Creating a new financial incentive for small businesses to offer retirement plans by increasing the small-business startup credit;
- Simplifying and increasing the Saver's Tax Credit;
- Offering individuals 60 and older more flexibility to set aside savings as they approach retirement;
- Increasing the required minimum distribution (RMD) age to 75, allowing individuals to save for retirement longer; and
- Exempting individuals with less than $100K in their retirement accounts from RMDs requirements, allowing smaller account balances to continue to earn interest and individuals to save more for retirement.

Further, we encourage Congress to restore the pre-2017 tax deduction for investment advisory fees without the 2 percent Adjusted Gross Income (AGI) threshold to enable all taxpayers to access the deduction regardless of income. Restoring and expanding this deduction under 26 U.S.C. § 212 will encourage savers to seek advice from financial professionals, which is even more important in these turbulent economic times. Many investors, including those nearing retirement, are watching their hard-earned savings fluctuate with the turbulent stock market. Financial advisors can help investors avoid common errors in response—such as buying high and selling low or losing sight of their long-term financial plan—to ensure that their retirement savings are secure.

We urge Congress to include retirement savings legislation such as S. 1431 and H.R. 8696 in its end of year legislative package in order to provide critical tools to address the retirement savings crisis, which has only been exacerbated by the COVID–19 pandemic. We thank the Subcommittee for holding this hearing and for

---

[1] The Insured Retirement Institute, The State of Retirement Security in America Today—2019 Boomer Expectations for Retirement Study, *available at: https://www.myirionline.org/docs/default-source/default-document-library/iri_babyboomers_whitepaper_2019_final.pdf?sfvrsn=0;* Claude Montmarquette, Nathalie Viennot-Briot, Centre for Interuniversity Research and Analysis on Organizations (CIRANO), The Gamma Factor and the Value of Advice of a Financial Advisor, *available at https://www.cirano.qc.ca/files/publications/2016s-35.pdf.*

the work it is doing to address these issues. We are ready to serve as a resource in your efforts to help Main Street Americans save for their retirement. Should you have any questions or would like more information on FSI and our position on this important issue, please contact our Director of Legislative Affairs, Hanna Laver, at (202) 499–7224.

Background on FSI Members

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the US, there are more than 160,000 independent financial advisors, which account for approximately 52.7 percent of all producing registered representatives.[2] These financial advisors are self-employed independent contractors, rather than employees of the Independent Broker-Dealers (IBD).[3]

FSI's IBD member firms provide business support to independent financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small business owners and job creators with strong ties to their communities. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans. Their services include financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI member firms and their affiliated financial advisors are especially well positioned to provide Main Street Americans with the affordable financial advice, products, and services necessary to achieve their investment goals.

FSI members make substantial contributions to our nation's economy. According to Oxford Economics, FSI members nationwide generate $48.3 billion of economic activity. This activity, in turn, supports 482,100 jobs including direct employees, those employed in the FSI supply chain, and those supported in the broader economy. In addition, FSI members contribute nearly $6.8 billion annually to federal, state, and local government taxes. FSI members account for approximately 8.4 percent of the total financial services industry contribution to U.S. economic activity.[4]

T. ROWE PRICE ASSOCIATES, INC.

T. Rowe Price Associates, Inc. and its affiliates (collectively "T. Rowe Price") thank Chairman Portman, Ranking Member Brown, and the other Members of the Senate Finance Subcommittee on Social Security, Pensions, and Family Policy for holding this hearing to examine the challenges that American workers face in achieving their best retirement outcomes. We appreciate that this hearing also examined the challenges retirement plan sponsors, recordkeepers, and other service providers face in helping American workers meet their retirement goals while also balancing their competing priorities, such as paying off student loan debt.

