

EXAMINING PATHWAYS TO BUILD A STRONGER, MORE INCLUSIVE RETIREMENT SYSTEM

HEARING

BEFORE THE

SUBCOMMITTEE ON
HEALTH, EMPLOYMENT,
LABOR, AND PENSIONS

OF THE

COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, JUNE 23, 2021

Serial No. 117-21

Printed for the use of the Committee on Education and Labor



Available via: edlabor.house.gov or www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

44-858 PDF

WASHINGTON : 2022

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EXAMINING PATHWAYS TO BUILD A STRONGER, MORE INCLUSIVE RETIREMENT SYSTEM

Wednesday, June 23, 2021

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HEALTH, EMPLOYMENT,
LABOR, AND PENSIONS,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:05 a.m., via Zoom, Hon. Mark DeSaulnier (Chairman of the Subcommittee) presiding.

Present: Representatives DeSaulnier, Courtney, Norcross, Morelle, Wild, Stevens, Levin, Mrvan, Allen, Walberg, Banks, Harshbarger, Miller, Fitzgerald, and Foxx (*ex officio*).

Staff present: Ilana Brunner, General Counsel; Rasheedah Hasan, Chief Clerk; Sheila Havenner, Director of Information Technology; Eli Hovland, Policy Associate; Andre Lindsay, Policy Associate; Kevin McDermott, Senior Labor Policy Advisor; Richard Miller, Director of Labor Policy; Max Moore, Staff Assistant; Mariah Mowbray, Clerk/Special Assistant to the Staff Director; Kayla Pennebecker, Staff Assistant; Véronique Pluviose, Staff Director; Banyon Vassar, Deputy Director of Information Technology; Cyrus Artz, Minority Staff Director; Rob Green, Minority Director of Workforce Policy; Taylor Hittle, Minority Professional Staff Member; Georgie Littlefair, Minority Legislative Assistant; John Martin, Minority Workforce Policy Counsel; Hannah Matesic, Minority Director of Operations; Alex Ricci, Minority Speechwriter; and Ben Ridder, Minority Professional Staff Member.

Chairman DESAULNIER. The Subcommittee on Health, Employment, Labor, and Pensions will come to order.

Welcome again, everyone. I note that a quorum is present.

The Subcommittee is meeting today to hear testimony on examining pathways to build a stronger and more inclusive retirement system for Americans.

This is an entirely remote hearing, and as such, the Committee's hearing room is officially closed.

All microphones will be kept muted as a general rule to avoid unnecessary background noise. Members and witnesses will be responsible for unmuting themselves when they are recognized to speak or when they wish to seek recognition.

If a Member or witness experiences technical difficulties during the hearing, please stay connected on the platform, make sure you

are muted, and use your phone to immediately call the Committee's IT director, whose number was provided in advance.

Should the Chair experience technical difficulty or need to step away, my distinguished colleague, Mr. Levin from Michigan, or another majority Member is hereby authorized to assume the gavel in my absence.

In order to ensure that the Committee's five-minute rule is adhered to, staff will be keeping track of time using the Committee's field timer, which appears in its own thumbnail picture and will show a blinking light when time is up.

Pursuant to Committee Rule 8(c), opening statements are limited to the Chair and Ranking Member.

I recognize myself now for the purpose of making an opening statement.

Today we are meeting to explore the strengths, challenges, and inequities of America's retirement system, as well as to review H.R. 2954, the Securing a Strong Retirement Act of 2021, which is known as the SECURE Act 2.0. This bill includes important provisions in the Education and Labor Committee's jurisdiction.

Earlier this year, congressional Democrats and the administration addressed the urgent multi-employer pension crisis and fully protected the pensions of more than 1 million Americans. Our solution was broadly supported by key stakeholders, including hundreds of employers and the United States Chamber of Commerce.

Had we not acted, the unacceptable status quo would have continued, plans would have failed, and the Pension Benefit Guaranty Corporation would have become insolvent.

If that had happened, workers and retirees would lose nearly everything they had worked and contributed so hard to save. Many participating employers would be forced to close or cut jobs.

American taxpayers would have suffered as well. One expert estimated that if Congress failed to address the multi-employer pension crisis, the total cost to U.S. taxpayers in terms of lost tax revenue and increased social safety net spending due to pensioners' difficulty making ends meet would be between \$170 billion and \$240 billion over a 10-year budget window. This far exceeds the estimated \$86 billion cost of the solution included in the American Rescue Plan Act.

As we proceed, we should remain mindful that taxpayers would have been on the hook one way or another with the multi-employer pension crisis.

By acting now, congressional Democrats and the Biden administration averted a catastrophe, spared over a million Americans harm, saved businesses, and protected jobs, which in my view was the right thing to do and far better and less expensive for taxpayers than doing nothing.

Certainly we can all agree that a look back on lessons learned is valuable. But today's hearing is not about past action. It is about the present State of private sector retirement and what we need to do in the future to make it stronger and more inclusive.

I am certain we all believe that Americans, after a hard-working life, deserve to retire with some level of security. That is what this hearing is about.

For decades, the retirement system has been premised on Americans relying on three income streams—the so-called three-legged stool—to support themselves as they age: Social Security, employer-sponsored pensions, and personal savings.

Social Security remains the foundation of retirement security for most Americans. When President Franklin Roosevelt signed the Social Security Act into law, he talked about giving it, quote, “some measure of protection to the average citizen and to their family . . . against poverty-ridden old age,” end quote.

He was right. To this day, Social Security provides the majority of income to most elderly Americans and singlehandedly keeps 15 million Americans out of poverty.

There has been a changing social model over the past decades. In 1975, 47 percent of women with children were in the labor force. Most of those were part-time jobs. Now it is 72 percent, most of them full-time jobs.

Many Americans age 65 and older left the labor force in 2020 due to the pandemic, but millions remain. And according to the Bureau of Labor Statistics, people held, on average, 12 jobs from age 18 to 52, with nearly half of these jobs held before age 25—12 jobs from age 18 to 52 and half of those before they are 25.

Meanwhile, the employer-provided retirement and wage-earning landscapes also significantly changed. These changes have been to the detriment of the workers’ ability and our society to achieve a secure and dignified retirement for Americans.

Employers have shifted away from offering traditional defined benefit pension plans, which provided workers guaranteed lifetime income after they retired. Nowadays, when a private sector employer offers a retirement plan, it is likely to be a defined contribution plan, such as a 401(k), but that is if employers offer one at all.

Too many Americans lack access to a retirement savings plan through their employer. An estimated 7.5 million Californians and roughly 55 million people nationwide, do not have access to retirement benefits through their employer.

There are also significant disparities along racial and ethnic lines when it comes to retirement savings. According to the Urban Institute, in 2016 White families had about \$130,000 more—or six times more—in average liquid retirement savings than African-American and Hispanic families. That disparity has increased fivefold over the past 25 years.

Additionally, few Americans are earning enough to save for a stable, secure retirement. Workers are doing more today than ever before. Over the last 40 years, worker productivity has risen 72.2 percent. At the same time, worker wages have essentially stagnated, increasing only 17 percent. Worker productivity in the last 40 years has increased over 70 percent. Wages, adjusted for inflation, increasing less than 20 percent.

It is incredibly hard for workers to do much on their own for retirement. According to the Federal Reserve, many would struggle to come up with the money to finance an unexpected \$400 expense, such as a car repair or a medical bill, in their daily life.

That is why I believe retirement security is fundamentally aligned with workers’ wages during their lifetime. The more people earn, the easier it is for them to plan and save for retirement. At

a minimum, we must support policies that increase workers' wages and strengthen their ability to organize and collectively bargain.

The data is clear that unionized workers have greater access to retirement plans and higher participation rates than their non-unionized counterparts.

But we shouldn't stop there. We must strengthen and protect Social Security. We must address inequities and discriminatory barriers in the labor market.

I also am interested in learning more from the witnesses today about the SECURE Act 2.0 and how it helps Americans plan and save for retirement.

Before I conclude, I just want to recall a recent issue of The New York Times Magazine discussing how human life span doubled over the past century. And now, with medicines combating diseases and prolonging life, the number of people who might live to be 100 years old could increase—should increase.

According to the United Nations estimate cited by The New York Times, there were 95,000 centenarians in the world in 1990, but there could be 25 million by 2100.

A recent Kaiser Foundation report showed that the life expectancy for people over 65 is increasing exponentially. According to this study, the U.S. ranks 13th in the world in life expectancy increases for people over 65.

I am proud to say, when you separate that by region, the western United States—and the State of California, where I live—is No. 1 in the world in life expectancy for people over 65.

We must make sure our retirement system is equipped to support people living longer and that it provides the measure of protection Franklin Roosevelt mentioned in 1935.

I look forward to hearing from my colleagues and from our expert witnesses about these issues.

[The statement of Chairman DeSaulnier follows:]

STATEMENT OF HON. MARK DESAULNIER, CHAIRMAN,
SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR, AND PENSIONS

Today we are meeting to explore the strengths, challenges, and inequities of America's retirement system as well as review H.R. 2954, the Securing a Strong Retirement Act of 2021, which is known as the SECURE Act 2.0. This bill includes important provisions in the Education and Labor Committee's jurisdiction.

Earlier this year, congressional Democrats and the Biden administration addressed the urgent multiemployer pension crisis and fully protected the pensions of more than one million Americans. Our solution was broadly supported by key stakeholders, including hundreds of employers and the U.S. Chamber of Commerce. Had we not acted, the unacceptable status-quo would have continued; plans would have failed; and the Pension Benefit Guaranty Corporation would have become insolvent. If that happened, workers and retirees would lose nearly everything they worked and contributed so hard to save. Many participating employers would be forced to close or cut jobs.

American taxpayers would have suffered, too. One expert estimated that, if Congress failed to address the multiemployer pension crisis, the total cost to the U.S. taxpayers—in terms of lost tax revenue and increased social safety net spending due to pensioners' difficulty making ends meet—would be between \$170 billion and \$240 billion over the 10-year budget window. This far exceeds the estimated \$86 billion cost of the solution included in the American Rescue Plan Act.

As we proceed, we should remain mindful that taxpayers would have been on the hook one way or another with the multiemployer pension crisis. By acting now, congressional Democrats and the Biden administration averted a catastrophe, spared over a million Americans harm, saved businesses, and protected jobs. Which in my view is the right thing to do—and far better, and less expensive for the taxpayers

than doing nothing. Certainly we can all agree to look back on lessons learned is valuable.

But today's hearing is not about past action; it's about the present State of the private sector retirement and what we need to do in the future to make it stronger and more inclusive. Im certain we all beleive that Americans after a hard working life deserve to retire in some level of security. That's what this hearing is all about.

For decades, the retirement system has been premised on Americans relying on three income streams—the so-called three-legged stool—to support themselves as they age: Social Security, employer-sponsored pensions, and personal savings.

Social Security remains the foundation of retirement security for most Americans. When President Franklin Roosevelt signed the Social Security Act into law, he talked about it giving—quote—“some measure of protection to the average citizen and to his family . . . against poverty-ridden old age.” He was right. To this day, Social Security provides the majority of income to most elderly Americans and single-handily keeps up to 15 million seniors out of poverty.

There has been a changing social model over the past decades. In 1975, 47 percent of women with children were in the labor force—most of those were part-time jobs. Now, it is 72 percent and most of them full-time jobs. Many Americans age 65 and older left the labor force in 2020 due to the pandemic, but millions remain. And, according to the Bureau of Labor Statistics, people held an average of 12 jobs from ages 18 to 52, with nearly half of these jobs held before age 25. 12 jobs from ages 18 to 52, with nearly half of these jobs held before age 25. Meanwhile, the employer-provided retirement and wage-earning landscapes also significantly changed. These changes have been to the detriment of workers' ability to achieve a secure and dignified retirement.

Employers have shifted away from offering traditional defined benefit pension plans, which provided workers guaranteed lifetime income after they retired. Nowadays when a private sector employer offers a retirement plan, it is likely to be a defined contribution plan, such as a 401(k). But that's if employers offer one at all. Too many Americans lack access to a retirement savings plan through their employer. An estimated 7.5 million Californians and roughly 55 million people nationwide do not have access to retirement benefits through their employer.

There are also significant disparities along racial and ethnic lines when it comes to retirement savings. According to the Urban Institute, in 2016, white families had about \$130,000 more—or six times more—in average liquid retirement savings than African American and Hispanic families. That disparity has increased fivefold over the past 25 years.

Additionally, few Americans are earning enough to save for a stable, secure retirement. Workers are doing more today than ever before. Over the last 40 years, worker productivity has risen 72.2 percent. At the same time, worker wages has essentially stagnated—increasing only 17.2 percent. Worker productivity in the last 40 years has increased over 70 percent. Wages, adjusted for inflation, increasing less than 20 percent. It is incredibly hard for workers to do much on their own for retirement when, according to the Federal Reserve, many would struggle to come up with the money to finance an unexpected \$400 expense, such as a car repair or a medical bill in their daily life.

That is why I believe retirement security is fundamentally aligned with workers' wages. The more people earn, the easier it is for them to plan and save for retirement. At a minimum, we must support policies that increase workers' wages and strengthen their ability to organize and collectively bargain. The data is clear that unionized workers have greater access to retirement plans and higher participation rates than their non-unionized counterparts.

But we shouldn't stop there. We must strengthen and protect Social Security. We must address inequities and discriminatory barriers in the labor market. I also am interested in learning more from the witnesses today about the SECURE Act 2.0 and how it helps Americans plan and save for retirement.

Before I conclude, I recall a recent issue of the New York Times Magazine discussing how the human life span doubled over the past century. And now—with medicines combating diseases and prolonging life—the number of people who might live to be 100 years old could increase—should increase. According to a United Nations estimate cited by the Magazine, there were 95,000 centenarians in the world in 1990; but there could be 25 million by 2100.

A recent Kaiser Foundation report showed that the life expectancy for people over 65 is increasing exponentially. According to this study, the U.S. ranks 13th in the world in life expectancy increases for people over 65. I'm proud to say that when you separate that by region the western United States, and State of California where I live, is No. 1 in the world in life expectancy for people over 65.

We must make sure our retirement system is equipped to support people living longer and that it provides that “measure of protection” Franklin Roosevelt mentioned in 1935.

I look forward to hearing from our expert witnesses about these issues, and I now recognize my friend and the distinguished Ranking Member, Mr. Allen, for his opening statement.

Chairman DESAULNIER. And I now am pleased to recognize my friend and the distinguished Ranking Member from Georgia, Mr. Allen, for his opening statement.

Mr. ALLEN. Thank you, Chairman.

We all desire financial security in our latter years. Individuals work for decades and diligently save money to have peace of mind when they move from success, their career, to significance. And for decades this Committee and Congress have come together in a bipartisan fashion to address the financial needs of our Nation’s workers and retirees.

The Pension Protection Act of 2006 strengthened protections for workers owed pension benefits, and the Multi-Employer Pension Reform Act of 2014 established a responsible and balanced process to save multi-employer pension plans projected to run out of money.

The bipartisan approach continued last Congress. Republicans and Democrats worked together to pass the SECURE Act of 2019 which empowered small businesses to offer retirement plans through open, multiple, and pooled employer plans. The bipartisan CARES Act allowed workers to tap into their retirement savings without penalty to offset pandemic-induced hardships.

However, earlier this year, Democrats went in a different direction and used pandemic relief as an excuse to bail out failing multi-employer pensions without any structural reforms to hold unions and businesses accountable for the mismanagement of their pension plans. Taxpayers are now on the hook for this \$86 billion bailout.

Asking hard-working taxpayers to foot the bill for a contract between private parties is unsustainable and an abuse of the public’s trust. Democrats are doing workers and retirees a great disservice by defending outdated defined benefit multi-employer pension plans.

Our nation’s economy and workplaces have evolved. These pension plans have not evolved along with them.

The simple fact of the matter is that most of these plans can no longer fulfill their promises. Ninety-six percent of multi-employer plan participants are enrolled in pensions that are less than 60 percent funded.

Instead of modernizing outdated policies, Democrats continue to double down on failed pension arrangements. They depend on taxpayers not to notice that they are now on the hook for decades of mistakes made by entities with a track record of mismanagement.

We must empower individuals to make the best financial choices for their own unique situation. Republicans trust the American worker. We believe every worker and retiree knows how best to save and spend their own money. Defined contribution plans present employees a flexible pathway to realize their retirement goals.

There are numerous reasons why defined contribution plans, like 401(k)s, are more advantageous for employees. Defined contribution plans are immediately the property of employees, can be tailored to the precise retirement needs of the worker, and will never require taxpayer bailout.

Furthermore, defined contribution plans are portable. Individual accounts travel with the worker as the person finds another job. These flexibilities are crucial in the modern economy.

I see room for bipartisanship and commonsense policy updates, and this Committee must lead the way in working together to expand on the SECURE Act and ensure that Americans are secure in their retirement.

One way we can help Americans secure a comfortable retirement is by making it easier for them to save part of their paycheck earlier in their working life.

As this Committee considers updates to ERISA, we must focus on expanding access to defined contribution plans, increasing retirement options for employees of small businesses, making plans more transparent, and eliminating the need for future taxpayer-funded bailouts of special interests.

This Committee has a long history of working together in a bipartisan way to address the retirement security needs of American workers and retirees. We need to return to that model by adopting evidence-based, balanced, and fiscally responsible solutions moving forward. This approach, accompanied by policies to ensure a growing and vibrant economy, will do far more to help American workers and retirees in the long run.

And with that, Mr. Chairman, I yield back.

[The statement of Ranking Member Allen follows:]

STATEMENT OF HON. RICK W. ALLEN, RANKING MEMBER,
SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR, AND PENSIONS

Thank you, Chairman DeSaulnier.

We all want a long and happy retirement. Individuals work for decades and diligently save money to have peace of mind for when they retire.

And for decades, this Committee and Congress has come together in a bipartisan fashion to address the financial needs of our Nation's workers and retirees. The Pension Protection Act of 2006 strengthened protections for workers owed pension benefits, and the Multiemployer Pension Reform Act of 2014 established a responsible and balanced process to save multiemployer pension plans projected to run out of money.

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Democrats are doing workers and retirees a great disservice by defending outdated defined benefit, multiemployer pension plans. Our nation's economy and workplaces have evolved, but these pension plans have not evolved along with them. The simple fact of the matter is that most of these plans can no longer fulfill their promises. Ninety-six percent of multiemployer plan participants are enrolled in pensions that are less than 60 percent funded.

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now on the hook for decades of mistakes made by entities with a track record of mismanagement. We must empower individuals to make the best financial choices for their own unique situation. Republicans trust the American worker; we believe every worker and retiree knows how best to save and spend their own money.

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Chairman DESAULNIER. Thank you, Mr. Allen. I am encouraged by your comments and look forward to working with you. I think we can all agree that responsible oversight by this Committee—this Subcommittee—would be a great addition. And I really look forward in a bipartisan way to look at that and conduct evidence-based oversight, both for the financial institutions that do much of this investment and the management of those. So encouraging.

Without objection, all other Members who wish to insert written statements into the record may do so by submitting them to the Committee Clerk electronically in Microsoft Word format by 5 p.m. on July 7.

Now I would like to introduce our witnesses, a really great panel. I want to thank our staff for getting them here, both Republican and Democratic staff.

First, Dr. Teresa Ghilarducci is a professor of economics at the New School for Social Research and the director of the Schwartz Center for Economic Policy Analysis in the New School's Retirement Equity Lab.

Dr. Nari Rhee is the director of the Retirement Security Program at the finest public university in the country, a neighbor of mine in my district, the University of California, Berkeley Center for Labor Research and Education—although I am not biased.

Dr. Andrew Biggs is a resident scholar at the American Enterprise Institute.

And Dr. David Certner is legislative counsel and director of legislative policy for government affairs at AARP.

I apologize for any mispronunciations.

Our instructions to the witnesses are as follows. We appreciate the witnesses for participating today and look forward to your testimony. Your written statement will appear in full in the hearing record, and you are asked to limit your oral presentation to five

minutes. After your presentation, we will move to Member questions.

The witnesses are aware of their responsibility to provide accurate information to the Subcommittee, and, therefore, we will immediately proceed to hear testimony. And I will first recognize Dr. Ghilarducci.

Doctor.

STATEMENT OF DR. TERESA GHILARDUCCI, IRENE AND BERNARD L. SCHWARTZ PROFESSOR OF ECONOMICS AND POLICY ANALYSIS, THE NEW SCHOOL FOR SOCIAL RESEARCH, DEPARTMENT OF ECONOMICS, NEW YORK, NY

Ms. GHILARDUCCI. Thanks very much.

Even though I have taught at two universities, at present the New School for Social Research in New York and for 25 years at the University of Notre Dame in Indiana, I did attend all my schooling at the best and greatest university, the University of California at Berkeley.

Chairman DESAULNIER. Go Bears.

Ms. GHILARDUCCI. Both undergraduate, master's, Ph.D. So I agree.

I am here to talk about the landscape of what this country has done for older workers. It is called "100 Years of Progress in Equalizing Retirement and How We Could Lose It."

Before Social Security and defined benefit plans were established, workers were more likely to die than they were more likely to retire. They died in their boots.

And women's work was mainly unpaid. She did significant paid work when she did do that all throughout her life, and that was mostly in taking in boarders. It was the modern-day Airbnb. And she never retired either.

In the 15 years or so before Social Security was passed—and that was in 1935, of course—only a few soldiers, some government and railroad workers had a pension. A scattering of union workers had pensions. And most of those were in single and multi-employer plans.