We particularly appreciate that legislation introduced by Chairman Portman and Senator Cardin in 2019 (S. 1431) was a central focus of the hearing.[1] That legislation has served as the foundation for countless bipartisan discussions on retirement savings during this Congress, and some of its provisions are reflected in the SECURE Act, which was enacted last year, and H.R. 8696, which was more recently introduced in the House of Representatives by Ways and Means Committee Chairman Neal and Ranking Member Brady.[2]

[2] Cerulli Associates, Advisor Headcount 2016, on file with author.
[3] The use of the term "financial advisor" or "advisor" in this letter is a reference to an individual who is a dually registered representative of a broker-dealer and an investment adviser representative of a registered investment adviser firm. The use of the term "investment adviser" or "adviser" in this letter is a reference to a firm or individual registered with the SEC or state securities division as an investment adviser.
[4] Oxford Economics for the Financial Services Institute, The Economic Impact of FSI's Members (2016).
[1] The Retirement Security and Savings Act of 2019 (S. 1431) was introduced on March 29, 2019.
[2] The Setting Every Community Up for Retirement Enhancement Act (the "SECURE Act") was signed into law on December 20, 2019, as part of a comprehensive government spending bill, along with a handful of other retirement measures, The Securing a Strong Retirement Act of 2020 (H.R. 8696) was introduced on October 27, 2020.

Both S. 1431 and H.R. 8696 include many common-sense changes to current law that would build on the foundation of the SECURE Act to improve individuals' abilities to save for retirement, including those that promote increased utilization of automatic contribution and automatic escalation features, simplify disclosures, and allow individuals saving through 403(b) plans to enjoy the same lower cost investment vehicles that participants in larger 401(k) plans enjoy through the use of collective trusts. Although these are just a few of the many provisions in S. 1431 and H.R. 8696 that would build on the success of the SECURE Act, in our view each is critically important in addressing the needs of American retirement savers.

- ***Encouraging the use of automatic contribution and automatic escalation features.*** As Senator Brown pointed out in his opening statement, "auto-enrollment is a best practice in helping people save," and doing more on auto-enrollment and auto-escalation "provides a real opportunity to do something concrete for middle-class families and low-paid workers who need help saving."

  Both S. 1431 and H.R. 8696 include provisions that encourage greater utilization of automatic features in plans, but in different ways. For example, H.R. 8696 includes provisions that generally require automatic enrollment for all new plans at a minimum of 3% and auto-escalation at one percentage point a year up to 10% (with a grandfather provision for existing plans). S. 1431 introduces a new automatic contribution safe harbor plan design with higher starting and ending rates (6% and 15%), which are more consistent with the levels of savings that we believe are necessary to help workers achieve their best retirement outcomes. Both bills also include tax credits for small employers to encourage adoption of safe harbor automatic contribution programs. T. Rowe Price research has shown that these automatic features help savers achieve successful retirement outcomes, particularly at the higher rates reflected in S. 1431.

- ***Simplifying disclosures.*** S. 1431 contemplates a number of improvements in retirement plan disclosures, such as consolidation of disclosures, simplification of the Internal Revenue Code section 402(f) special tax notice, and allowing the presentation of benchmarks of target date funds that more closely reflects their design and objectives.

- ***Allowing 403(b) plans to use collective investment trusts (CITs).*** Both bills remove outdated regulatory constraints and allow 403(b) plans that enjoy fiduciary oversight to use CITs as funding vehicles for investment options. CITs are often used by other types of retirement plans, including 401(k) plans and 457 plans, because of their institutional pricing and increased flexibility. In his testimony at the hearing, Joshua Luskin highlighted these benefits, noting that CITs could provide 403(b) plan sponsors with increased flexibility, lower costs, faster speed to market, and increased customization of asset allocations and glidepaths, all of which would result in increased retirement security and a better overall experience for 403(b) plan participants and sponsors. We agree, and we commend the sponsors of both S. 1431 and H.R. 8696 for including this common-sense provision in their bills.

We appreciate the opportunity to submit this statement for the record in connection with the December 9th hearing. We share the optimism expressed by Chairman Portman, Ranking Member Brown, Senator Cardin, and so many others that there is a real opportunity for bipartisan consesus to emerge in the coming Congress on a legislative package that could significantly improve the landscape for retirement savings in America. We encourage all membrs of Congress, in both chambers, to work toward that goal.