And still, 5 years after Social Security was passed, it was only the privileged that were truly able to retire. They would tell historians and researchers at the time, "Oh, I retired because I wanted to."

There was reference in the opening statements about a dignified retirement, being able to look forward to retirement, but that was a very rare event. Only 3 percent of retirees had a voluntary retirement. And I will tell that story up until the present. And of course that 3 percent were the most privileged. They had the highest income, highest wealth, and they were healthier.

Age in this period of time was a person's largest risk factor of being poor. Age in itself was a risk factor of being poor. And your grandparents and your great-grandparents and those before that were very high risk of living with their relatives when they got older.

And if they weren't that lucky to have kin or relatives to live with, in this country the poor elderly were sent to county poorhouses. Or, when those were closed because of their brutality,

in the early 20th century the aged went to institutions they called then insane asylums. The older poor were living with people who were severely mentally ill.

So one of the first signs of progress that came with elders having more income was that they got to live independently and they weren't poor.

But, given the work that we are doing now, we have done for the past 10 years since the last recession, we are predicting that the erosion of pensions, the scattered coverage of the defined contribution plans that we talked about in opening statements and the decline of defined benefit plans, and the fact that they are top heavy, that they really are something that the top people in the upper income distribution have, is going to create a situation where we are going back to the future.

Right now, all of us here at the hearing are at greater risk of our parents moving in with us, in our spare bedroom, in our basements, in our renovated garage, than our parents faced with our grandparents.

And another reverse of progress that I fear is the widening gap between the classes and the widening gap in what we have taken for granted, and that is the ability to retire in some kind of decency.

So, right now, a working man in the bottom third of the educational distribution that is the best proxy for socioeconomic class that we have, he can expect to have 12 years of retirement, not 20 or 30. It is about 12 years when we use actual data to see when people actually retire and when they die. And at the upper third, 14 years, so 12 and 14.

Now, there is a class divide there, but it is not that great, and it is something we should celebrate. The rich and the poor and the middle class have been able to retire.

But this is something that can be reversed very soon because retirement equity came from defined benefit plans, both single and multi-employer, retiree health plans, and an expanding Social Security system.

Now, I come before you today as a professor and an historian, a professor of economics. But for 25 years I served as a trustee of not only the public pension plans for Indiana when I was at Notre Dame, also, a corporate director representing shareholders for the Yellow Freight Company, the biggest contributor—one of the biggest contributors to the Teamsters' Central States Fund. So I represented the shareholders there.

And now I represent the \$60 billion—I am a trustee of a \$60 billion healthcare fund for United Auto Workers and the big three auto companies and for \$1 billion for steelworkers and the Goodyear Tire company.

And what I have learned from these roles is that the incomes that our Members have and take to their communities—and they are all over the country, they are not just concentrated in Michigan or in Indiana or in Pennsylvania, they are everywhere—when they take those incomes to their communities, it has a huge multiplier effect. The Social Security, the pensions, and the healthcare really adds to the health of those communities.

So it is not just the workers, it is their employers, and it is their communities.

So not——

Chairman DESAULNIER. Thank you, Doctor

Ms. GHILARDUCCI. Yes, not everyone had a DB plan before. Only 70 percent of full-time workers had a DB plan then. And now that is switched, and so the worker is lucky enough to have any kind of plan, mostly 401(k)——

Chairman DESAULNIER. Doctor, I am going to have to ask you to wrap up.

Ms. GHILARDUCCI. Got it. OK. Sorry about that.

One concern I have is that if we don't do something, we will have more elders in poverty.

We have a solution. It is something that I provided back in 2018 and something now, live, that is very bipartisan.

I am working with an unlikely partner, Kevin Hassett, who was on Trump's Council of Economic Advisers. We have proposed with the Economic Innovation Group that everyone have access to a plan like you all have, the Thrift Savings Plan. So we are offering up a platform for everyone to have it. If we don't do that, we could reverse the decades of promise we have had in retirement equity.

[The prepared statement of Ms. Ghilarducci follows:]

PREPARED STATEMENT OF DR. TERESA GHILARDUCCI

Page 1 of 8

Written Testimony of Teresa Ghilarducci*1
 “100 Years of Progress In Equalizing Retirement Is Under Dire Threat”
 UNITED STATES HOUSE OF REPRESENTATIVES
 COMMITTEE ON EDUCATION AND LABOR
 SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR, AND PENSIONS

Hearing title: “Examining Pathways to Build a Stronger, More Inclusive Retirement System”

Wednesday, June 23, 2021, at 10:15 a.m. (Eastern Time)

1 LIFE BEFORE SOCIAL SECURITY AND PENSIONS

Before Social Security and defined benefit plans, workers were more likely to die than retire. In 1920 a 60-year-old man was more than likely to die on the job than retire.² Women’s work was mainly in unpaid household production, the most important paid work was taking in boarders—the modern day Airbnb and she likely didn’t retire either.³ Most workers who didn’t die on their job were disabled and bedridden were cared for mainly by wives, husbands, daughters or daughter-in-laws.

In the 15 years or so years before Social Security was passed in 1935, only a few soldiers, union members, and government and railroad workers had pensions. Up until 1950s only the privileged were able to truly retire. In the 1940s only 3% of retirees aged 65 and over said they retired because they wanted to — they had the wealth and health to do so. Retirement for leisure was rare.

At the end of the 19th century, the unlucky elderly without work or relatives lived in poor houses and when the county poor houses dismantled, the elderly poor were transferred to what were at that time called “insane asylums” in the early 20th century.⁴

Age was the biggest poverty risk factor. We do not have data on elder poverty before 1959,⁵ but we know that in 1920 elders spent 44% of their meager incomes on food.⁶ For comparison, now the average food share is about 7% and 10% for the poor.⁷ The U.S. still has high elderly poverty rates — the official poverty rate is 13% — and the OECD measure is 20% — the highest in the core OECD (see Graph below). Your grand or great-grandparents were at high risk of living in a walk-up, in someone’s basement, or in the barn.

2 LIFE AFTER SOCIAL SECURITY AND PENSIONS

Progress was marked by retirement equity due to DB pensions and Social Security.

In 2021, someone turning 65 could expect 12 to 18 years of not working depending on their class, race, and gender. Though Black women in the bottom third of the income distribution can expect to live 12 more years after she withdraws from the labor force (with a sad 30% of those years encumbered by severe disability). A working man in the bottom third of the educational attainment distribution – a good proxy for socio-economic status — who made it to age 50 could expect 12.6 years of retirement before he died. A man in the upper third of the class distribution could expect 14.3 years of retirement leisure. A class divide exists in retirement duration to be sure, but it is remarkable that now both the prosperous and low-income worker can each expect some period of leisure at the end of their working lives.

I am a federal court-appointed trustee of the \$60 billion health care trust for the United Auto Workers and \$1 Billion trust for the United Steel Workers. The DB pension plans and retiree healthcare gave workers the ability to leave the plant and mill. These over 700,000 or so elder members and spouses enrich the health and wealth of their communities with their health insurance and disposable income in every state: Michigan, Georgia, Pennsylvania, New Jersey, New York etc. They won't be there in the next generation.

Longer longevity is true progress. But life spans are not equally distributed. And longer lives don't come from the sky. Most of the longevity gains have gone to the top of the income distribution.

And much of the increased longevity and health gains are caused by relieving people from the stress of working or looking for work in their old age, offering pension and Social Security income instead. Peter Arno and colleagues found that⁸ cutting income to the elderly security could reverse longevity gains by at least a half. We cannot make the mistake of thinking because we have made progress in living longer, this means we can work longer.

Retiring voluntarily is progress, though we have some ways to go before achieving equity. In the last recession in 2008, Urban Institute's Rich Johnson and Peter Gosselin found 66% of retirees did not retire voluntarily⁹ and the numbers for this recession are probably higher.¹⁰ For reasons I will address later, forced retirement is worse for the bottom half of the income distribution.

Another sign of progress is, as Social Security, Medicare, and Old Age Assistance became a part of a working people's life cycle income, elders could reside and plan to reside independently. Most of the increase in older women living independently from 1950 to 1990 is explained by the increase in Old Age Assistance and Social Security.¹¹ In 1886, 46% of retired men aged 65 and older were living with kin. By 1990, that fraction fell to 5%. This change is not caused by new social norms or is the result of having fewer children, it is because incomes have risen.¹²

3 WHY HAVE WE LOST PROGRESS IN RETIREMENT EQUITY?

But we have lost ground in retirement and longevity equity and preventing elder poverty for four main reasons. We have less retirement equity and impending retirement elder poverty because of the following:

1. Unfair tax code transfers aid to the top earners.
2. Shift to 401(k) type-plans erodes pension security and coverage;

3. The lack of universal pensions creates elder poverty and inequality;
4. Middle and low-income older workers can't easily work longer which creates elder poverty and inequality.

The tax expenditure for retirement plans favors the high-income worker with stable jobs —70% of the \$250B go to the top 20% of earners. Extending the age people need to withdraw from IRA, just makes the inequity worse.

Fewer than 15% of the workforce has a secure defined benefit plan now, back in the 1970s all workers with a plan had a DB plan. What is wrong with 401(k) type plans. Well, they are better than nothing but 401(k) work much better for the well off. That pensions and retirement accounts are not universal for all workers like Social Security is one of the main reasons we are going back to the past of undignified retirements.

The Do-It-Yourself, individual -directed, commercial, voluntary retirement system started in the 1980s with the 401(k) and Individual Retirement Account. Boston College economists, Ordinary workers who are lucky enough to have a retirement plan at work likely have do-it-yourself 401(k) type plans, and not the older-type of defined benefit pensions, in which employers contribute and professionals manage, and earn a much higher rate of return than individual accounts.¹³

One of the biggest problems with DC plans and also DB plans is that they were voluntary. Then as now most workers don't have access to a retirement account or rising wages expecting people to voluntarily save for retirement is a predictable disaster.

The current retirement system which include odd bits of tax code and employer practices ends up serving the short-term needs of mostly upper-income workers.

In sum: In the last 100 hundred years older people are better off because:

1. Progress is lower elderly poverty;
2. Progress is that elders can live independently from kin and out of mental institutions and off the streets and older women don't take in borders.
3. Progress meant higher incomes brought actual voluntary retirement, shorter work lives and more longevity.
4. Progress brought more equity in retirement time, the rich and poor alike could retire.

Increased national wealth produced a lot of everything good. —Today the GDP is about \$57,000 per person, which is an increase of almost nine times that of its value in the 1920s.¹⁴ With this increase, we have ended child labor, people are taller, we treat heart attacks, we negotiate world peace, and we achieved worker-choice retirement and retirement equity. But all this progress is at risk.

Forced retirement makes working longer a mere dream.

Using the HRS, a nationally representative longitudinal dataset, New School PhD candidate Aida Farmand, found that between the years 2010 to 2018, 55.3 percent of workers aged 55 and older in the bottom half of the income distribution were forced to leave the workforce because of layoffs, plant closings, age discrimination, poor health, and family concerns. A lower, but still substantial share, 32.4 percent in the next 40% of the income

distribution – the middle class – were forced out of work in old age. Even the most prosperous older worker was forced to retire before they planned; 30.4 percent of those in the top 10% of the income distribution were forced to retire. (Due to small sample sizes the averages are unstable.)

Share of retired workers who retired involuntarily 55 years and older. 2010-2018			
	Bottom 50 of income distribution	Middle 40 of income distribution	Top 10 of income distribution
2010	66.5	40.3	27.5
2018	38.2	23	18.1

Source: Author's calculations based on RAND HRS longitudinal File and Health and retirement study core files for 2010, 2012, 2014, 2016 and 2018. Note: Retirees who cite business closure or change of ownership, layoffs, poor health, family care or quitting over problems at work as causes for leaving their last job before retirement are classified as involuntary retired.

The bottom line is that in recessions almost half of retirees say they retire earlier than they wanted to because of work, health, or family care reasons.

History casts shade on the idea that cutting Social Security by raising the retirement age, essentially forcing people to work longer, is warranted because people are also living longer. Though it is true that people are healthier, people are living longer because they can voluntarily retire and take a break, with Social Security and pension income.

Even still, Americans have surpassed the Japanese and Germans in the number of hours of work per day, days per week, weeks per year and years per lifetime. Americans work more than any other worker in the G-7.¹⁵ Another reason working longer is a fantasy solution is that Americans already work more hours per day, more days per week, more weeks per year and more years per lifetime than any other worker in the G-7.

This country's vision for pensions and modern social insurance was present at its founding. Thomas Paine's last essay, published in 1795, called for a public system of economic security for the new nation. Paine proposed "a 10% inheritance tax [to] help fund a one-time lump sum at age 21 and annual benefits to every person aged 50 and older to guard against poverty in old-age."¹⁶

4 THREATS ERASING 100 YEARS OF PROGRESS IN RETIREMENT EQUITY.

The median retirement savings balance for the bottom 50 percent of American families is \$0.¹⁷ And if we do nothing in the next ten years two in five of older middle- and lower-income workers and their spouses will be downwardly mobile into poverty when they move into their retirement years.¹⁸

If we do nothing for pension or retirement security, we will erode years of progress. We will have

1. More elders living with adult children
2. More elder poverty
3. More people dying on the job or looking for work.
4. More older women taking in boarders.
5. Significant inequality in retirement time equity
6. Only the well - off and high – income profession will have access to a dignified old age

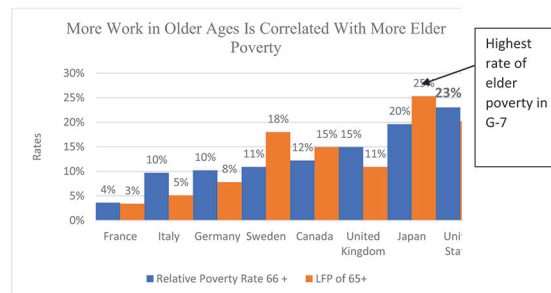
To continue the progress of retirement equity, longer lives, less retiree poverty and more retiree security Congress should tend to Social Security finances and create pensions for all.

In my 2008 book I recommended universal funded pensions for all. Tony James, then President of Blackstone Group, and I wrote *Recusing Retirement* a book with the a similar proposal in 2018, and now Kevin Hassett, former chair of President Trump's Council of Economic Advisors and I have come together with the Economic Innovation Group to propose that everyone should have [access to a pension like the one federal government employees enjoy](#), the Thrift Savings Plan.¹⁹ Kevin and my plan is a truly bipartisan framework to equalize wealth and retirement.

Congress should avoid making things worse by privileging those with substantial wealth in Individual Retirement Accounts, and force elders to work or look for work. Such an approach could erase decades of progress of equity and dignity in old age.

Appendix:

Elder Labor Force Participation and Elder Poverty in the G-7 Plus Sweden



Source: (OECD). Note that the rate of poverty in the U.S. differs from the U.S. lower reported number because the OECD uses a relative standard and the U.S. an absolute which is much lower than the national standard.

OECD (2020), Poverty rate (indicator). doi: 10.1787/0fe1315d-en (Accessed on 01 September 2020);
<https://data.oecd.org/emp/labour-force-participation-rate.htm>

Class Differences in Retirement Time (derived by author and published several places)²⁰

	MEN Retirement Duration (years)	WOMEN Retirement Duration (years)	Share of retirement time spent sick	Share who died without retiring (share with zero retirement time)
Average	13.7	17.7	26%	9%
Lowest one third of Education Attainment*	12.6	15.9	35%	10%
Middle Third of Education Attainment	14.3	17.5	26%	10%
Highest Education of Education Attainment	14.3	19.7	20%	7%

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² Dora Costa, *The Evolution of Retirement*. University of Chicago Press 1990. P.

³ In 1920s, about 60% of men over age 65 were in the paid labor force – at the farm or in the rapidly developing industrial sector. Dora Costa, *The Evolution of Retirement*. University of Chicago Press 1990. P.23. That women have emerged economically is progress, for women have gained independence and access to leisure. Working class women today have many other choices beside taking in boarders and performing unpaid care work. (Although over 90% of personal and home healthcare workers are women.)

⁴ If you want to know more about how the elderly poor were treated before Social Security and pensions, read this student review of the literature, Huddleston, Diane M. "The Poorhouse: Industrialization of the Poor." Department of History Capstone paper, Western Oregon University, 2012. But I rely on the scholarly writings of Skocpol, Theda, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*. Cambridge: The Belknap Press of Harvard University Press, 1992. and Sutton, John R., "The Political Economy of

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⁵ <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html>

⁶ Dora Costa, *The Evolution of Retirement*. University of Chicago Press 1990. P. 137.

⁷ Who spends what on what by income distribution? These government data are very instructive. The poor pay more of their income on food. [Annual expenditure, Consumer Expenditure Survey, 2019 https://www.bls.gov/opub/reports/consumer-expenditures/2019/home.htm#tableC](https://www.bls.gov/opub/reports/consumer-expenditures/2019/home.htm#tableC) Table 2. Deciles of income before taxes: Average annual expenditures and characteristics, 2019

⁸ Norstrom, T. and Palme, J. (2010) Public Pension Institutions And Old-Age Mortality In A Comparative Perspective. *International Journal of Social Welfare* 19: S121-S130.

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⁹ Johnson, R., & Gosselin, P. (2018). *How secure is employment at older ages?* Urban Institute. Retrieved June 13, 2021 https://www.urban.org/sites/default/files/publication/99570/how_secure_is_employment_at_older_ages_2.pdf

¹⁰ The retirement rates in the pandemic shot up for workers without college in the first quarter of 2021. Davis, O., Fisher, B., Ghilarducci, T., and Radpour, S. (2021). "The Pandemic Retirement Surge Increased Retirement Inequality." Status of Older Workers Report Series. New York, NY. Schwartz Center for Economic Policy Analysis at The New School for Social Research.

¹¹ [A house of her own: old age assistance and the living arrangements of older nonmarried women](#) DL Costa - *Journal of Public Economics*, 1999

¹² Costa, Ibid. Page 130

¹³ Scholarly work show that defined benefit plans are structured so the value is high at relatively younger ages compared to peak value in DC plans, which always increase over time Switching from DB to DC boosted elderly work effort. There are several classic articles on this point. See

Friedberg, Leora and Anthony Webb. "Retirement and the Evolution of Pension Structure," *Journal of Human Resources*, University of Wisconsin Press, vol. 40, no. 2 (2005): <http://jhr.uwpress.org/content/XL/2/281.full.pdf+html> and the powerful duo, Gustman, Alan L. and Thomas L. Steinmeier. "How Changes in Social Security Affect Recent Retirement Trends," *Research on Aging*, vol. 31, no. 2 (March 2009): 261-290. <http://doi.org/10.1177/0164027508328312>. More from Alicia Munnell's research shop, Wenliang Hou, Alicia H., Munnell, Geoffrey T. Sanzenbacher, and Yinji Li. "Why Are U.S. Households Claiming Social Security Later?" *Center for Retirement Research at Boston College*. (April 2017): https://crr.bc.edu/wp-content/uploads/2017/04/wp_2017-3-2.pdf.

¹⁴ See St Louis Federal Reserve series on GDP.

¹⁵ Ghilarducci, T. 2020 "Making Old People Work". *Politics and Society*

¹⁶ <https://www.ssa.gov/history/briefhistory3.html>

¹⁷ https://www.economicpolicyresearch.org/images/Retirement_Project/Guaranteed_Retirement_Accounts/RetirementSecurityFastFactsJune3.pdf

¹⁸ https://www.economicpolicyresearch.org/images/docs/research/retirement_security/Downward_Mobility_in_Retirement_P_N.pdf

¹⁹ The Economic Innovation Group (EIG) has published [my paper](#) with Kevin Hassett the former Chair of the White House Council of Economic Advisers for Donald Trump.

²⁰ Teresa Ghilarducci and Tony Webb. "The Distribution of Time in Retirement: Evidence From the Health and Retirement Survey." *Work, Aging and Retirement*, Vol. 4, No. 3, July 2018, p. 251-261.

Chairman DESAULNIER. Thank you, Doctor.

Ms. GHILARDUCCI. Thank you.

Chairman DESAULNIER. We look forward to hearing more about your partnership.

Dr. Rhee, you are up for five minutes.

STATEMENT OF DR. NARI RHEE, DIRECTOR, RETIREMENT SECURITY PROGRAM, UNIVERSITY OF CALIFORNIA AT BERKELEY, BERKELEY, CA

Ms. RHEE. Thank you. Good morning, and thank you for this opportunity to be here today.

I want to make three points today related to the inequalities in the current private sector retirement system, whether it is race, gender, and income. And I am so happy that you covered a lot of the basic data.

So I am going to kind of reframe and talk about the interactions between the employer-sponsored retirement system and the fact that it is now primarily a defined contribution system and dynamics inside and outside the labor market that result in an incredible degree of inequality in retirement savings outcomes.

So, as you mentioned, the retirement benefit access in the private sector is incomplete. It is far short of 100 percent. And it also varies wildly by occupation, industry, and wage level, not to mention firm size. So that the likelihood of being offered a retirement plan as a private sector worker is directly correlated with your wage level.

At the end of the day, only about 20 percent of workers in the bottom quartile, bottom 25 percent, actually participate in a private sector retirement plan.

So this intersects with sort of labor market segmentation and also kind of women's work realities. One is that, if you look at it by industry or occupation, the sectors with the heaviest concentra-

tions of Black and Latino workers also have the lowest rates of retirement benefit sponsorship.

I am just going to pull out two sectors, hotel and restaurants. Latinos and Black workers are 60 percent overrepresented in that sector relative to their overall labor market presence. Only 33 percent of workers in that sector are offered a plan.

Similarly, in administrative wing services, which is also heavily overrepresented in terms of workers of color, only 38 percent have access.

And then if you look at the top levels where workers are underrepresented in terms of workers of color, it is the reverse, that you will see 80 percent or higher rates of access in things like finance and business services.

So the upshot of this is that only 46 percent of Black working households and 37 percent of Latino working households has anybody on a pension or 401(k) in that family compared to 60 percent of White working households.

So I would say that both White working households and households of color are not looking so good. But, obviously, there is additional—[inaudible].

So I am going to ask the facilitator to advance to Figure 3. I just have a few charts that I want to highlight just to illustrate the magnitude of inequality.

So if you would skip forward to Figure 3, please. Thank you.

So we are looking at retirement account balances among near retirement households by income quintile in 2019. And so just kind of eyeball this chart and you can see that there is a tremendous degree of inequality in account balances.

And this is just typical account balances. If you look at mean or average account balances it looks a lot worse.

And then you will notice the zeros in the bottom 40 percent of the chart, and that is because less than half of—well under half of households in the bottom 40 percent of this age group, basically they don't own a retirement account.

So I am going to advance to Figure 5, which shows the same kind of data by race, and this is for working age households age 25 to 64.

And so, again, you will see that the median balance for all Black and Latino households is zero because, in fact, 60 percent of Black households and 68 percent of Latino households do not own a retirement account.

And among the lucky few that do, the typical balance is less than half that of the typical balance of White households. And, again, it looks much worse if you look at means as opposed to medians.

Finally, on Figure 7, just to break this down quickly by sex and marital status, so marriage definitely gives you a boost in retirement security, although the balances aren't that impressive, and single women-led households tend to be the worst off.

So women face particular challenges in an employer-based retirement system. The data indicates that women have approximate 30 with managers of retirement benefit access, but they also face a lot of challenges, and that is longer lives, the gender pay gap, and just in general lower wages than men, but also their lifetime earnings are really truncated by unpaid caregiving work. And that includes

cumulative costs of hundreds of thousands of dollars for women who have to take time out of the labor force.

I see that we are over time, so I just want to highlight a couple of things.

I have been deeply involved in the formation of the CalSavers auto-IRA program. And the States are just desperate for a solution to this problem because it is going to hit them in their pocketbooks, and they know it.

So some States have jumped, just jumped in and gotten tired of the Federal Government to act on universal retirement coverage. And at the same time, they are severely limited in terms of what they can do by ERISA preemption, so they can't take employer contributions, they can't cover the part-time workers who are excluded from ERISA-regulated plans. And so I think there is a need for Federal leadership on this issue.

And the last point I want to make is that wage policy is incredibly important. California enacted the \$15 minimum wage the same day that it enacted CalSavers. And combined, it has the potential to increase low wage workers' retirement incomes by up to 50 percent above the status quo. So wage policy is incredibly important.

Thank you.

[The prepared statement of Ms. Rhee follows:]

PREPARED STATEMENT OF DR. NARI RHEE

Testimony of Nari Rhee, PhD
Director, Retirement Security Program
Center for Labor Research and Education
University of California at Berkeley

Health, Employment, Labor and Pensions Subcommittee
House Committee on Education and Labor
June 23, 2021

Good morning Chairman DeSaulnier, Ranking member Allen, and members of the Subcommittee. I am Nari Rhee, director of the Retirement Security Program at the UC Berkeley Center for Labor Research and Education.

Thank you for this opportunity to appear before you to discuss how the US retirement system can be strengthened and made more inclusive, so that all workers – regardless of race, gender, or class – can have economic security in retirement.

The US retirement system relies heavily on employer-provided retirement benefits to provide a critical supplemental layer of retirement income to complement Social Security. While Social Security is a bedrock, the current average benefit of \$1,500 a month is insufficient to cover basic needs for most retirees, given the cost of living, much less to maintain the pre-retirement standard of living for middle-income households. In addition, workers face an increasing retirement savings burden due to declining replacement rates from Social Security. The Center for Retirement Research at Boston College estimates that the percentage of monthly earnings replaced by Social Security will decline to 36% in 2035, from 43% in 1995 and 40% in 2015.¹

I'd like to make three main points today related to inequalities in the current retirement system, and how to mitigate them. First, the employer-sponsored retirement system leaves out many groups of workers and jobs, in a manner that disproportionately impacts women and people of color, particularly Blacks and Latinos. Second, these gaps in coverage combine with dynamics within and outside of the labor market to produce marked inequalities in retirement assets by race, gender, and income, leaving most households short. Third, while some states have forged their own path to try to close this coverage gap and ultimately increase workers' retirement incomes, federal policy action is necessary so that all workers are covered by a plan that effectively prepares them for a financially secure retirement, and to ensure that their wages are also sufficient to support this.

¹ P. 3 in A. Munnell and A. Chen, "401(k)/IRA Holdings in 2019: An Update from the SCF," Center for Retirement Research at Boston College, October 2020. https://crr.bc.edu/wp-content/uploads/2020/10/IB_20-14.pdf.

1. The private sector employer-sponsored retirement system has large gaps in coverage that disproportionately impact women workers and workers of color.

Ideally, close to 100% of jobs should include a retirement plan, regardless of part-time/full-time status, occupation, industry, or firm size. And all workers should participate in a retirement plan through the full arc of their earning lives, regardless of race, gender, or wage level. But the current system falls far short of universal coverage. Depending on the source, roughly one-half to two-thirds of private sector workers have access to a retirement plan. The Bureau of Labor Statistics' National Compensation Survey (NCS), an employer survey, offers the upper bound estimate of coverage: in 2019, 67% of workers in the private sector have access, and 50% participate. While higher than the estimate of roughly 55% from household surveys from the Census Bureau, this falls far short of universal coverage.

Workplace retirement plan coverage varies sharply by occupation, wage level, and part-time/full-time status. For instance, according to NCS data for 2019, 84% of management and professional workers in the private sector have access to an employer sponsored plan, compared to only 41% of workers in service jobs. The bottom 25% of workers by wage level are less than half as likely as the top 25% of workers to have access (42% vs 88%). Similarly, only 39% of workers in part-time jobs have access, compared to 77% of workers in full-time jobs.²

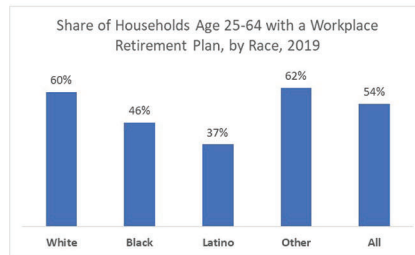
The gap in take-up – the share of workers with access who actually participate in the retirement plan – is even greater than the gap in reported access. This difference is particularly stark for workers in low-wage jobs. Among the bottom 25% of workers by wage level, only 52% of those with access participate – which translates to just 21% of all workers in this wage bracket.

Workers of color are concentrated in jobs that are less likely to offer retirement benefits. Some of the above job-based disparities in access to employer sponsored retirement plans intersect with racialized labor market to result in highly unequal retirement plan participation rates and retirement wealth outcomes. Workers of color are concentrated in sectors like lowest rates of retirement plan sponsorship, such as building services, restaurants, and the hospitality sector.

Consequently, among households age 25-64 with at least one employed worker, only 60% of White households participated in a defined-benefit or defined-contribution plan at work in 2019. The rate was significantly lower for Black households (46%), and Latinos were the worst off (37%). (See **Figure 1.**)

² National Compensation Survey: Employee Benefits in the United States, March 2020

Figure 1



Source: Author's analysis of Survey of Consumer Finances.

Work-based retirement wealth accumulation poses special challenges for women, given their disproportionate responsibility for unpaid caregiving. In recent years, women workers have achieved near-parity with male workers in terms of nominal access to workplace retirement plans, though available data indicates that they still lag in actual participation rates.³ Withdrawing from the labor force or reducing paid work hours in order to care for children or aging parents results in interrupted or truncated careers. Even before the COVID-19 pandemic, when school closures drove many mothers out of the labor force, women's employment and work hours were suppressed by the lack of affordable childcare. And an aging population means an increased aggregate need for caregiving that falls on women's shoulders. This not only results in foregone pay, but a lasting pay penalty, resulting in a significant cumulative reduction in potential lifetime earnings.⁴

This means lower Social Security benefits, as well as fewer years to participate in a pension or 401(k), and lower income from which to save for retirement. A MetLife study from 2011

³ Among readily available sources, the Current Population Survey/Annual Social and Economic Supplement (ASEC) is the only source of current, readily accessible retirement plan coverage data that allows for demographic analysis, but has a known under-reporting problem for this variable. Nonetheless, it is useful for understanding relative differences in retirement plan coverage between different types of workers. My analysis of data for 2019 suggests that among private sector employees, women are roughly 90% as likely as men to participate in a retirement plan.

⁴ On the impact of caregiving on women's wages and earnings, see S.J. Correll, S. Benard and I. Paik, "Getting a Job: Is There a Motherhood Penalty?," *American Journal of Sociology* 112(5), March 2007, <https://doi.org/10.1086/511799>; J.R. Kahn, J. Garcia-Mangano and S.M. Bianchi, "The Motherhood Penalty at Midlife: Long-Term Effects of Children on Women's Careers," *Journal of Marriage and Family* 76 (Feb 2014): 56-72, <https://doi.org/10.1111/jomf.12086>; C.H. Van Houtven, N.B. Coe and M.M. Skira, "The Effect of Informal Care on Work and Wages," *Journal of Health Economics* 32(1): 240-252; S. Bornstein S., "Work, family, and discrimination at the bottom of the ladder," *Georgetown Journal on Poverty Law Policy* 19(1):1-42, 2012.

estimated a loss of \$120,000 in wages and \$64,000 in Social Security benefits for women who reduced paid work hours due to caregiving.⁵

2. The current system generates high levels of inequality in retirement wealth – by income, race, and gender.

Before we look at disparities, it's important to understand that current gaps in the retirement system are a broad problem that affects workers of all races, both men and women, and middle-income as well as low-income workers. Only 58% of US families have any kind of retirement asset, whether it's a defined benefit plan, a defined contribution plan like a 401(k), or an IRA. The majority of households (and workers) without retirement assets are White, at the same time that people of color and women are disproportionately impacted.

The middle 50% of near-retirement households has insufficient retirement account balances, while most low-income households have no retirement assets. According to data from the 2019 Survey of Consumer Finances, only 10% of the bottom fifth of households age 55-64 (by income) have a 401(k)/IRA, and 37% of the lower-middle fifth, have any retirement assets (**Figure 2**). While retirement asset ownership rates increase with income, all but the top fifth of households in this age group have typical retirement account balances that are far below retirement income need (**Figure 3**). Even among the upper-middle (4th) income quintile households, the median account balance \$63,000 will generate only about \$200 per month in retirement income. Looking at just households with retirement accounts, large disparities by income persists, and typical balances among all but the top fifth fall short of providing adequate income.

Although 401(k)/IRA assets are distributed slightly less unevenly than overall wealth, they are still radically skewed towards high-income households. Among households age 55-64, the top 20% of households by income own 70% of the wealth held in retirement accounts in their age group.⁶

Retirement wealth inequality by income is compounded by the interaction between inadequate retirement plan coverage and wage stagnation at the middle and bottom of the labor market. The average real wage has been flat since 2000 and average compensation growth has lagged far behind productivity growth⁷, though wages have ticked up somewhat this year.⁸ The federal minimum wage has been \$7.25 for 10 years, while the cost of living has increased by 24%. The federal minimum wage for tipped workers in the restaurant sector, which has some of the lowest rates of retirement plan access, is \$2.13.

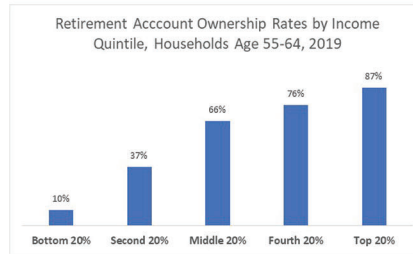
⁵ MetLife, "The MetLife Study of Caregiving Costs to Caregivers," <https://www.caregiving.org/wp-content/uploads/2011/06/mmi-caregiving-costs-working-caregivers.pdf>.

⁶ Author's analysis of 2019 SCF.

⁷ E. Gould, "State of Working America Wages 2019," Economic Policy Institute, February 20, 2020. <https://www.epi.org/publication/swa-wages-2019/>.

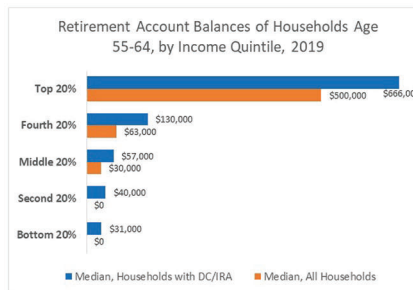
⁸ Ibid.

Figure 2



Source: Author's analysis of Survey of Consumer Finances.

Figure 3



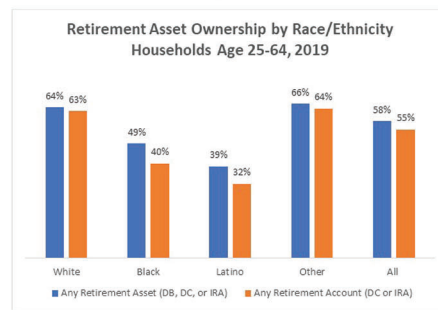
Source: Author's analysis of Survey of Consumer Finances.

Ownership of retirement assets is highly uneven by race, with Blacks worse off than Whites, and Latinos the worst off. Among households age 25-64, 64% of White households have a pension, 401(k), or IRA, compared to 49% of Black households and 39% of Latino households. If we leave out defined benefit pensions and look at just retirement accounts, the level of racial inequality is even worse: 63% of White households have a 401(k) or IRA, compared to 40% of

Black households and 32% of Latino households. (See **Figure 4.**) Typical Black and Latino households with a retirement account have less than half the retirement savings of a typical White household with a retirement account (\$30,000, \$34,000, and \$69,000, respectively) (**Figure 5**). Looking at average (mean) retirement account balances, Black and Latino households have roughly a quarter of the average (mean) retirement wealth of White households (\$43,000, \$38,000, and \$153,000, respectively).⁹

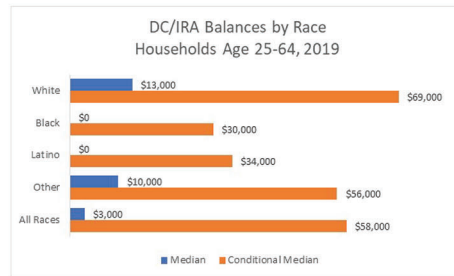
Importantly, disparities in generational wealth factor into unequal distribution of retirement assets by race alongside gaps in retirement plan coverage. Federal Reserve researchers found that White families were three times as likely as Black families and 8 times as likely as Latino families to receive an inheritance. White families also received larger inheritances.¹⁰

Figure 4



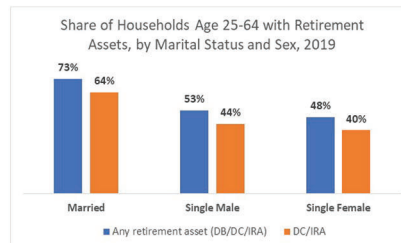
⁹ Author's analysis of 2019 SCF.

¹⁰ N. Bhutta, A.C. Chang, L.J. Detting, and J.W. Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," FEDS Notes, September 28, 2020.
<https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.

Figure 5

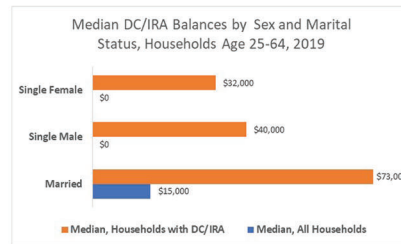
Source: Author's analysis of Survey of Consumer Finances.

Households headed by single adults – in particular single women – are significantly less likely to have retirement assets. While 73% of married households age 25-64 have a pension, 401(k), or IRA, only 53% of households headed by single men, and 48% of households headed by single women, do so. Counting only retirement accounts, 64% of married households in this age group have retirement savings, compared to 44% of single male households and a mere 40% of single female households. (See **Figure 6**). Among households with a retirement account, single female households have 44% of the retirement assets of married households (**Figure 7**).

Figure 6

Source: Author's analysis of Survey of Consumer Finances.

Figure 7



Source: Author's analysis of Survey of Consumer Finances.

3. Both retirement system structural reforms and wage policy reforms are necessary for universal retirement security.

Public discussion of disparities in retirement wealth often devolve into speculation about whether or not certain groups of workers want to save, or prioritize saving for retirement. But surveys show that American workers of all backgrounds are worried about retirement – even Millennials.¹¹ The lack of adequate retirement assets, and the disparities in retirement wealth by income, race, and gender, are structural problems that call for large-scale policy solutions. In particular, broad retirement security requires both universal coverage and adequate contributions, including employer contributions. In the US, it will take both strengthening Social Security financing and benefits, *and* policies that provide universal access to a supplemental tier of retirement income.

Federal policies over the last two decades have done little to move the needle on coverage, and in many cases – such as the short-lived U.S. Treasury MyRA program, implemented by executive authority under the Obama Administration due to legislative gridlock – have proven that incremental, voluntary approaches do not work. Given the complexity and cost of administering employer-sponsored retirement plans, not to mention the fiduciary liability, employer tax incentives are unlikely to move the needle much further.

The states, meanwhile, face dramatic fiscal repercussions from the retirement crisis, and have been waiting for the federal government to act. An increasing number of states have decided they can no longer wait, and are pursuing their own policies to narrow the future retirement income gap. The most potent of these are auto-IRA programs that mandate employers that do not offer

¹¹ D. Doonan, K. Kennecally and T. Bond, “Retirement Insecurity 2021: Americans’ Views of Retirement,” National Institute on Retirement Security, February 2021. <https://www.nirsonline.org/reports/retirementinsecurity2021/>. Insured Retirement Institute, “Millennials & Retirement 2020”, Jan 2020. https://www.myirionline.org/docs/default-source/default-document-library/iri_millennial_Whitepaper_final_2020.pdf?sfvrsn=0.

their own plan to auto-enroll their employees in a state-sponsored Roth IRA. Workers can then choose to opt out. In 2017, OregonSaves launched as the first such program to be implemented, followed by Illinois Secure Choice in 2018 and CalSavers in 2019. Unfortunately, due to ERISA preemption issues, these programs cannot accept employer contributions. Some states are following the Massachusetts model, of setting up voluntary multiple employer 401(k) plans for certain sectors, such as nonprofits or small businesses. These plans have the benefit of lower cost compared to the average small employer plan, and can be used to complement auto-IRA programs. Both types of programs are administered by private recordkeepers, and investment management is also outsourced, with a public board of trustees providing fiduciary oversight. In addition to Oregon, California, and Illinois, which have thus far accumulated \$250 million in assets and are rapidly growing, five other states and two large cities have passed legislation to implement similar programs.¹²

Significantly, California enacted its auto-IRA legislation in 2016 on the same day as the current minimum wage law that raises the floor to \$15/hour for all workers by 2022. The wage increases, combined with the auto-IRA program, have the potential to increase low-wage workers' retirement income by 50%.¹³

But even in states with auto-IRAs, large groups of workers are left out: those who cobble together a living from part-time and seasonal jobs, and those who work for the smallest employers. The employer mandate in the Illinois auto-IRA program, for instance, leaves out firms with less than 20 employees. California's mandate exempts the firms with less than 5 employees. Oregon, admirably, includes all employees regardless of firm size. None of these programs cover workers who are excluded from their employer's retirement plan by eligibility rules related to part-time status and job tenure, in order to avoid running afoul of ERISA.

In closing, I offer the following recommendations for making the retirement system stronger and more inclusive. They are far from exhaustive or comprehensive, but they relate directly to the research findings I've presented.

- Protect and strengthen Social Security, including benefit enhancements for low-wage workers and caregivers.
- Tighten ERISA rules to include more workers in firms that offer a retirement plan.
- Restructure tax incentives for retirement savings. For instance, converting the existing, regressive tax deduction into a flat refundable retirement savings credit would go a long way towards lifting retirement wealth at the bottom and middle.
- Adequate wage increases are integral to retirement security – thus federal wage standards should keep up with the cost of living, starting with an increase to \$15/hour and

¹² For the status of state retirement savings initiatives, see <https://cri.georgetown.edu/states/>.

¹³ N. Rhee, "California's \$15 Minimum Wage and Secure Choice Retirement Savings Program Can Boost Young Low-Income Workers' Retirement Incomes by 50%," UC Berkeley Center for Labor Research and Education, December 2017; N. Rhee, "What We Can Learn from the California Model for Improving Workers' Financial Security," Aspen Institute blog post, March 28, 2018, <https://www.aspeninstitute.org/blog-posts/can-learn-california-model-improving-workers-financial-security/>.

elimination of the tipped minimum wage, which disproportionately hurts women workers.

- Protect and encourage state policy innovation to expand coverage in the context of a federal policy vacuum. Successive administrations have taken opposing positions with regard to them. Depending on the outcome of the ERISA lawsuit that is winding its way to the Supreme Court, legislative action may be required to protect the program.
- Finally, federal legislative action is ultimately necessary to create a national system of universal retirement plan coverage to supplement Social Security. Nothing less than this can truly ensure broadly shared retirement security across class, race, and gender divides. For the purposes of this testimony, I am agnostic on the exact policy model. Having been deeply involved with the development of the CalSavers program, I offer that there's much to learn from the states, and from other national models like the UK NEST program and the Australian Superannuation program, in terms of the possible combinations of employer-and publicly-sponsored plans in a universal coverage scheme.

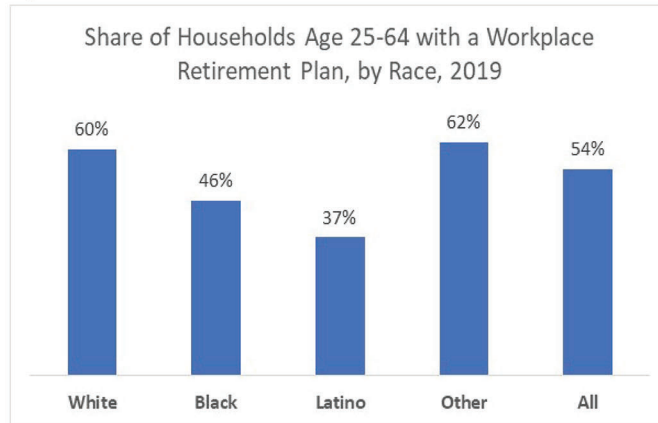
Thank you again for this opportunity to speak before you.

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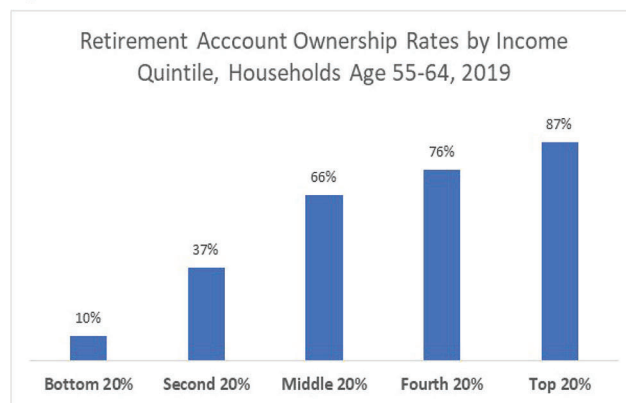
Testimony to HELP Subcommittee: Charts on Retirement Inequality

Nari Rhee, PhD
UC Berkeley Center for Labor Research and Education

HELP Subcommittee Hearing
"Examining Pathways to Build a Stronger, More Inclusive Retirement System"
June 23, 2021

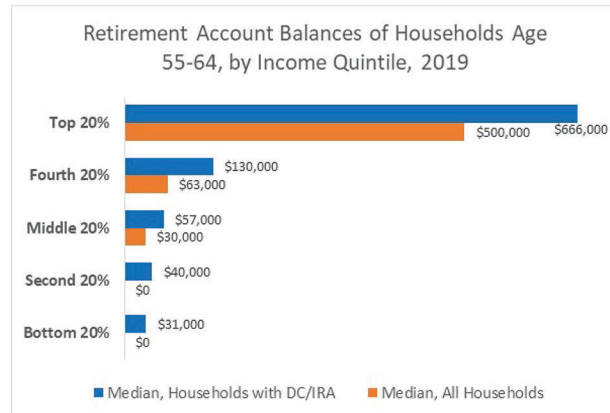
Figure 1

Source: Author's analysis of Survey of Consumer Finances.

Figure 2

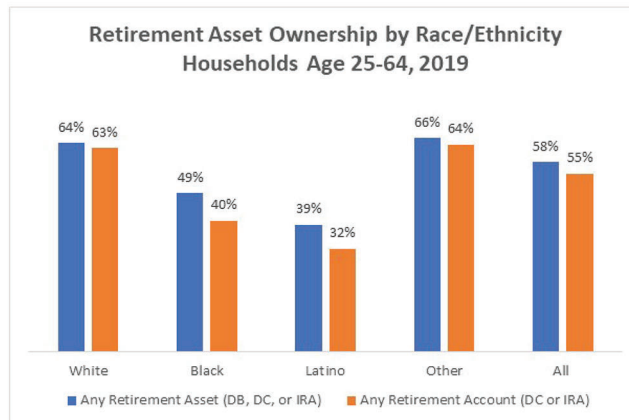
Source: Author's analysis of Survey of Consumer Finances.

Figure 3

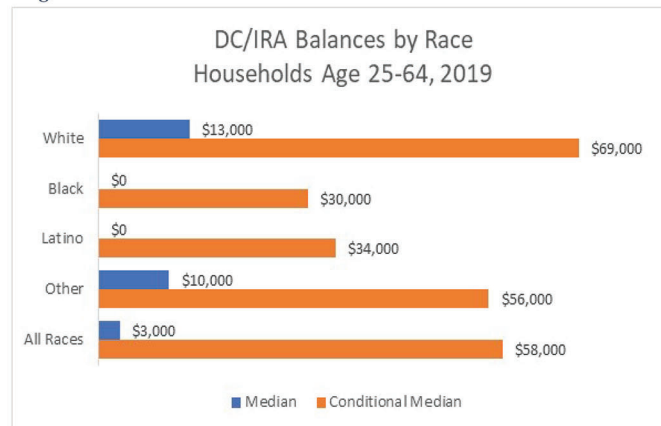


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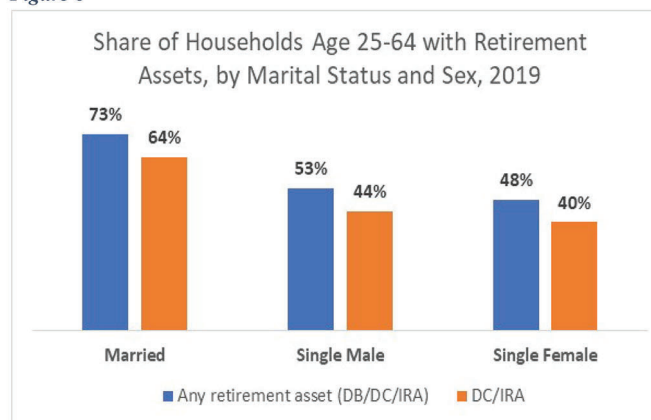
Figure 4



Source: Author's analysis of Survey of Consumer Finances.

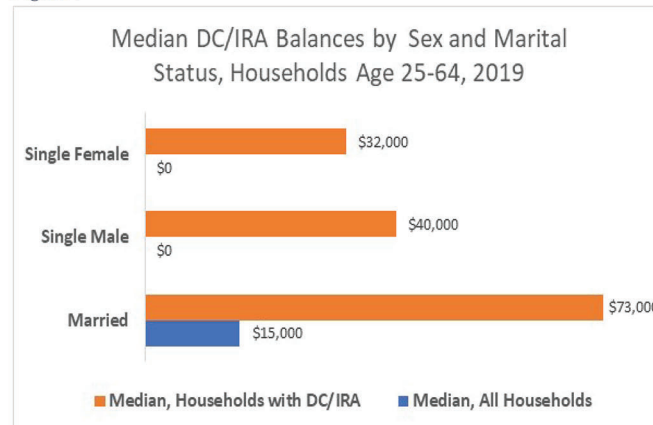
Figure 5

Source: Author's analysis of Survey of Consumer Finances.

Figure 6

Source: Author's analysis of Survey of Consumer Finances.

Figure 7



Source: Author's analysis of Survey of Consumer Finances.

Chairman DESAULNIER. Thank you, Doctor.
We will now go to Dr. Biggs for five minutes.
Doctor, the floor is yours.

**STATEMENT OF DR. ANDREW BIGGS, RESIDENT SCHOLAR,
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Mr. BIGGS. Thank you very much, Mr. Chairman and Ranking Member Allen, for the opportunity to testify today.

A study published by a prominent think tank predicted that, quote, "More than 40 percent of households between the ages of 47 to 64 will not be able to replace even half of their preretirement incomes once they stop working. Nearly 20 percent will have retirement incomes below the poverty line."

Those claims could have jumped from the testimony at today's hearing. We have heard the retirement system is eroding and retiree poverty will skyrocket.

And, yet, that frightening study was published nearly two decades ago by the progressive Economic Policy Institute, and none of its dire predictions came to pass.

Poverty in old age didn't increase. In fact, it fell substantially.

Retirement incomes did not decline, but instead rose to record levels.

And instead of a retirement crisis, 80 percent of retirees today tell Gallup surveys they have enough money not merely to survive but to, quote, "live comfortably." Only 5 percent of seniors tell a Federal Reserve survey they are, quote, "finding it hard to get by."

The data show clearly that never before have so many Americans saved so much for retirement. Never before have retiree incomes been so high or poverty in old age so low. And so I predict the same will hold for the dire warnings you will hear today.

But even more importantly, the Federal Government itself does not predict anything approaching a retirement crisis. The Social Security Administration's most sophisticated retirement income model projects that future retirees will have a median retirement income replacement rate about 110 percent of their career average returns. That is very similar to today's retirees.

The share with low replacement rates also will remain the same while poverty and old age will continue to fall.

Why is the future so much brighter than some would have you believe? Because we have done the things necessary to boost retirement savings.

The switch from traditional pensions to 401(k)s means that more Americans have access to retirement plans. Back in the mid-1970s, when traditional pension participation was at its peak, only around 4 in 10 private sector workers had a retirement plan. IRS data show that nearly 60 percent of workers are participating in a plan today.

Among married couples, over 80 percent have at least one spouse participating in a retirement plan, and it is likely that over 90 percent of couples have at least one spouse who is offered a plan.

We have come a long way.

401(k)s also boost savings because unlike traditional pensions, both employer and employee pay in. Since the 1970s, total retirement plan contributions rose from 5.8 percent of employee wages and salaries to 8.4 percent. That is a 45 percent relative increase in retirement savings.

Total retirement plan assets today are seven times higher than back in the 1970s. Federal Reserve data show that retirement savings have increased in every age, income, educational, and racial or ethnic group.

401(k)s are also much more portable than traditional pensions, which helps workers who switch jobs or take time out of the workforce.

All in all, while just 45 percent of retirees received benefits from a private retirement plan in 1990, 61 percent of retirees do today.

When we think about a retirement system, especially how different groups are treated, we need to think about the whole system.

U.S. households today hold \$41 trillion in private retirement savings. Those savings are skewed toward high earners. But Americans have also earned nearly \$41 trillion in Social Security benefits, and Social Security benefits are tilted toward low-income households.

For instance, the CBO finds that the poorest fifth of retirees received Social Security benefits equal to about 80 percent of their preretirement earnings, while the richest fifth received a replacement rate of just 34 percent of their earnings.

Given this, it is not at all surprising that low-income Americans save little on top of Social Security while high-income Americans save a great deal more.

Remember, retirement saving isn't about ending life with the most money. It is about saving enough to maintain your standard of living once you stop working. And a variety of data show the

vast majority of Americans, rich and poor and from different walks of life, are able to do that.

I support policies to give all Americans access to retirement plans. The U.S. retirement system has made great progress in the last several decades and it is foolish to deny that progress. But past progress isn't enough. We need to keep working to fill the gaps that remain in our system so that every American who wants and needs to save for retirement has an easy and affordable way to do so.

Thank you very much.

[The prepared statement of Mr. Biggs follows:]

PREPARED STATEMENT OF ANDREW BIGGS



Statement before the House Committee on Education and Labor
Subcommittee on Health, Employment, Labor, and Pensions
Hearing on “Examining Pathways to Build a Stronger, More Inclusive Retirement System”

**The Unreported Strengths of the U.S.
Retirement System**

Wednesday, June 23, 2021

Andrew G. Biggs, Ph.D.
Senior Fellow

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.

Chairman DeSaulnier, Ranking Member Allen, and Members of the Subcommittee. Thank you for the opportunity to discuss developments in retirement income policy in the United States.

Americans worry about their ability to retire in comfort and policymakers wonder what they can do to help. Every day, newspapers and websites present negative news about the state of Americans' retirement savings.

- “Half of older Americans have no retirement savings,” says the Government Accountability Office.
- “The average retiree will run out of money after 10 years,” says the World Economic Forum.
- “Bankruptcy booms for older Americans,” the New York Times tells us.
- “Americans entering old age the least prepared in decades,” says the Wall Street Journal.
- “Social Security has lost a third of its buying power since 2000,” the Washington Post tells us.
- USA today warns us that “Retirees’ reliance on Social Security nears an all-time high.”
- “Half of Americans over age 55 may retire poor,” says MarketWatch.

And yet, all of these claims are false. And not just false in some “gotcha” technical sense, but in the sense of conveying provably incorrect claims about the state of Americans’ retirement savings.

Let me instead provide some more informative points that I will detail below:

- More Americans are saving for retirement than ever before. The relative share of private sector employees participating in a retirement plan has increased by 50 percent since the 1970s, when participation in traditional pensions reached its peak. (PBGC and IRS data.)
 - Americans are contributing more to retirement plans than ever before. Total pension contributions as a share of employee wages are 45 percent higher today than in the 1970s. (Department of Labor data.)
 - Total retirement savings today are more than seven times higher than in the 1970s. Since 1989, retirement savings have increased among every age, income, educational and racial/ethnic group. (Federal Reserve Board data.)
-

- The share of retirees receiving private retirement plan benefits increased by 35 percent since 1990 and the share of retirees with sub-poverty level incomes dropped by nearly one-third. (Census Bureau research.)
- Future retirees will have median “replacement rates” nearly identical to current retirees. The share of future retirees with low replacement rates will remain essentially unchanged and the share of retirees in poverty will decline. (Social Security Administration projections.)

A grounding in the facts is the foundation upon which solid retirement policy can be built.

This Committee has important work to do in facilitating private retirement savings, as it did via the SECURE Act and can do again through SECURE Act 2.0. While I did not favor multi-billion dollar bailout of multiemployer pensions that Congress passed earlier this year, Congress should work to implement that plan to minimize adverse incentives and costs to the taxpayer, and to more generally reform the funding rules of multiemployer pensions that led to this fiscal disaster. Congress has an even larger task in fixing Social Security, which for three decades our elected officials have failed to address. But in those actions, I urge you all to think about building upon our retirement system’s successes more than turning that system upside down.

Why are Americans so worried about retirement?

It is natural to be concerned about retirement planning. It can be a complex task and we have only one chance to get it right. Surveys have long shown that working-age Americans fear for their retirement security, but surveys and data similarly show those worries rarely come to pass.

But there is another reason why discouraging claims about Americans’ retirement savings are so common: very few people have the incentive to show why these claims are false and why the pessimism they convey is so misleading. The news media want to sell newspapers and magazines, and we all know that frightening news sells. The financial industry has a product to sell, so what are the chances they will tell you you’re saving enough for retirement? And certain people have a philosophical disposition against America’s “retirement system,” which isn’t so much a system as a combination of Social Security, employer-sponsored retirement plans and personal savings that leaves significant discretion to individuals, who some feel lack the judgement to handle so complex a task.

Many warn that America faces a “retirement crisis” of inadequate savings. And Americans believe them, with polls showing 75 percent agreeing that our nation faces such a crisis.¹

And yet I am confident in saying that America’s retirement system has never been stronger than it is today. Data show clearly that more Americans are saving more for retirement than ever before. Retirement incomes have never been higher and poverty in old age never lower.

How are today’s retirees faring? Let’s ask them.

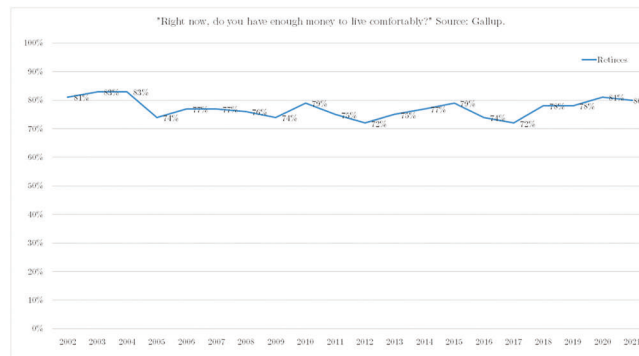
Economists and financial planners have a fairly clear definition about what constitutes an adequate retirement income: an income that allows retirees to maintain their pre-retirement standard of living. But what’s easy to define conceptually becomes far more complicated when we attempt to measure it via hard data.

One way around this problem is simply to ask retirees how they would describe their financial situation. Survey after survey shows that, **by strong margins, retirees say they are doing well.**

The polling firm Gallup has for the past two decades asked retirees about their financial situations. In 2021, **80 percent of retirees say they have sufficient money, not merely to survive or to get by, but to “live comfortably.”**² Roughly four-in-five retirees have stated they are living comfortably since Gallup began asking the question in 2002. Indeed, it has been three decades since American over age 65 had a higher rate of poverty than working-age households.

¹ Bond, Tyler, Dan Doonan, and Kelly Kenneally. National Institute for Retirement Security. “Retirement Insecurity.” (2021).

² Gallup. “U.S. Retirees’ Experience Differs from Nonretirees’ Outlook.” May 18, 2021.



Gallup's findings are confirmed in the Federal Reserve's Survey of Consumer Finances. In 1992, only 61 percent of Americans over 65 reported that their retirement income was "At least enough to maintain your standard of living." By 2019, that had risen to 76 percent.³ The share describing their retirement income as "totally inadequate" had fallen by almost half, while **the share of retirees calling their incomes "very satisfactory" nearly tripled.**

In the Federal Reserve's Survey of Household Economics and Decisionmaking, **only five percent of retirees say they are "finding it hard to get by."** Compared to working-age Americans, seniors are more likely to tell the Fed they have money left over at the end of the month, less likely to say that financial concerns rule their lives, and more likely to approve of the safety and overall quality of the neighborhoods they live in.⁴

Likewise, while majorities of Americans believe the nation as a whole faces a "retirement crisis" of inadequate savings, in a Vanguard survey **only five percent of U.S. retirees describe their own financial situation as a retirement crisis.**⁵ Many

³ Author's calculations from SCF data.

⁴ Author's calculations from SHED data.

⁵ Madamba, Anna, and Stephen B. Utkus. "Retirement Transitions in Four Countries." Vanguard Research, 2017.

Americans reach retirement and realize that the worries they held for many years were unjustified.

Why do seniors say they are doing so well?

The simple reason most retirees tell surveys they are faring well financially is that, compared either to past retirees or to working-age Americans, they are. The progress made in retirees' financial well-being is a great untold story that needs to be known.

From 1979 to 2016, the average retiree household's income rose by 104 percent above inflation, according to Congressional Budget Office data. Average earnings for working-age households rose by only 64 percent.⁶ Since 1979, retirees have gone from being a disproportionately poor segment of the U.S. population to a disproportionately well-off group.

Since 1990, the share of retirees with incomes below the poverty threshold declined by nearly one third, according to a Census Bureau analysis of Internal Revenue Service data.⁷

Likewise, common claims that one-third of retirees rely on Social Security for nearly all of their income have been debunked by better data. Recent Social Security Administration analysis of Internal Revenue Service data find that **less than 14 percent of Americans 65 and over rely on Social Security for 90 percent or more of their total income**.⁸

Why have retiree incomes risen so much?

Most retirees rely on a combination of Social Security benefits, pensions and personal savings, and work in retirement. All of those components of retirement income have increased over time.

In 1990, only 45 percent of retirees received income from a private pension or retirement account. Today, 61 percent do, according to Census Bureau

⁶ See Biggs, Andrew G. "Fears of a Retirement Crisis are Overblown." MarketWatch. July 21, 2019.

⁷ Bee, Adam, and Joshua Mitchell. "Do older Americans have more income than we think?." In *Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association*, vol. 110, pp. 1-85. National Tax Association, 2017.

⁸ Dushi, Irena, and Brad Trenkamp. "Improving the Measurement of Retirement Income of the Aged Population." *Social Security Administration* (2021).

research.⁹ This is a 35 percent relative increase, much of which likely occurred among smaller employers who could not offer a defined benefit pension.

Just prior to Covid, **employment rates among Americans aged 55 and over were the highest since the late 1960s**, according to Bureau of Labor Statistics data.¹⁰ Even as the economic recovery continues, older Americans are working at historically high rates.

Americans today claim Social Security benefits 1.2 years later than they did in 1990, boosting monthly benefits by about 8 percent, according to Social Security Administration figures. **The average Social Security benefit claimed by new retirees in 2019 was 37 percent higher after inflation than the average benefit claimed 20 years ago.**¹¹

How much have retirement savings increased?

There are several ways to measure retirement savings. But by any standard, today's Americans have saved far more for retirement than their parents or grandparents did.

One important figure is the percentage of workers who are participating in a retirement plan. There are no high-quality data that accurately track retirement plan participation over time.¹² However, the data that do exist show that **more Americans are saving for retirement than ever before**. At the peak of traditional pension participation in the mid-1970s, fewer than four-in-ten private sector workers participated in a retirement plan.¹³ The most recent IRS data show that 60

⁹ Bee, Adam, and Joshua Mitchell. "Do older Americans have more income than we think?." In *Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association*, vol. 110, pp. 1-85. National Tax Association, 2017.

¹⁰ Author's calculations from Current Population Survey data.

¹¹ Author's calculations from Social Security Administration Annual Statistical Supplement, 2020. Table 6.A2. Benefits adjusted for inflation using the Personal Consumption Expenditures (PCE) deflator.

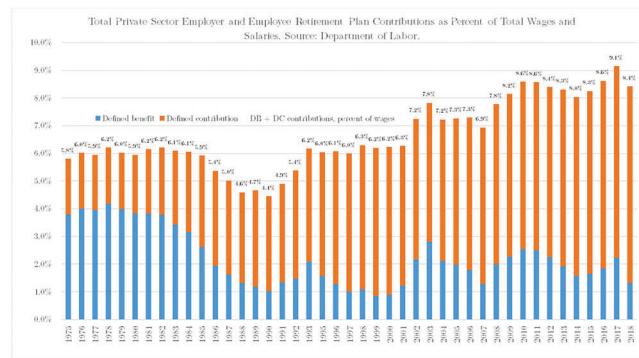
¹² Household surveys understate retirement plan coverage and participation, because some individuals who are offered a retirement plan or actually participate in one mistakenly say that they do not. Social Security Administration researchers found that while 45 percent of year 2006 employees in the Survey of Income and Program Participation said that they participated in an employer retirement plan, W-2 tax records showed that 58 percent actually participated. Dushi, Irena, Howard M. Iams, and Jules Lichtenstein. "Assessment of Retirement Plan Coverage by Firm Size, Using W-2 Tax Records." *Social Security Bulletin* 71 (2011): 53.

¹³ Gotbaum, Joshua. "De-Risking: Plan Sponsor & Participant Perspectives & Actions." Presentation to ICPM/CRR conference, June 2016. Figures were provided by the Pension Benefit Guaranty Corporation.

percent of employees aged 25-64 in 2017 were participating in a retirement plan,¹⁴ a 50 percent relative increase in retirement plan participation.

Moreover, the \$19,500 annual 401(k) contribution limits is high enough that most couples could save sufficiently for retirement even if only one spouse were offered a retirement plan. IRS data show that in 2017 81 percent of joint tax return filers had at least one member of the couple participating in a retirement plan.¹⁵ It is likely that more than nine-in-ten couples have at least one spouse offered a retirement plan at work.

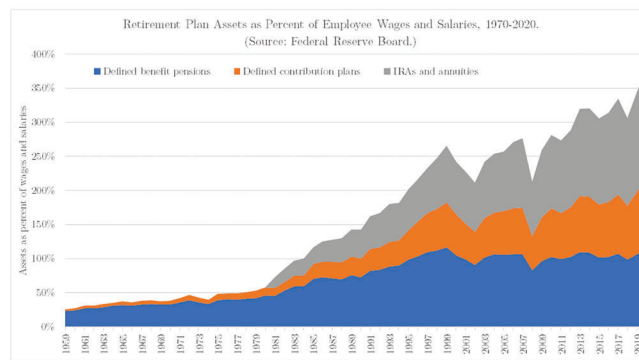
Another way to look at retirement savings is to track total contributions to retirement plans as a percentage of Americans' total wages and salaries. This figure captures both the rate of participation in retirement plans and the amounts that employees and employers are contributing. Department of Labor data show that total private sector pension contributions increased from 5.8 percent of total employee wages and salaries in 1975 to 8.4 percent in 2018, a 45 percent relative increase.



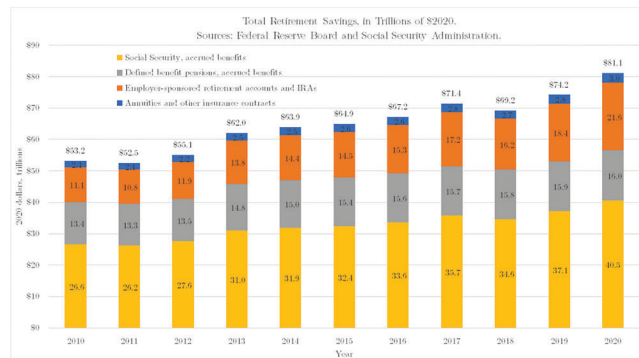
¹⁴ Source: IRS Statistics of Income data.

¹⁵ Source: Internal Revenue Service Statistics of Income (SOI) data.

As a result of higher participation and increasing contributions, total retirement savings in the United States are at the highest levels on record. **Federal Reserve data show that retirement savings have increased over seven-fold since the peak of traditional pension participation in the 1970s**, even after accounting for the growth of the wages and salaries that these savings must replace in retirement. ERISA's requirements for better defined benefit pension funding boosted assets for traditional pensions. **But the real explosion in retirement savings took place through defined contribution 401(k) and IRA plans**, which took off in the 1980s.



When accrued Social Security benefits are added to retirement account balances and benefits earned under traditional pensions, **total retirement savings increased from \$53.2 trillion in 2010 to \$81.1 trillion in 2020**, a 52 percent increase above inflation in just a single decade.



My own analysis of Federal Reserve Survey of Consumer Finance data shows that **since 1989 retirement savings have increased in every age, income, educational and racial/ethnic group.**¹⁶ Savings have increased whether measured in inflation-adjusted dollars or, as financial planners sometimes do, as a percentage of the household's annual earnings. **All types of Americans are saving more for retirement today than they did in the past.**

What about inequities in retirement incomes?

Both financial planning and economics state that the goal of retirement saving is to maintain your pre-retirement standard of living once you stop working. According to the Social Security Administration, **“Most financial advisors say you’ll need about 70 percent of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.”** This ratio of retirement income to pre-retirement earnings is often called a “replacement rate.”¹⁷

¹⁶ Biggs, Andrew G. “Changes to household retirement savings since 1989.” American Enterprise Institute. *AEI Economic Perspectives* (2020).

¹⁷ Social Security Administration website; “Social Security Retirement Planner: Decide When to Retire,” <http://www.ssa.gov/retire2/>.

Any analysis of private retirement savings must start with the fact that Social Security's benefit formula is progressive. According to the Congressional Budget Office, the average Social Security "replacement rate ... is 80 percent for workers born in the 1960s whose lifetime earnings fall in the lowest earnings quintile, more than double the 34 percent for workers whose earnings fall in the highest quintile."¹⁸ Given the replacement rates provided by Social Security, it is not at all surprising that low-income Americans save little for retirement and high-income Americans save a great deal.

In 2020, Americans held over \$41 trillion in private retirement savings. These savings are tilted toward high-earning households.¹⁹ But Americans in 2020 also were entitled to over \$40 trillion accrued Social Security benefits.²⁰ Social Security benefits are tilted toward low-earning households.

The equity of the retirement system as whole depends not on the progressivity of Social Security or the distribution of private savings, but on whether different groups have different abilities to maintain their pre-retirement standards of living.

The Urban Institute's DYNASIM model, a sophisticated computer projection model of a range of retirement income sources, estimates that current and future **white retiree households have a median income equal to 100 percent of their pre-retirement earnings**. By contrast, **the median replacement rate for Black households is 99 percent**.²¹ Black and white households have different levels of income both before and after retirement, which occurs for a variety of reasons. But under the

¹⁸ Congressional Budget Office. "Social Security Replacement Rates and Other Benefit Measures: An In-Depth Analysis," p. 18. (2019). <https://www.cbo.gov/system/files/2019-04/55038-SSReplacementRates.pdf>

¹⁹ Source: Federal Reserve, Financial Accounts of the United States. <https://www.federalreserve.gov/data/download/Preview.aspx?pi=400&rel=Z1&preview=Z1/Z1/FL153050015.A>

²⁰ Accrued benefits means benefits that have been earned but not yet collected. Nickerson, Daniel, and Kyle Burkhalter. "Unfunded obligation and transition costs for the OASDI Program." *Social Security Administration, Office of the Chief Actuary, Actuarial note 1* (2020).

²¹ The DYNASIM projections are available at <https://www.urban.org/dynasim4-projections-birth-cohort>. Income at age 70 is compared to average earnings between the ages of 50 and 54. The replacement rates figures I cite above are averages across all the birth cohorts simulated.

U.S. retirement system, Black and white households have roughly equivalent abilities to maintain their pre-retirement standards of living once they retire.

Men and women have similar retirement income replacement rates, while Hispanics have lower replacement rates than other Americans. However, the median projected replacement rate for Hispanic households of about 89 percent of pre-retirement earnings is not in itself inadequate relative to financial planners' common target of 70 percent. It is not clear whether lower replacement rates for Hispanic households relative to white or Black households reflects a poorer state of preparation for retirement or other factors not captured in the model.²²

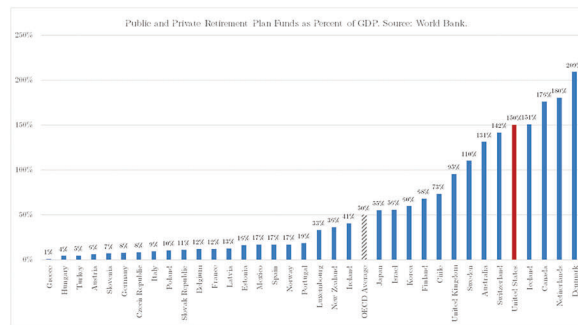
All Americans should have the opportunity to save for retirement on top of Social Security. But we should be wary of how hard we push lower-income Americans to save more for retirement when the evidence indicates that most are already able to maintain their pre-retirement standard of living. Doing so could reduce these groups' standard of living during their working years, when they have many other financial burdens to bear. It is important to remember that savings are a tool to move resources from one time of life to another. More savings are not always better; balanced savings is the goal.

How does the U.S. retirement system compare?

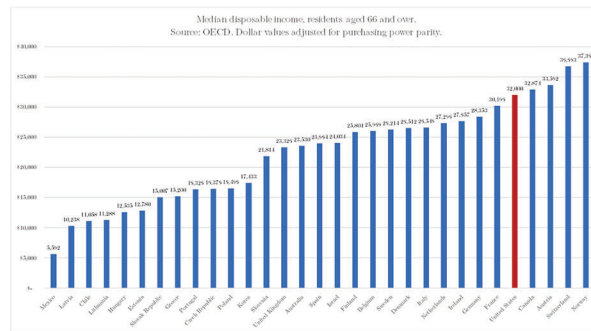
The United States can learn a great deal from other countries. We all face the challenges of providing for aging populations, where the number of retirees grows more quickly than the population of workers.

But other nations can also learn a great deal from the U.S. For one thing, Americans are great retirement savers compared to other countries. World Bank data show that the typical developed country has retirement plan assets equal to 50 percent of gross domestic product. **The U.S. has retirement savings equal to 150 percent of GDP, three times the OECD average.** Only three countries – Canada, the Netherlands and Denmark – hold substantially greater retirement plan assets than does the U.S.

²² For instance, Hispanic Americans are more likely to live in multigenerational households than other racial/ethnic groups, which would give them greater access to co-resident income not measured in the DYNASIM model.

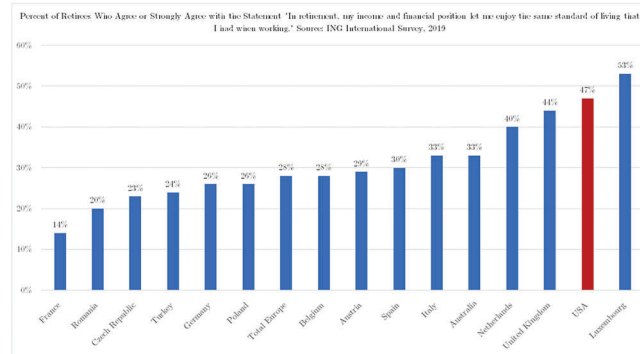


U.S. retirees also have high incomes, and that's not merely true for the richest Americans but for typical (or "median") retirees as well. OECD data show that the median U.S. retiree has a disposable income that is in the top five in the world.²³

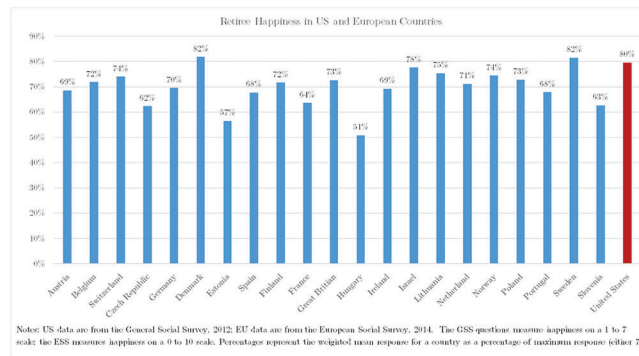


²³ Disposable income is defined by the OECD as "total income less current transfers paid. Such transfers comprise: employers' social insurance contributions; employees' social insurance contributions; taxes on income; regular taxes on wealth; regular inter-household cash transfers; and regular cash transfers to charities."

American retirees report that they are better able to maintain their pre-retirement standard of living than do seniors in other countries. **Forty-seven percent of U.S. retirees agree with the statement, “In retirement, my income and financial position let me enjoy the same standard of living that I had when working.”** Only the Netherlands, which is often said to have the strongest retirement system in the world, fares better. By contrast, **only 28 percent of European retirees agree or strongly agree that they can maintain their pre-retirement standard of living.**



Retirees in the United States also report being happier than seniors in many other countries. Eighty percent of American seniors describe themselves as happy, versus an average of only 70 percent in a selection of European countries and Israel.



What about the future?

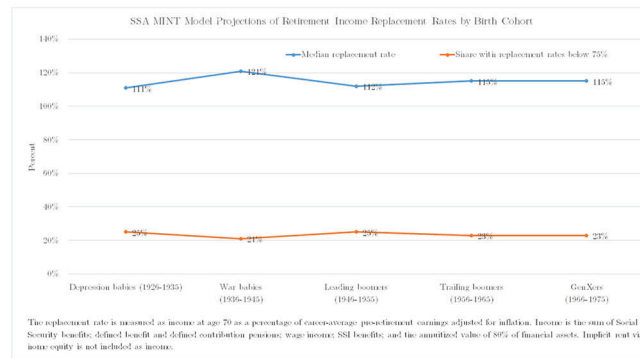
When confronted with these data, many will acknowledge that today's retirees are in fact doing well. But future retirees, they warn, face a much grimmer reality: the vast majority of working-age Americans are saving inadequately for retirement, they claim, and huge numbers could even retire into poverty.

Here I will turn to the Social Security Administration, which since the late 1990s has built the most sophisticated model in existence of Americans' retirement savings and retirement incomes. The Model of Income in the Near Term (MINT) can look both at current retirees and project how future generations of retirees will fare. The MINT model has received millions of dollars in federal funding; is built by SSA's experts with access to data that are generally unavailable to outside researchers; is contrasted in conjunction with experts at the Urban Institute, and subjected to validation by still more experts outside of the SSA.

In simple terms, the SSA projections are the best in the business. And the SSA model projects nothing that looks like a "retirement crisis." At my request, the SSA calculated retirement income replacement rates for current retirees and projected replacement rates for future seniors. The SSA calculated the median replacement rate, which is for the typical retirees, as well as the percentage of retirees who have retirement

income replacement rates below 75 percent, a commonly-used benchmark for retirement income adequacy.

The SSA model calculates that current retirees typically have retirement incomes between 111 and 121 percent of their career-average earnings, adjusted for inflation. Americans born between 1956 and 1965, who are just now reaching retirement age, will have median replacement rates of 115 percent of pre-retirement earnings, as will the Generation X cohort born from 1966 through 1975. In other words, **the Social Security Administration projects that future retirees will be just about as well-prepared for retirement as today's retirees.** And we know from surveys and data that today's retirees are doing fine.



Likewise, the SSA model projects that only around 23 percent of future retirees will have replacement rates below 75 percent of their pre-retirement earnings. That figure is right in line with current retirees. And the share of retirees with incomes below the poverty threshold, which already has declined significantly and is below that of working-age Americans and children, will fall even further.²⁴

²⁴ See Social Security Administration, "Why Will Poverty Decline for Social Security Beneficiaries Aged 60 or Older?" (2015).

Where problems do exist, the fault often lies with government.

It is ironic that many people talk down the U.S. private sector retirement system, pointing to problems that do not actually exist, while insufficient attention is paid to the problems that actually are there.

The recent federal bailout of multiemployer pension plans is a case in point. Multiemployer pensions were designed to provide workers in certain industries with benefit portability if they shifted from one employer to another. But choosing to provide for benefit portability through a traditional defined benefit structure opened the door for accounting tricks and false assumptions that ultimately led to many multiemployer plans' demise.

Specifically, multiemployer plans – and, importantly, Congress as well – believed that multiemployer pensions could avoid the much more stringent ERISA funding standards that apply to single-employer plans by self-insuring, with the participating employers obliged to financially assist the plan as needed in times of financial distress. Single employer plans must assume low, conservative returns on plan investments and must address unfunded liabilities quickly, to reduce the chances of becoming insolvent and potentially triggering the need for a federal bailout. Multiemployer plans instead were allowed to assume much higher returns on investment, which allowed for much lower contributions, and to take up to 30 years to address unfunded liabilities when they occurred, all based on the premise that the various employers who sponsor multiemployer plans would support each other rather than turning to the federal government for help. This premise ignored the possibility that entire industries could decline and the self-insurance concept collapse.

Based on the false premise that multiemployer pensions would be unlikely to ever need to fall back on the Pension Benefit Guaranty Corporation, multiemployer plan sponsors paid much lower PBGC premiums than sponsors of single employer plans and were promised much lower levels of guaranteed benefits by the PBGC.

However, the 2021 Congressional bailout arbitrarily granted participants in multiemployer pensions much better protections than employees who participated in an underfunded single employer plan, even though the sponsors of multiemployer pensions paid lower PBGC premiums all along. For instance, while airline employees sometimes suffered significant cuts to their benefits when their pension was turned over to the PBGC, multiemployer participants will receive every penny they have been promised. But the cost to taxpayers will be significant, with the Treasury Department slated to issue

grants estimated at \$86 billion from 2022 to 2024 to 186 underfunded pensions. However, \$86 billion is likely to be a low-end estimate of the cost of the multiemployer pension bailout. The CBO notes the under certain circumstances over 300 plans could be eligible for federal payments, and there is the risk that plan trustees would act strategically to obtain these funds. Moreover, since the federal grants pay benefits only through 2051, a further multiemployer pension bailout is almost certain.

It is important to point out that these are federal grants, without any obligation to be repaid, not the loans that were originally touted when Congress told America that a multiemployer plan would be a “backstop,” not a bailout.²⁵ Decades-long claims that the PBGC was a separate, self-funding entity that could not impose costs on the federal taxpayer were abandoned.

All of this did not have to happen. If multiemployer pensions had been required to use the same investment return assumptions as single employer plans, it is much more likely that troubled plans would have survived. In a 2018 study, the Government Accountability Office found that, if the prominent Central States plan had received the 7.5 percent annual return it assumed from 2000 to 2014, it would have ended that period 91 percent funded. Instead, Central States received just 4.9 percent returns, leaving its funding at 50 percent and declining.²⁶ But this is precisely the reason why federal law does not allow single employer pensions to assume high investment returns, to protect the plan and its participants against poor investment returns. Multiemployer pensions were allowed to flout those rules and now the federal taxpayer must pay the price for Congress’s unwillingness to properly regulate these plans.

Moreover, portability of benefits between employers is something 401(k)-type plans do automatically and one reason why employees like them. An employee who must withdraw from a defined benefit plan mid-career can lose tens or even hundreds of thousands of dollars in lifetime benefits due to traditional pensions’ backloaded benefit formulas, in which the lion’s share of benefits are earned in the decade or so just prior to retirement. Defined contribution plans like 401(k)s have steady benefit accumulation

²⁵ In a July, 2019 full committee markup of multiemployer rescue legislation, Chairman Neal declared “This is not a bailout. This is a backstop, guaranteed by the good faith and full credit of the United States.” Ichniowski, Tom. “House Passes Bill to Aid Ailing Multiemployer Pension Plans.” *Engineering News-Record*, July 24, 2019.

²⁶ Government Accountability Office. “Central States Pension Fund: Investment Policy Decisions and Challenges Facing the Plan.” GAO-18-106. June 04, 2018.

rates, so there is no penalty when a person must change jobs. Moreover, 401(k)-type plans are by definition always fully funded. It is visible to employees what is in their plans and there is no pretense of a claim that they employer or the taxpayer must make up for investment losses. This creates incentives for larger contributions to 401(k) plans, which helped those plans so rapidly overtake defined benefit pensions in terms of overall funding.

All of this points to a larger reality, which is that where shortfalls in retirement savings occur, they are predominantly on the government side of the ledger. Even if we looked at the most pessimistic estimates of U.S. households' retirement savings, which make unrealistic assumptions in an effort to show that Americans have undersaved for retirement, funding shortfalls in Social Security and state and local government pensions are even larger. This is a worldwide phenomenon, with a World Economic Forum study concurring that in most countries the "retirement savings gap" is overwhelmingly in government programs rather than household savings.²⁷

The reason retirement savings gaps are so heavily weighted to government programs is incentives: for all the failings that individuals may have in planning for retirement, they have a clear incentive to do so to the best of their ability since they will be the one to suffer if they fail to save adequately. By contrast, the political incentive is for government to kick the can down the road when it comes to difficult decisions on retirement plan funding. This helps explain why, thirty years after the Social Security trustees first called for Congressional action to fix the plan's long-term solvency, nothing yet has been done. It also explains why state and local pensions, more than a decade after the Great Recession, have still failed to financially recover.

If the U.S. retirement system is broadly working, what should Congress do?

When a team is on a winning streak – and the U.S. private sector retirement system is – team leaders should think twice about messing with success. When most things are going right, changes that are not well thought-out could cause harm as easily as bringing benefits. Any Member of Congress who thinks the U.S. retirement system should be substantially changed but who hasn't yet grappled with the data I have presented today should consider these facts and figures before moving forward.

²⁷ World Economic Forum. "Global Pension Timebomb: Funding Gap Set to Dwarf World GDP." (2017).

But a winning team also builds on its successes. The U.S. retirement system has done so: over the years retirement plan coverage and participation have increased; management fees have declined; and innovations such as automatic enrollment and target data investment funds have been adopted. All of these steps helped address gaps and shortcomings that existed in the way Americans prepare for retirement. While Social Security reform has been and remains contentiously partisan, legislation on private retirement savings has been the opposite: there is a long and continuing tradition of Democrats and Republicans working across the aisle.

The SECURE Act of 2020 was the most important and far-reaching legislation on retirement saving since the Pension Protection Act of 2006. The SECURE Act worked to expand the availability of retirement plans at work, particularly among small employers, and it gave individuals more flexibility and options on how to save and how to draw down their savings.

The SECURE Act 2.0 is in that same tradition. It would expand automatic enrollment in 401(k) plans to all new employees, increase tax incentives to employers who offer retirement plans, and expand retirees' ability to convert their 401(k) balances to an annuity that offers benefits for life. In addition, SECURE Act 2.0 would open up Multiple Employer Plans to nonprofits, who offer 403(b) plans instead of 401(k)s, as well as generally simplifying reporting and disclosure requirements that can be a disincentive for small employers to offer a retirement plan. All of these are worthy improvements that would help Americans prepare for retirement.

SECURE Act 2.0 also would establish a new database of lost retirement accounts, which would help Americans reconnect with savings from a prior job. However, I am wary of proposals for the Pension Benefit Guaranty Corporation to hold lost accounts and invest those balances in U.S. Treasury bonds. Private entities have greater experience as account administrators. Moreover, given that many lost accounts are from young employees and may sit for years before being claimed, I would prefer to see these accounts remain invested in a retirement-appropriate portfolio mix of stocks and bonds that could grow over time. This would cost more initially, but would bring benefits to savers over time.

I appreciate the attention this subcommittee is paying to the important issue of retirement savings and look forward to the actions it can take on behalf of all Americans.

Chairman DESAULNIER. Thank you, Doctor.
We will now go to our last witness, panelist, Dr. Certner.
I apologize for the previous mispronunciation.
Dr. Certner, you are recognized for five minutes.

**STATEMENT OF MR. DAVID CERTNER, LEGISLATIVE COUNSEL
AND DIRECTOR OF LEGISLATIVE POLICY FOR GOVERNMENT
AFFAIRS, AARP, WASHINGTON, DC**

Mr. CERTNER. Thank you, Mr. Chairman and Members of the Committee. Thank you for the opportunity to testify today on improving our retirement system.

A secure retirement traditionally centered on the three-legged stool of employer-provided pensions, personal savings, and Social Security. Unfortunately, diminishing pensions and inadequate savings, plus longer life expectancies and high health costs, has put a secure requirement out of reach for too many, requiring Social Security to play an even greater role in retirement.

Social Security is already the principal source of income for over half of older households. Roughly one quarter, about 10 million people, depend on Social Security for nearly all—meaning 90 percent or more—of their income. Social Security keeps approximately 15 million older Americans out of poverty and allows millions more to live without fear of outliving their income.

And while Social Security is the base of income in retirement, more is needed. The dramatic switch from defined benefit plans to defined contribution plans over the past 40 years has important implications for retirement security. Employees are now responsible for whether and how much to save and must manage their retirement funds even though most have little investment experience. And, unfortunately, most workers are not saving enough.

Of course, access to a plan is better than none at all. Remarkably, less than half of all workers have access to a retirement plan at work.

Now, Congress has taken numerous steps to make retirement saving easier, including features such as automatic enrollment and default investment that have helped workers and increased savings. However, automatic features only help workers who have a retirement plan. Expanding coverage for the tens of millions of workers without coverage remains a high priority.

At the State level, AARP is focused on passing what are called Work and Save programs, like CalSavers, which provide employer-facilitated access to payroll deduction savings options for workers who don't have a way to save for retirement at work.

Such access helps address the coverage gap because workers are 15 times more likely to save for retirement simply through payroll deduction at work.

State programs have already shown much promise in increasing coverage and savings.

In addition to State programs, Federal policy should also encourage automatic payroll deduction savings. AARP has been a long-time supporter of Federal auto-IRA legislation, most recently proposed by House Ways and Means Chairman Neal.

AARP also supports bipartisan legislation recently approved by the Ways and Means Committee, the Securing a Strong Retirement Act, known as SECURE 2, which includes many important changes.

The bill would improve coverage for the 27 million part-time workers who generally are not covered by retirement savings plans. This is especially important for older workers and caregivers, who often shift to part-time work.

The bill would also automatically enroll workers in new employer retirement savings plans.

SECURE 2 includes an important requirement for an annual paper retirement benefit statement, which AARP strongly supports. Plan participants who generally prefer paper copies of important fi-

nancial documents should be provided statements in paper form unless they choose electronic delivery.

Congress needs to ensure that workers receive and can review their annual benefit statement, similar to the Social Security and Federal employee statement of benefits, to help employees better understand and manage their plans.

SECURE 2 would also establish a national retirement lost and found office to help workers locate retirement accounts with previous employers. This has become increasingly important as more workers change jobs several times over their career.

And SECURE 2 also makes improvements to the required minimum distribution rules, including exempting a threshold amount that will both simplify the rules and help preserve savings.

Separately, AARP also supports efforts to improve the saver's tax credit, which acts as a matching contribution for low-and moderate-income taxpayers who contribute to a retirement plan. Improvements to the credit, again, can encourage and increase savings for those who are least able to save.

We also must do more to protect hard-earned retirement nest eggs. All tax-deferred retirement savings should be prudently invested with reasonable fees and without conflicts of interest. A uniform strong fiduciary standard should ensure that all financial professionals act in the sole interest of their customers when providing investment advice.

AARP also urges Congress to discourage preretirement cash-outs of retirement funds and instead encourage account portability and stable lifetime income streams.

We look forward to working with the Committee to encourage asset preservation and to provide low-cost distribution and spend-down options that meet workers' needs in retirement.

Finally, AARP commends the Congress for enacting earlier this year important legislation to protect the earned benefits of millions of workers and retirees counting on multi-employer pensions for retirement security.

Many retirees experienced and were facing devastating benefit cuts. While this was a difficult problem, the legislative support was critical to protecting the benefits of workers and retirees who had worked hard, earned their benefits, and were put at risk through no fault of their own.

Again, in conclusion, AARP would again like to thank the Committee for considering the challenges and needs for a secure retirement and the opportunity to share our policy views. We stand ready to work with the Committee to improve Americans' retirement security.

Thank you.

[The prepared statement of Mr. Certner follows:]

PREPARED STATEMENT OF DAVID CERTNER



DAVID CERTNER
STATEMENT
BEFORE THE

U.S. HOUSE COMMITTEE ON
EDUCATION AND LABOR
SUBCOMMITTEE ON HEALTH,
EMPLOYMENT, LABOR AND PENSIONS

“Examining Pathways to Build a Stronger, More Inclusive Retirement System”

June 23, 2021

AARP
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Government Affairs
AARP

Introduction

On behalf of our nearly 38 million members, and all Americans age 50 and over, AARP thanks Chairman DeSaulnier and Ranking Member Allen for holding a hearing to consider needed improvements to the U.S. retirement system for American workers, retirees, and their families. AARP is committed to expanding retirement savings so that all Americans have adequate income for retirement through Social Security, pensions and private savings, and we have worked throughout our history to develop and improve America's retirement system.

We greatly appreciate the Committee's longstanding leadership on U.S. retirement system development and improvements. AARP has worked closely with the Committee over decades, from the enactment of ERISA to the most recent legislative solutions for the millions of workers and retirees covered by multiemployer pension plans that face imminent and long-term funding shortfalls. We look forward to continuing to work together to expand coverage and adequacy for all workers and retirees.

Impact of COVID-19 on Current Workers and Their Retirement

Millions of families face dire financial circumstances as a result of the pandemic and related workplace closures. In 2020, nearly 49 million Americans filed for unemployment at some point during the year.¹ In a matter of months, the national unemployment rate climbed from 3.5 percent in February to an historic high of 14.7 percent in April. And while the unemployment rate has since declined to 6.7 percent, job gains have slowed in recent months.² Moreover, the percentage of jobseekers who are long-term unemployed (i.e., those who have been looking for work for 27 weeks or more) has increased sharply. Older workers have been especially hard hit. In November, 35.7 percent of jobseekers ages 16 to 54, and 45.6 percent of jobseekers ages 55 and older, were long-term unemployed.³

As a result, many workers continue to have little choice but to take actions that reduce their long-term retirement security in order to make ends meet. Some individuals have been forced to retire earlier than planned because they were unable to return to work due to legitimate health concerns or because their jobs simply no longer exist. According to a recent survey, nearly a quarter (23 percent) of respondents age 55 to 73 have retired early, or considered retiring early,

¹ Carmen Reinicke, Business Insider, "US weekly jobless claims hit 1.4 million, more than economist forecasts," July 2, 2020, <https://www.businessinsider.com/us-weekly-jobless-claims-filings-unemployment-insurance-recession-economy-coronavirus-2020-7>

² Bureau of Labor Statistics, Economic New Release, December 2020, <https://www.bls.gov/news.release/empst.nr0.htm>

³ AARP Public Policy Institute's Employment Data Digest, November 2020, <https://www.aarp.org/ppi/info-2020/employment-data-digest.html>

because of the pandemic.⁴ Nearly one in four adults ages 25 and older surveyed by AARP dipped into their retirement savings or stopped contributing to their retirement accounts during the height of the pandemic.⁵ Earlier retirements and emergency withdrawals from retirement accounts will likely prevent these workers from accumulating additional years of wages and savings, resulting in reduced pensions and lower monthly Social Security benefits for life, as well as the need to spend down their retirement savings earlier than anticipated.

Americans of any age who are fortunate enough to have a retirement savings vehicle like a 401(k) plan or an individual retirement account (IRA) may now be unable to contribute to these accounts, or worse, have a need to tap them to pay for essentials. According to one survey, 37 and 40 percent of Millennials, 26 and 32 percent of Gen X, and 13 and 18 percent of Boomers have withdrawn, or considered withdrawing, from an individual retirement account or a 401(k) plan.⁶ Doing so, however, forces them to reduce what are likely already inadequate savings, sacrificing future amounts necessary for a secure retirement. Many who have lost jobs have also lost health insurance and have faced increased costs for both health care coverage and treatment.

These COVID-related pressures only add to other challenges that have accelerated in recent decades, including diminishing employer-sponsored pensions, higher health care costs, and inadequate retirement savings. Consequently, the prospects of a secure retirement for millions of workers will be even more precarious following the pandemic, and more Americans of all ages will need to rely even more on Social Security's modest benefits for an even greater portion of their retirement security.

Importance of Social Security

According to the Social Security Administration (SSA), an estimated 180 million Americans paid into Social Security in 2020,⁷ and in May 2021, Social Security provided critical retirement, disability and survivor benefits to over 62 million individuals.⁸ Social Security is already the principal source of income for over half of older American households receiving benefits and roughly one quarter of those households, or about 10 million people age 65 and older, depend on

⁴ TD Ameritrade, "COVID-19 & Retirement Survey," June 2020, https://s2.q4cdn.com/437609071/files/doc_news/research/2020/covid-19-and-retirement-survey.pdf

⁵ Brown, S. Kathi. *How Financial Experiences During the Pandemic Shape Future Outlook*, Washington, DC: AARP Research, April 2021. <https://doi.org/10.26419/res.00450.001>

⁶ TD Ameritrade, "COVID-19 & Retirement Survey," June 2020, https://s2.q4cdn.com/437609071/files/doc_news/research/2020/covid-19-and-retirement-survey.pdf

⁷ Social Security Administration, "The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," April 2020; www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

⁸ Social Security Administration, Monthly Statistical Snapshot, 2020, May 2021, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/

Social Security for nearly all (90 percent or more) of their income.⁹ The reliance in minority communities is even more pronounced; over 36 percent of African American women in families receiving benefits rely on Social Security for almost all of their income, and 34 percent of older Hispanic women do the same.¹⁰

Despite its critical importance, Social Security's earned benefits are modest and in May 2021 average only \$1,553 per month for all retired workers. Disability benefits are even more modest, averaging only \$1,280 per month.¹¹ Nonetheless, Social Security keeps approximately 15 million older Americans out of poverty¹² and allows millions more to live their retirement years independently, without fear of outliving their income.

For most Americans, Social Security is their only inflation-protected, guaranteed source of retirement income they have or will have. AARP believes we must therefore work together -- sooner rather than later -- to ensure Social Security remains strong not only for those who are at or near retirement, but also for younger generations who will likely rely on Social Security benefits as much or even more due to the effects of COVID-19 and other retirement trends.

The Retirement Income Gap

For more than half a century, a secure retirement in the United States centered on reliable income from three sources, the so-called "three-legged stool" of retirement -- employer-provided defined benefit pension plans, personal savings, and Social Security. Together, these sources of income offered a stable financial future. Unfortunately, diminishing pensions and inadequate retirement savings -- coupled with longer life expectancies and higher health costs -- has endangered the dream of a secure retirement for millions of Americans, and without significant action, will likely require Social Security to play an even greater role in the lives of older Americans.

Defined Benefit (DB) pension plans once dominated the employment landscape. In 1983, roughly 60 percent of workers with an employer-sponsored retirement plan had a DB pension plan; by 2020, however, just 18 percent of full time, private sector workers had access to a DB pension.¹³ At the same time that fewer workers have been offered a pension with guaranteed

⁹ Reliance estimates available at AARP Public Policy Institute Data Explorer, (<https://dataexplorer.aarp.org>)

¹⁰ Ibid.

¹¹ Social Security Administration, Monthly Statistical Snapshot, 2020, May 2021, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/

¹² Kathleen Romig, Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's March 2019 Current Population Survey, February 2020, <https://www.cbpp.org/research/social-security/social-security-lifts-more-americans-above-poverty-than-any-other-program#:~:text=Social%20Security%20benefits%20play%20a,March%202019%20Current%20Population%20Survey>.

¹³ <https://fas.org/sgp/crs/misc/R43439.pdf> (From CRS quoting National Compensation Survey of March 2020)

lifetime income, more workers have been offered defined contribution (DC) plans – such as 401(k) plans – to save for their retirement. In 1983, only 12 percent of workers offered a workplace retirement plan were exclusively offered a DC plan, but by 2020, 73 percent of workers offered a workplace retirement plan were only offered a DC plan.

The switch from DB to DC plans has important implications for retirement security. First, employees now must take responsibility for determining if and how much to save, and must manage their retirement funds, even though most have little or no investment experience. As discussed below, automatic enrollment and similar features help with these decisions, but not all DC plans include these mechanisms. Second, retirees run the risk that they may either outlive the savings in a DC plan because account balances run out, or they fail to spend them for fear that the money will be needed for some future emergency, resulting in a lower retirement standard of living than possible.¹⁴ Third, despite the increased use of DC plans, financial experts generally agree individual savings and earnings may not fully compensate for the loss of employer provided DB pensions.¹⁵

Most workers who only have access to a workplace savings plan are not saving enough to adequately fund a secure retirement. For middle-income households ages 55-64 with a DC plan or IRA, the median balance is roughly \$144,000, not nearly enough to ensure a secure retirement, especially given that the average number of retirement years has increased markedly from 12 in the 1960s to almost 20 today.¹⁶ It is no wonder that surveys persistently show that Americans do not feel financially prepared to retire. A Financial Health Network poll, funded in part by AARP, found that only 18 percent of respondents felt very confident they could meet their long-term financial goals, including retirement.¹⁷

Of course, access to a workplace retirement plan is better than none at all. Remarkably, just over half of all workers in the United States do not have access to a retirement plan at work,¹⁸ a

¹⁴ Chris Browning, Tao Guo, and Yuanshan Chen, SSRN, The Retirement Consumption Gap: Evidence from the HRS, November 2014, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2479021

¹⁵ Center for Retirement Research (2015), "Investment Returns: Defined Benefit vs. Defined Contribution Plans," https://crr.bc.edu/wp-content/uploads/2015/12/IB_15-211.pdf.

¹⁶ Center for Retirement Research (2019), "401(k)/IRA Balances for Median Working Household with a 401(k)/IRA, Age 55-64, By Income Quintile, 2019," <http://crr.bc.edu/wp-content/uploads/2019/10/Table-17.pdf>; Center for Retirement Research (2019), "Average Years in Retirement, 1962-2050," <http://crr.bc.edu/wpcontent/uploads/2015/10/figure-10.pdf>.

¹⁷ Thea Garon, Andrew Dunn, Katy Golvala, and Eric Wilson (2018), "U.S. Financial Health Pulse: 2018 Baseline Survey Results," Center for Financial Services Innovation, <https://s3.amazonaws.com/cfsi-innovation-files-2018/wpcontent/uploads/2019/02/25191008/Pulse-2018-Baseline-Survey-Results.pdf>.

¹⁸ When comparing coverage and participation statistics, it is important to look at which populations are being considered. Most studies cover private sector workers only but differ on including only full-time employees or both full and part time. Similarly, studies focusing just on employees don't include the millions of contingent workers of differing types, who may be paid by an employer, but who are not considered as employees and thus are not eligible to participate in a retirement plan.

percentage that has remained largely unchanged for three decades. The coverage gap in communities of color is even greater; 66 percent of Latino workers, 52 percent of Asian American workers, and 50 percent of Black workers work for an employer that does not offer a retirement savings plan.¹⁹ Workers without a plan are more likely to work part-time or work in a small business, tend to have less formal education, and are more likely to be lower paid.²⁰ Many middle and higher-income earners also lack access to a workplace retirement plan; people earning more than \$40,000 represent about 23 percent of the 55 million employees without a plan.²¹

The Future of Retirement Savings

For decades, Congress has enacted laws with the aim of making retirement saving easier. Congress has created many different types of plans for employers to offer their workers, including IRAs, SIMPLEs, Simplified Employee Pensions (SEPs), and Multiple and Pooled Employer Plans (MEPs/PEPs). Congress has also authorized a number of automatic features – including automatic enrollment, automatic deferral amounts, automatic escalation, and automatic default investments – to help workers who do not make affirmative decisions to begin saving for their retirement. Such automatic features and payroll deductions have resulted in significant higher savings. Among new hires, participation rates nearly double to 93 percent under automatic enrollment, compared with 47 percent under voluntary enrollment. Over time, 8 in 10 participants increase their contribution rates, either automatically or on their own, while three quarters of participants remain exclusively invested in the default investment fund.²² Furthermore, plans with automatic enrollment had an 87 percent participation rate as of the end of the second quarter, whereas plans without automatic enrollment had a participation rate of 52 percent. Since 2008, the average savings rate among employees automatically enrolled has risen from 4 percent to 6.7 percent, and 63 percent of automatically enrolled participants in the past 10 years have increased their savings rate.²³

¹⁹ <https://www.aarp.org/content/dam/aarp/ppi/2017-01/Retirement%20Access%20Race%20Ethnicity.pdf>

²⁰ Center for Retirement Research (n.d.), “Pension Participation of All Workers, By Type of Plan, 1989-2016,” <http://crr.bc.edu/wp-content/uploads/2015/10/Pension-coverage.pdf>; Craig Copeland (2014), “Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013,” Employee Benefit Research Institute (EBRI), Issue Brief 405, p. 27, Washington, DC.

²¹ <https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf>

²² <https://nam05.safelinks.protection.outlook.com/?url=https%3A%2F%2Finstitutional.vanguard.com%2Fiam%2Fpdf%2FCIRAE.pdf&data=02%7C01%7C%7C34dd87bd990145d2669c08d6d3fd5585%7Ca395e38b4b754e4493499a37de460a33%7C0%7C636929482340429841&data=SuhVz6d8Xc9OYZTEKINQe817YWi0gH8zpEYw3XgEZM%3D&reserved=0> (February 2018)

²³ Fidelity data - August 2018 <https://nam05.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.planadviser.com%2Fautomatic-enrollment-helping-participants-increase-retirement-savings%2F&data=02%7C01%7C%7C34dd87bd990145d2669c08d6d3fd5585%7Ca395e38b4b754e4493499a37de460a33%7C0%7C636929482340429841&data=FOXZs0ELy8txGgDLjREGEcvdviKlpmFighaFyEr8rA%3D&reserved=0>

However, these automatic savings features can only help workers whose employers offer a workplace retirement plan, and as noted earlier, over 50 percent of the workforce lacks any workplace retirement coverage. Expanding coverage for the tens of millions of workers without coverage continues to be a high priority, and AARP supports several approaches to extend retirement coverage in the workplace at both the federal and state levels.

State Work and Save Programs

To complement our work at the federal level to help address the coverage gap, AARP has focused on passing what are called state-level Work and Save programs, which are intended to provide employer facilitated access to payroll deduction retirement savings options for workers who don't otherwise have a way to save for retirement at work. State-facilitated Work and Save programs, such as Oregon Saves, CalSavers, and Illinois Secure Choice, are providing critical access to large, currently underserved populations, such as women, workers of color, and much of the contingent workforce, including gig workers. Such access is essential to addressing the retirement income gap because workers are 15 times more likely to save for retirement simply by having access to payroll deduction at work. While participation rates in traditional retirement plans have not budged in decades, Work and Save programs are leading a change for the better.

Nationwide, the majority of states have considered laws to address the retirement gap in their states through program legislation or studying the issue.²⁴ Oregon was the first state to launch a Work and Save program, followed by California and Illinois. These programs have had tremendous success. As of April 30, 2021, assets under management between these three states exceeded \$234 million, with more than 330,000 funded accounts and more than 33,000 employers registered.²⁵ The momentum is not slowing down, and other states continue to pursue enactment and implementation of programs. Last year, even during the pandemic, Colorado and New Mexico passed full program legislation. This year, Virginia passed new program legislation, New York and Illinois passed significant program improvement bills dramatically increasing future participation rates, and California successfully defeated a lawsuit. States with program legislation like Vermont, Maryland, and Connecticut continue to work towards implementing a full and comprehensive program. Meanwhile, efforts are underway in a number of additional states, including, Maine, North Carolina, Pennsylvania, Wisconsin, and Delaware.

These retirement savings programs generally operate much like 529 college savings plans and are operated through public-private partnerships. Notably, while employers facilitate payroll deductions, the retirement programs are not operated or overseen by employers, and are not employer-sponsored retirement plans. Rather, employers are afforded the ability to offer access

²⁴ <https://www.aarp.org/ppi/state-retirement-plans/savings-plans/>

²⁵ <https://cri.georgetown.edu/wp-content/uploads/2020/05/Infographic-20-05.pdf>

to a simple, plug-and-play retirement program to their workers, which only requires employers to disseminate information packets to their workers and facilitate payroll deductions, similar to what they must already do to remit taxes. Worker participation is easy and contributions are typically automatic; however, worker participation is completely voluntary, as they always retain the option to opt-out of the program at any time. How much a worker saves, if at all, is entirely up to them, as are investment decisions. Workers choose if they want to participate, how much they want to contribute, and the way in which they invest their money. When a worker changes jobs, their accounts are portable and can be taken with them.

Work and Save programs are designed to be self-sustaining and participant-funded – what an individual contributes to their account is what they get out of it, plus or minus gains and losses in the market. These are not employer pension programs -- States play the role of aggregating smaller employers who otherwise would have to sponsor, pay for and manage a retirement plan, including choosing the investments and providers and incurring fiduciary responsibility. Work and Save programs can ultimately help U.S. taxpayers as well. By affording workers access to a simple way to save for retirement, fewer households will need to rely on social services, ultimately foregoing additional expenditures by the government. The U.S. could save an estimated \$33 billion on public assistance programs between 2018 and 2032 if lower-income retirees save enough to increase their retirement income by just \$1,000 more per year.²⁶

Policies to Increase Retirement Savings

In addition to our state work, federal policies that further encourage automatic payroll deduction savings for workers who lack retirement coverage should be enacted. AARP has supported various efforts – at both the federal and state levels – to ensure individuals nationwide are covered by an automatic retirement savings system. AARP has been a long-time supporter of federal Automatic IRA legislation, most recently proposed by House Ways and Means Chairman Neal. We believe state programs should work in tandem with federal legislation to be most effective at offering enhanced coverage and more appropriate retirement investments. AARP has emphasized that federal legislation and regulations regarding retirement security should continue to encourage and allow for state enactment and implementation of these programs.

AARP also supports Chairman Neal and Ranking Member Brady’s recently introduced and committee-approved Securing a Strong Retirement Act, HR 2954, also known as SECURE 2. Among other changes, the bill would extend greater coverage to more part-time workers and automatically enroll workers in new employer retirement savings plans once they have been in business for three years and employ more than 10 employees. As previously noted, automatic payroll deduction is a proven method of increasing coverage and participation.

²⁶ <https://mcspolicycenter.umaine.edu/wp-content/uploads/sites/122/2017/03/final-aarp-report.pdf>

AARP urges Congress to improve coverage for the 27 million part-time workers who generally are not covered by retirement savings plans. This is especially important for older workers and caregivers who often shift from full-time to part-time work or return to the workforce less than full-time due to caregiving responsibilities. Moreover, women are far more likely to work part-time than men -- two-thirds of part-time workers are women.²⁷ AARP supports Rep. Underwood and Senator Murray's Women's Pension Protection Act, Reps. Neal and Brady's Securing a Strong Retirement Act and Senators Cardin and Portman's Retirement Security and Savings Act, all of which would offer coverage to part-time workers after two years of employment.

In addition to extending coverage to more workers, Congress should also act to encourage greater savings for those who participate in workplace retirement plans. While defined benefit plans are generally designed to provide more adequate retirement benefits to longer service employees, defined contribution plans -- like 401(k) plans -- do not always lead to adequate retirement savings. The 2006 Pension Protection Act permitted employers to enroll employees automatically at a three percent contribution level, but this has proven to be too low to fund a secure retirement.²⁸ AARP supports increasing the default contribution level to five or six percent, provided individuals always have the ability to select a different level. Retirement plan sponsors should also offer automatic escalation of employee contributions.

AARP is especially supportive of initiatives to improve the Saver's Tax Credit. Created in 2001, the Saver's Credit is available to low- and moderate-income taxpayers who contribute to a retirement savings plan. Unfortunately, the Saver's Credit is woefully underutilized. From 2006 through 2014, between 3.25 percent and 5.33 percent of eligible filers claimed the credit, and the average value of the credit ranged from \$156 to \$174 over this time period. A series of changes -- some small and others more substantial -- would enable more of the tax credit's target population to benefit from the Saver's Credit to help build significant retirement resources. One beneficial change for low- and moderate-income savers would be to make the Saver's Credit refundable. This reform would especially reward saving among Latinos, who are least likely to be covered by a workplace retirement plan and are more likely to earn low incomes.²⁹ Another way to strengthen the Saver's Credit is to raise the income thresholds to reach more moderate-income filers.

We also note the need to establish a national retirement Lost and Found office to help workers locate retirement accounts with previous employers. This has become increasingly important as more and more workers change jobs several times over the course of their careers. There will be

²⁷ Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Household Data Annual Averages, Table 8: Employed and unemployed full- and part-time workers by age, sex, race, and Hispanic or Latino ethnicity (Jan. 18, 2019) available at <https://www.bls.gov/cps/cpsaat08.htm>.

²⁸ <https://www.cnbc.com/2017/08/02/the-problem-with-too-low-401k-contribution-rates.html>

²⁹ http://publications.unidosus.org/bitstream/handle/123456789/888/32551_file_Retirement_security_brookings_Fact_Sheet_Final.pdf

an estimated 25 million lost 401(k) accounts by the end of this year, valued at about 20 percent of the total assets held in 401(k) plans.³⁰ Representatives Bonamici, Messer, Banks, Neal and Brady have introduced bipartisan bills to help workers find “lost” accounts. A Lost and Found office could help savers reclaim their investments and combine accounts to more appropriately invest their assets and lower their fees and expenses.³¹ The Pension Benefit Guaranty Corporation (PBGC) is starting a preliminary effort to help match individuals with former retirement accounts. Several other countries with similar types of retirement systems also are setting up such low-cost matching programs.

The bill also makes improvements to the required minimum distribution rules, including exempting a threshold amount, that will both simplify distribution rules and help preserve savings. And the bill expands catch-up contributions enabling older participants to make extra contributions when they typically are more financially stable.

AARP is also continuing to examine provisions related to multiple/pooled retirement plans for employers, which were established in SECURE 1, including a new proposed expansion to 403(b) non-profit plans. AARP supported pooled plans in large part because the SECURE Act required the Department of Labor to issue rules for the operation of these plans, including a model plan. However, while DOL several times solicited public comments, it has not yet issued any rules. As a result, some firms have registered to sell pooled plans, but without rules, neither the plans, nor employers or consumers know how they should operate or if they are operating fairly. Congress may need to take further action to ensure appropriate guidance for pooled plans. Similarly, standards are also needed for non-profit 403(b) retirement providers, who are also interested in adopting pooled plans. Separately, the U.S. Supreme Court just agreed to take up litigation affecting 403(b) plan compliance with ERISA. AARP looks forward to working with Congress to ensure fair and adequate pooled plan standards for all providers.

AARP also looks forward to working with the Committee and interested members on a wide range of promising and needed additional retirement improvement ideas. As retirement savings has become more individualized and technology improved, new ways to create and maintain accounts over a lifetime are emerging. Retirement experts are just starting to understand the many ways in which economic and racial disparities affect retirement savings. A larger role for participants in retirement plan design and oversight is likely to improve coverage of marginalized groups and improve benefits. From the ERISA Advisory Council to individual plan committees, a greater role for covered employees and retirees would be beneficial to the system. Regular agency reporting on what works and better interagency coordination also should be considered. Further, the most critical component of retirement savings programs are low aggregate fees and prudent investments, and the Committee has long worked to ensure

³⁰ <https://hicapitalize.com/resources/the-true-cost-of-forgotten-401ks/>

³¹ <https://www.brookings.edu/wp-content/uploads/2020/10/Retirement-Security-Project-Dashboards-Oct-2020.pdf>

consumers are informed about appropriate fees and investment options. The Committee should consider requiring disclosure of all paid fees in a single prominent place. Also, relatedly, the Committee should ensure that spouses are always protected and fully apprised of their benefit rights. Finally, workers should always have full legal protections to their benefits, including de novo legal review, prevailing attorney fees, and no preemption of more protective State laws.

Maintain Essential Fiduciary and Disclosure Protections

For the millions of Americans who have access to a workplace savings plan and started to save for their retirement, Congress can do more to protect their hard-earned nest eggs. All tax-preferred retirement savings should be prudently invested, with reasonable fees and without conflicts of interest. While ERISA is clear that any person who exercises discretion over employee benefit plan assets must do so in a fiduciary capacity, efforts have been made to lower the important standards that protect retirement investors. Recently, the Securities and Exchange Commission (SEC) weakened financial adviser investment advice standards, and the Department of Labor adopted similar proposals. AARP strongly opposed those efforts and urges both agencies and Congress to restore ERISA's longstanding protections. A strong fiduciary standard should include the core principle that when providing personalized investment advice to customers, financial professionals must always act in the sole interests of those customers – whether they be employers acting on behalf of workers or the workers themselves. That fiduciary standard should be uniform for all financial professionals and should apply to all types of accounts to rectify the existing confusion among investors in the marketplace because of standards that are not uniform. These rules are especially important when workers terminate employment and help protect workers who may be considering rollovers from their ERISA protected savings to often less protected individual retirement investments.

Congress should also discourage pre-retirement cash-outs of retirement funds and instead encourage account portability and stable lifetime income streams, such as periodic withdrawal options and fixed lifetime annuities at retirement age. Too many workers cash out their savings when they change jobs or experience financial emergencies. While this may provide short-term relief, cash-outs create significant risk for diminished financial security for retirees and their spouses in the future. Cash-outs related to emergencies could be reduced if individuals could save in more liquid accounts or have greater access to accounts that have been created through regular payroll deduction.³² Research shows that individuals with emergency savings accounts are 2.5 times more likely to be confident in their long-term financial goals.³³

In addition, most defined contribution plans do not accept former account rollovers or permit

³² https://www.nber.org/system/files/working_papers/w26498/w26498.pdf

³³ Harvey, Catherine S. *Unlocking the Potential of Emergency Savings Accounts*. Washington, DC: AARP Public Policy Institute, October 2019. <https://doi.org/10.26419/ppi.00084.001>

contributions to be made to portable accounts to help workers consolidate savings. Most DC plans also do not offer fixed annuities or periodic payment options to help ensure that retirees have more adequate distribution options and do not outlive their money. AARP looks forward to working with the Committee and other groups to encourage asset preservation, portability, and to provide low-cost distribution and spend-down options that meet workers' needs.

AARP has been strongly supportive of efforts to educate and better inform workers about their retirement savings plans. ERISA and the tax code require many disclosures to workers about the actions they need to take and the benefits they are earning. We agree with many critics that disclosures could be shorter, simpler and timelier. We support efforts to streamline retirement plan documents and disclosures.

However, we strongly oppose efforts to primarily provide disclosures through generally time-limited website postings. Employers already may automatically provide electronic disclosures to workers who typically work with computers, but most plan participants prefer paper delivery of retirement information. A 2016 FINRA study showed that only 31 percent of respondents preferred receiving disclosures by email or through internet access; the remainder preferred paper physical mail (49 percent) or in person meetings (14 percent). Older respondents preferred paper documents, while younger respondents preferred in person meetings. There was no age differential between those who preferred to receive disclosures by email.³⁴ Moreover, the Pew Research Center found that a third of individuals age 65 and older do not use the internet, only half have broadband at home, and only approximately 40 percent own a smartphone. Among all adults, a third do not have high-speed internet at home and 13 percent only own a smartphone. Disadvantaged populations have even less access – approximately only half of rural Americans, African Americans, and Americans with a high school degree or less have broadband internet at home.

With such discrepancies in access, and a generally greater preference for paper copies of important financial documents, it is crucial that important material be distributed in paper form and that electronic disclosure not become the default method of delivery. Full and meaningful disclosure is critical to retirement security and pension law, and Congress needs to ensure workers will receive and can review important retirement plan documents. An annual benefit statement, similar to the Social Security and Federal Employee statement of earned benefits, is essential to help employees better understand and successfully manage their plans and determine if they are on track for retirement. AARP supports default paper delivery of disclosures and supports the availability of electronic disclosures when a participant chooses to opt into it. SECURE Act 2 includes an important requirement for an annual paper retirement earnings benefit statement, which AARP strongly supports.

³⁴ FINRA, Investors in the United States 2016 at 14 (Dec. 2016), https://www.usfinancialcapability.org/downloads/NFCS_2015_Inv_Survey_Full_Report.pdf.

Finally, AARP commends the Congress for earlier this year enacting important legislation to protect the earned benefits of millions of workers and retirees counting on multiemployer pensions for their retirement security. We commend Chairman Scott and the many Committee members who focused their attention on this issue. While most multiemployer pension plans are well funded, over 100 plans – due to industry changes and market downturns, among other reasons – do not have enough assets and contributing employers to pay out full, earned pensions. Many retirees have already been devastated by significant reductions to their earned benefits, and over one million retirees and their families were at substantial risk of losing needed retirement income. While this was a difficult problem with no easy solution, the legislative support was critical to protecting the benefits of workers and retirees who had worked hard, earned their benefits, and were put at risk through no fault of their own.

AARP would again like to thank the Committee for considering the challenges and needs for a secure retirement and for the opportunity to share our policy priorities to improve the retirement savings of Americans and their families. We stand ready to work with the Committee to improve Americans' retirement security.

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Chairman DESAULNIER. Thank you, Doctor.

Thank you to all the panelists. Terrific testimony. I appreciate the content and the tone very much.

Under Committee Rule, we will now question the witnesses under the five-minute rule, please, and I will be recognizing Subcommittee Members in seniority order.

As the list I currently have from staff, I am going to speak first, and then we will go to Representative Walberg and then Representative Norcross.

As Chair, I now recognize myself for five minutes.

And, again, I want to thank the panelists. I look forward to further discussion and—in the terminology of the Ranking Member—evidence-based research.

We certainly can have differences of opinion to our approach, and we do, to solving this problem, but I respect divergent opinions. And if we go by the evidence-based research, I think we can really make strong progress.

And I want to work with the other committees of jurisdiction, particularly Ways and Means, but this Subcommittee, and I know the full Committee, thinks this is a priority. And I appreciate all the input from Subcommittee Members prior to this hearing, and I am open to further input.

And, Dr. Biggs, I appreciate your testimony. We certainly want to be driven by evidence-based research. But I also don't think it necessarily contradicts the testimony from Dr. Rhee, and it is reflective of our overall inequality in this country, which isn't surprising, both for workers and for retirees.

So the question is, how best do we have a discussion about that. There is nothing wrong with capital investments in general if they are done with responsibility toward all, as Piketty's work and Emmanuel Saez's work would indicate to me. But that balance between wages and capital investment, both for workers and retirees, are important for everybody's happiness.

So I look forward to talking to you personally, Dr. Biggs, and other panelists on how we can honestly address these issues in a thoughtful way in this Subcommittee and, again, as the Ranking Member says, be driven by evidence-based research.

My questions.

Dr. Ghilarducci, in my opening statement I mentioned the recent New York Times Magazine on the doubling of life expectancy between 1920 and 2020. So the social model has changed, mostly for better, I would say, and particularly having two incomes in the workforce. Certainly household productivity I think, has undeniably increased in the United States because of this addition.

But it has caused strains on our system as well, and the social model is very different. Young people are forced to have greater mobility when they look for jobs, not just in their own neighborhood and community and region but nationally.

So in your written statement you mentioned several reasons why older Americans are better off these past hundred years. Would you please talk briefly about how having the ability to retire with a pension is so important and connected to human longevity and the quality of life as we get older?

Doctor?

Ms. GHILARDUCCI. Yes, just quickly, and I am sorry I went over time last time.

We tend to think that improving longevity just happens and that that requires people to work longer, because people improved their longevity and they also exited the labor market, as if those two things were unrelated.

And what the research, the medical research, using the health and retirement survey and other sources of data have shown is that living longer is actually related to being able to retire voluntarily with income.

For many, many people, and it is unequally distributed this way, working at old age causes a lot of stress. Cortisol levels go up, you are subordinate in the workforce, you can't control the pace and content of your time like many of us can do now. And so, especially for women in service organizations or paid care work, working every day in your sixties and seventies actually reduces longevity.

So, Andrew, notwithstanding your warning that our predictions can be wrong, the evidence is pointing to, if we are forcing people to work longer because we don't do anything about our pension system, we could actually reverse that great longevity gain and make those longevity gains really unequal.

Most of those longevity gains, as you know, have gone to the people at the top of the income distribution.

Chairman DESAULNIER. Dr. Rhee, let's talk about comparisons globally. We talk a lot about global competitiveness. Dr. Rhee or Dr. Ghilarducci, how do we compare vis-a-vis our global competitors?

Dr. Rhee?

Ms. RHEE. I think in terms of retirement plan coverage, I want to sort of stress that it is a totality between Social Security, pensions, employer-sponsored pensions, and private savings. And we just want to make sure that there is universal coverage and that benefits are adequate.

And I think that on the whole U.S. Social Security benefits are less generous than other advanced countries, and we need to be doing more on the pension front, and that is actually not what is going on.

Chairman DESAULNIER. Thank you, Doctor.

My time is up. I am told that the Ranking Member would like to wait until later in the testimony for questioning. So that will put my friend and colleague from Michigan, Mr. Walberg, as the next speaker.

You are recognized for five minutes.

Mr. WALBERG. Thank you, Mr. Chairman.

And thank you to the panel for being here today.

An important issue. Retirement security is an important topic and one that has a history of bipartisan support. Americans dream of retirement financial security, but, unfortunately, many struggle on how to get there.

With that in mind, in 2018, when I Chaired this Committee, we held a bipartisan hearing that examined solutions to modernize our retirement system and make it easier for employees to save for retirement.

The proposals that we discussed in 2018 were later signed into law, gratefully, as part of the SECURE Act, which was the first major update to our retirement policies in over a decade.

Ensuring that American retirees can count on sufficient income to last throughout their retirement is not only important to families, but also for our economy.

So I thank the Committee for holding this hearing, and I hope that Members on this Committee will continue our history of bipartisanship and build upon the success of the SECURE Act so every American can retire with dignity and peace of mind.

Dr. Biggs, thank you for being here as an additional point of view that we truly need to hear.

Employer-sponsored retirement plans are an indispensable pillar to the U.S. retirement system. That is not really debatable.

Could you please elaborate on your research regarding participation in employer-sponsored plans and the amount of savings employees are achieving through this model?

Mr. BIGGS. Well, thank you very much, Congressman Walberg.

I think we all agree that having a retirement plan at work increases savings significantly versus having to set one up on your own, such as through an IRA. So it is important that employers offer these plans.

What we have seen over time is that employers are increasingly offering retirement plans. Some gaps remain. But if we go back to the heyday of traditional pensions, which we all have rose-colored glasses on, at their peak, 39 percent of private sector workers participated in a defined benefit plan. Today, you have somewhere around 60 percent of workers participating in some sort of plan, more than that being offered a plan.

So when we think about why employers will offer a plan, we have to think of the attributes of the plan. A defined benefit pension, a traditional benefit is very onerous on the employer to offer both from an administrative standpoint, but also from the standpoint of financial liabilities.

What happened up to the mid-1970s, before we had ERISA, was that employers were willing to offer traditional pensions, but they didn't fund them, and they set these vesting requirements such that literally, like, 92 percent of defined benefit participants, according to a Senate Labor Committee study in the 1970s, they par-

ticipated in a plan, they never collected benefits because they didn't vest.

ERISA changed that and said, well, if you are going to offer benefits, you have to have reasonable vesting requirements and you have to fund them. That is when employers said, it is not really worth it for us to cover, to offer these plans anymore.

401(k) plans are much easier for employers to offer, and so coverage spread. We have, in relative terms, 50 percent more employees participating in 401(k) plans today than we did with traditional pensions.

So you have to think about what is on the employer side and how to facilitate them offering that plan, because that is really a crucial aspect.

Mr. WALBERG. Dr. Biggs, could you describe the existing barriers that may discourage certain employers, especially small employers, from offering a retirement plan to their employees?

Mr. BIGGS. Yes. Small employers are really where the gaps exist. If you look at larger employers, vast majorities of them are already offering a plan.

For small employers, they have a couple of issues. All along we have had issue with sort of the fixed costs of offering a retirement plan. If you are running a laundromat or something like that and you have 10 employees you still have to get a financial adviser, you may have some legal fees involved with setting it up. So it is a bigger issue, a bigger cost for you compared to the number of employees you are going to serve.

The second issue, which is more recent, is potential liability issues. The lawsuits against 401(k) plan providers have increased significantly in recent years.

So if you are a small employer, you may today just say it is not worth the trouble to me, that there is a cost burden involved, and then I may be taking on a financial risk.

And so we need to address those things, both smooth the costs out for them, but also make very clear what you can do to be protected. And I think if you do that, they will be more willing.

But we also need to be realistic. I don't think you are going to get a hundred percent coverage among small employers. So then we want to think about what other options might be for workers in those employers.

Mr. WALBERG. So much more I could ask, but my time has ended. So I yield back.

Mr. BIGGS. Thank you.

Chairman DESAULNIER. Thank you, Representative Walberg. Really good questions. As a former small business owner and restaurateur who has struggled with this issue, another area that I think that we could have a really good discussion about on what is best for those small businesses who are already struggling to make ends meet.

Next is the distinguished gentleman from New Jersey, Mr. Norcross, somebody who has a unique passion on this issue.

Mr. NORCROSS. Well, first of all, thank you, Chairman, for holding this meeting and bringing to the front of the line something that is near and dear to everyone on this call, whether you agree how we get there or not, it's those golden years. And, certainly, we

work all our lives, and we want to be able to enjoy that as we get there.

And certainly to my colleagues on the other side, Mr. Walberg and I have reached many common grounds on this. So I think there is a real pathway here.

When we looked over the past year, it has been a challenge to every one of us. Luckily, we finally came together, and this is after we served on the bicameral, bipartisan commission a couple years ago focusing on how we could save the multi-employer.

Somehow we talk about it like it is companies or unions. These are people. These are people that we saved. And while we might have a disagreement on how we saved it, the fact of the matter is literally thousands of men and women are going to be able to survive in their retirement, and that is thanks to that plan.

And, by the way, this wasn't just one side. It was UPS, Kroger, large companies that literally could be going bankrupt if it had not been for this. The Chamber of Commerce, the National Association of Manufacturers.

So what I am going to start out with is, quite frankly, what would have happened if we didn't pass this and we went down the road.

So, Ms. Ghilarducci, could you touch base? What would have been the cost, social and otherwise, financial, to this country had we not saved the multi-employer plan?

MS. GHILARDUCCI. It would have been substantial. As I mentioned in my testimony, the dollars spent by the retiree in those communities multiplied and created aggregate demand. It also allowed the Member to stay in their communities.

As I said, I was a trustee for the—a director for the shareholders of Yellow Freight based in Kansas City, and that company would have gone bankrupt if it had to fund the multi-employer plan all on itself, as they were supporting many more retirees than they had Members.

So it could have caused bankruptcy of major employers and a loss of income and vitality in those Midwestern and other working-class communities. It would have been far more than the \$80 billion, probably another 2 or 3.

MR. NORCROSS. Thank you.

And, listen, we as a country we make these decisions, and obviously in Congress, we do. The trillions of dollars we just spent propping up businesses through the pandemic, you could call that a bailout. No, it is helping Americans. And thank you for your discussion on this issue.

MR. CERTNER. I want to talk about SECURE Act 2.0.

Unfortunately or fortunately, history and human behavior have taught us that once an employee gets the money in the paycheck, it is so much more difficult for them to turn around and contribute to a retirement plan. Why? Particularly in the lower economic scale of wages, "Hey, do I want to send my kid to camp? Do I want to buy them a pair of sneakers?" Extremely difficult.

Those plans across the spectrum that have been successful, it is pre-dollars in the paycheck. The SECURE 2.0 talks about the automatic enrollment.

Can you go into a little bit more detail on the 401 and the 403? Why is that important that we get the auto enrollment ahead of the curve when it comes to the outcome?

Mr. CERTNER. Thank you, Congressman. Automatic enrollment dramatically increases enrollment of the workforce. It usually jumps from anywhere close from around 50 percent to around 80 percent when you have automatic enrollment.

Again, so if the employee is not paying attention to the joining form, they are automatically basically making the right decisions for the employee. They are going to be put in the plan, they can start saving.

Now, the employee always has a choice to opt out, but most employees, when they join up, are not thinking about retirement, and it is good to have the system automatically putting them in the right direction. If they want to make other choices, that is great, but it is better that we have an automatic system that is getting people, A, to sign up, and B, are getting them into funds normally, like default lifestyle funds, that basically can put them in a more diversified investment scenario that is more appropriate for their age. So this is putting people on the track to a better retirement.

Mr. NORCROSS. And it is a bipartisan approach, and we certainly appreciate what they are doing because, again, defined benefit, we all participate in; defined contribution, so many employers only contribute if the employee contributes. And those on the lower economic scale, unfortunately, need to eat and take care of life.

Unfortunately, I have run out of time, but thank you for the testimony, and I yield back to the Chairman.

Chairman DESAULNIER. Thank you, Mr. Norcross. And, again, thank you for your passion on this issue. And since I bragged on the University of California, I want to brag for you about Rutgers University and their Labor Institute in your district.

Next, Mr. Banks, if you are prepared, you are next in the queue. If not, we will go to Representative Harshbarger.

Mrs. HARSHBARGER. Thank you, Chairman and Ranking Member and all the witnesses today. I am a small business owner, too, that offered a 401(k) to my employees, because that helps me retain employees, absolutely. And it is a good investment in their future as well as the future of the business.

Mr. Biggs, Dr. Biggs, I am looking over your testimony and, you know, I am looking at the increase in, you know, people joining 401(k)s and employer ratings. Since 2017, 81 percent of joint tax return filers have at least one Member of the couple participating in a retirement plan.

And then we see the Department of Labor statistics that show, you know, a 45 percent increase in total private sector pension contributions in the last 40 years. And what is remarkable is since 1989, retirement savings have increased in every age, income, educational, racial, ethnic group. To me, that is pretty remarkable, that it encompasses every race, every age, every income, every educational and every ethnic group. So to me, there is not a discrepancy or disparity there.

But I do have a couple of questions, and one of the things that occurs to me is, we need to make some value-based judgments about the respective roles of Social Security, employment-based

pensions, and individual savings. And I have a couple questions about that.

No. 1 is, do we want to follow the historical, traditional, three-leg stool approach to retirement security or just disregard it in favor of another approach? And the second part of that question is, is there still a role for all three of these elements? And the third part is, do we even want there to be a role for all three of these elements, and, if so, then we need to decide how much of the job should be done by each component.

So if you could offer me some perspectives on those three components, I would be very interested in hearing about it.

Mr. BIGGS. Sure. Well, thank you very much. If you look at the sort of research literature on retirement, which is pretty wonky, but, you know, often we will say, you know, a retiree wants to have an income equal to 70 percent of their preretirement, a 70 percent replacement rate. When you actually look at the research, things differ quite a bit between different households of how much income they need in retirement. That can depend on your earnings level, the children you have, family size, et cetera.

So you want to leave flexibility. You don't want to set up your mandatory savings system like Social Security so it covers everything that somebody might need, because we know that is going to differ from person to person.

We also don't want to cover too much of retirement combined with Social Security, because that is, to be frank, it is a funding system that is not good for economic growth. It may be a great system to have, but savings-based systems are going to be stronger for economic growth.

So, we want to leave discretion between people's personal choices and what they are getting from Social Security. So I think we want to build on what we have. We don't want to eliminate that.

Mrs. HARSHBARGER. Very good. You know, it is critical that we make the changes, just like, you know, improving what we already have, the SECURE 2.0.

Dr. Biggs, do you believe that corporate sponsors of pension plans who underestimate their plan liabilities and who underfund their pension plans should be bailed out with taxpayer money?

Mr. BIGGS. Look, when we think about the multiemployer plan problem, we have to remember, you know, we created this in the sense that the government set much lower funding standards for multiemployer plans than they did for single employer plans.

So they went into their problems with much lower levels of contributions. They took much longer to address their problems. So this was a predictable crisis. In fact, you can find things going back 20 years ago predicting this crisis would take place.

So the key thing we need to remember here is, A, we created this through bad governance, but B, all of the arguments that are being made today for bailing out the multiemployer plans at \$86 billion or whatever they end up being, those same arguments apply to bailing out underfunded State and local government pensions, whose unfunded liabilities aren't \$86 billion. It is somewhere north of \$4 trillion. If we are going to bail out underfunded or, you know, pensions for truckers and miners, are we not going to bail out Illinois' policemen and teachers?

The rationale we are hearing today is exactly the same. And I think it is just—it is a very risky proposition to get into saying we have just got to bail these things out. At some point, the plan is either self-funding and responsible for itself, or it is not. And if we are going to socialize these, we need to regulate them much more carefully than we did. So we really need to think very hard about this stuff.

Mrs. HARSHBARGER. Thank you, Dr. Biggs.

And, Chairman, I yield back.

Chairman DESAULNIER. Thank you, Representative. Next up is Representative Morelle. The floor is yours.

Mr. MORELLE. Thank you, Mr. Chairman.

I, first and most importantly, thank you for a really important conversation. I will admit that, you know, for me, thinking about the years I had and thinking about the changes in pensions in the United States over the years, I am concerned.

And I talk to my adult children all the time about their retirement savings to make sure that they are thinking about this. I also tell them that you are going to go from 30 years old to 60 years old in about five minutes, and if you don't think about it long in advance and really start preparing, you are going to find yourself older quicker than you thought that you would be.

So I am really grateful to you for the hearing. I think it is really important. I appreciate the witnesses very much for their contributions.

One of the things that I worry about in our country is sort of the lack of financial literacy. Right now, I am going through—sadly, my mother-in-law passed away a couple of months ago, and my father-in-law was smart to think ahead and is thinking ahead, but he is a little bewildered by all the things that he will have to make decisions about. And some of it is pretty confusing. And the more I talk to people, I realize this is one of those sort of things that we, perhaps, haven't done well enough in the country.

And I thought, perhaps, Dr. Certner, you might be able to comment on any thoughts that you have around increasing literacy for young people, as well as people in the workforce about their future, any things that we should be doing or thoughts that you have on it?

Mr. CERTNER. First, we agree 100 percent that literacy has been a huge problem in this area, and it has been compounded by the fact that now, with 401(k) plans and individual retirement accounts, people are asked to take on a lot more of the responsibility.

They need to figure out how much I can save. They need to figure out how to invest that money. And then even later on, we are seeing with our own Members when they finally get to retirement they have some very big decisions to make at retirement about whether to take lump sums, or annuities, or what distribution option will there be that will help me not outlive my money.

And these are very complicated decisions for people to make, and they don't have nearly enough either investment experience or financial planning experience to do that. It is not an easy answer here. We think some of the education should start early. These are great classes I think for high school and college kids to have a basic understanding of particularly being able to start saving early.

I think Benjamin Franklin did us a disservice when he said a penny saved is a penny earned. He should have said a penny saved is a penny compounded. I think that would have gone a long way. You know, getting money in early into these plans when people aren't thinking about retirement is really one of the best ways to get a good head start.

So having education, having notices and information going from the plan and from the providers to the individuals are critically important, because that is, very often, who the workers are going to listen to is their employers.

And that is one of the reasons we think it is so important that some of this information be provided by paper and not electronically, so people can see what is happening with their plan. They can see what their investments are. They can see what kind of fees that they are paying. They can see what kind of investment returns they are getting. If you don't have that in your hands and can take the time and look it over, you are never going to learn or understand what is going on with your plan.

And one of the side problems with having some of these things just done all automatically is that people are paying less and less attention to them. Now, that may not be a bad thing if they are headed in the right direction, but we also do want people to pay attention so that they know what is going on with their own retirements.

Mr. MORELLE. I will observe—and I had the privilege of Chairing the New York State Assembly Committee on Insurance in my service in the State legislature. And the kind of retirement vehicles that you can now invest in, to your point, taking lump sum distributions or annuities, are they pretax? Are they yet to be taxed? How does that impact? Those are all confusing.

And I often think back that I passed my physics regents exam in no small amount to Mr. Uhler and his patience, but I think back. I haven't really used my high school physics since I left high school. I might have been better served to have taken a course in financial literacy, and maybe that is what we ought to be encouraging school districts around the country to start doing, but, certainly, in the workforce.

And you are right, when you go to work you start thinking about it. So other ways that our witnesses can provide to us after this on ways that we can increase financial literacy, I think, would be really important.

With that, Mr. Chairman, again, thanks for the great hearing and I yield back, sir.

Chairman DESAULNIER. Thank you, Mr. Morelle.

Next up is Representative Miller. You are recognized for your five minutes.

Mrs. MILLER. Thank you. Thank you to our witnesses for coming to discuss the important issue of retirement security.

Dr. Biggs, I found your testimony especially thought-provoking, and I do have a few questions to ask. OK. So I am from Illinois, and we are a sinking ship there because, well, according to Moody's, as of June 2020, Illinois' pension liability was at \$154 billion.

This is unconscionable. The pension liability has been growing steadily since 2006. Illinois State pensions have been critically underfunded, or possibly overpromised for more than a decade, with no end in sight. It is the elephant in the room. This fund is supposed to provide benefits to public servants in their retirement, but its chronic underfunding threatens to fail these workers.

Dr. Biggs, how do States like Illinois get out of this mess? How can we best protect workers and taxpayers from being harmed by these critically underfunded and abused State pensions? Do you have any policy suggestions for my State?

Mr. BIGGS. Well, thank you very much, Congresswoman. I have worked a great deal on State and local pension issues. I am also a Member of the Financial Oversight Board that is handling the bankruptcy in Puerto Rico. And Puerto Rico's bankruptcy was caused in no small part because it just ran its pension systems into the ground. They just ran out of money. At that point, everything falls apart.

For Illinois, it will be even more difficult if the pension plan runs out of money, because the pension liabilities are so large that even if Illinois defaulted on all its debt to bondholders, it still wouldn't have enough money to fill them. I suspect Chicago will probably go bankrupt 5 years, 10 years from now. Illinois may look maybe a little bit further. But they need to find ways to get on top of these problems.

Illinois is very constrained by constitutional protections, which you interpret in such a way, you simply can't change benefits. It has also been hamstrung, to be honest, by decades of poor financial management by the government, and by the trustees of this plan.

This gets to the issue I raise with multiemployer plans. I mean, Illinois is a known bad actor when it comes to pensions. It increased benefits. It promised too much. It simply refused to do what it needed to do. It, even today, will not change its State constitution to allow these adjustments.

They have already talked of getting a Federal bailout. When that day comes, you know, everybody today in Congress is going to say, We won't bail out these State and local pension plans. But 2 years ago, everybody in Congress was saying, we are not going to bail out the multiemployer plans, and that is precisely what we did.

So when that day comes, there is going to be huge pressure on the Federal Government to bail these plans out. And the question is, should the taxpayers in States that have been responsible with their pensions, that have funded them fully, that made reforms when necessary, should they be on the hook for Illinois?

And this is one—if I had to propose one solution, if we go back to when ERISA was started in the 1970s, there was some discussion then of subjecting State and local pensions to ERISA coverage, to ERISA regulation. That, in retrospect, would have been entirely appropriate. We thought back then that the State and local governments could be trusted to responsibly fund these plans while corporations couldn't. It turns out none of them could be trusted. They have the same incentives.

So I think Federal regulation of these plans with some transition period, you know, maybe some incentive to get up to good funding, because these plans pose a systemic financial threat that goes well

beyond the government that sponsors them, or the borders of their State. So this is a congressional problem, and I really wish Congress would get on top of it before it becomes a congressional crisis where we are forced to do a bailout.

Mrs. MILLER. Yes. And I am so concerned for the rank-and-file teacher, policeman in our State that have planned their retirement, based on, maybe, a reasonable pension. There is just egregious abuse in the pension system.

I know people that are billing up to three and four pensions. And in the private sector, this would never happen where you could double-dip like that. Of course, the 3 percent COLA and then they don't pay income tax on it, which is all fine, but it is overpromised, and we can't afford it. So some lawmakers in my State have been calling for the Federal bailout of our State pension.

Do you think it is wise for the Federal Government to bail out failing State pension plans and, if not, are there other policies in the Federal Government that the Federal Government should put in place to protect workers and taxpayers, which I know you said if we would have—[inaudible]. Is there anything else that you can think of?

Mr. BIGGS. Well, I think Congress needs to act today. You know, everybody will say, we are not going to bail out Illinois' pensions. If Illinois' pensions go under, Illinois goes bankrupt. I can tell you from the experience in Puerto Rico that State-level bankruptcy is incredibly difficult economically and politically. It is a real, real problem. At that point, be it Congress or the Federal Reserve, but somebody is going to bail out Illinois.

So if we can foresee that, the thing we need to do is act today, just as we should have acted 20 years ago with multiemployer pensions, but we didn't.

And so the question is, you know, are we going to show leadership, or are we just going to be followership? Are we going to kick the can down the road like we have done with Social Security or multiemployer pensions or whatever, or are we going to show some leadership on this?

State and local pensions, there is no constitutional reason they cannot be federally regulated. The Federal Government regulates work conditions. They regulate the minimum wage for State and local governments. We can do this stuff. It is all legal. And there is no reason not to do it, because the States, at least the worst ones, have shown they are not capable of running these things responsibly.

Whether we are looking at Illinois or New Jersey or Connecticut or Kentucky, these are real problems that are existential threats to the finances of their State and, therefore, to the economies of their State and even to bordering States. So, I think that Congress should really look into this and think about whether ERISA should apply to these plans.

Mrs. MILLER. So now—

Chairman DESAULNIER. Excuse me, Doctor.

Representative Miller, your time is up. If you want to wrap up, go ahead.

Mrs. MILLER. Well, now we can see that we needed Federal Government regulation, and, perhaps, we can get that rolling, like you

said, today, to act today. But what are we going to do about the problem that we are bankrupt and we can't pay these?

Mr. BIGGS. Ultimately, you may default to your bondholders. Beyond that, it is really, really a tough decision. You know, every public policy analyst says, I have some magic solution for you. Now, my magic solution is a time machine to go back 25 years and fix it then. Once you are where Illinois is today, it is really hard to get out of it.

Chairman DESAULNIER. Thank you, Doctor. Thank you, Representative.

Now I am going to recognize the gentleman from Michigan, and I am going to ask him to step in to Chair the hearing for a short while, while I go off to another hearing. Andy, the floor is yours.

Mr. LEVIN. [Presiding.] Thank you so much, Mr. Chairman. I will ask my questions and then recognize others in order. It is so good to see everybody, and I really appreciate all of our witnesses here for participating in this vital hearing.

You know, retirement security should be a right of every American. And I am proud that the Democratic majority passed much-needed relief for multiemployer pension plans as part of the American Rescue Plan. It was the right thing to do to prevent a crisis and protect retirees who were on track to see their pensions reduced, even, in some cases, to zero in the midst of a huge economic crisis.

Unfortunately, my Republican colleagues have spent a lot of time criticizing and mischaracterizing the special financial assistance program for multiemployer plans that congressional Democrats included in the American Rescue Plan.

For all the reasons Chairman DeSaulnier mentioned in his opening statement, they are wrong. But I think it is also worth discussing how consistently wrong they have been over the decades when it comes to retirement security.

In 1935, House and Senate Republicans attempted to eliminate the old age pension section of the Social Security Act. If they had been successful, there would be no Social Security as we know it today. More recently, in 2005, President George W. Bush and congressional Republicans made privatizing Social Security one of their top policy priorities.

These are just two examples. We need to remember our history and examine what the consequences of these proposals might have been so that we can analyze future proposals properly, and make sure our actions do not prevent our constituents from retiring with dignity with the basics they need to live a decent life.

Dr. Ghilarducci, what do you think would have happened if Republicans were successful in privatizing Social Security a few years before the financial crisis and the Great Recession?

Ms. GHILARDUCCI. People would have withdrawn from their Social Security system, and 10 years later they would not have had the annuities to fall back on. The only logical prediction would have been more poverty in old age and more stress for families even if they weren't old.

But I want to point out that what you could do today is to make sure that you expand coverage. We know, we all agree, Andrew, all of us agree if you start early in the financial market, you will be

better off. But if Congress sets up a system where people can take out money during their lives in divorces and recessions, you have provided emergency savings money. Congress has not provided retirement security.

So do what all of our other countries, our peers do—Australia, the Netherlands, the U.K.—build an advance funded system on top of the Social Security system and leave that money in. But people need to have not financial education in fourth grade, but they need a safe place to invest that money. So accumulate it, invest it well, and deaccumulate it in a safe way.

Mr. LEVIN. Thank you. Well, I would love to talk to you about adding a level beyond our current Social Security system that is universal, national, that every worker and employer can pay into without friction.

But in my little time remaining, let me ask you a question, Dr. Rhee. You know, occupational segregation so often results in people of color working in jobs that do not offer retirement savings plans. So I would like to ask you to discuss how that factors into the disparities that you highlighted in your testimony?

Ms. RHEE. Absolutely. So there is a lot of money in the 401(k) and IRA system, most of the IRAs, which are Individual Retirement Accounts, actually are rollovers from the 401(k) system. So basically, it requires participating in an employer-sponsored plan to save for retirements, and that is just human behavior.

And the evidence clearly shows that workers of color, in particular, have difficulty accessing it and basically wind up with no retirement savings, right? Most Latino and Black households have no retirement savings. They are not seeing it. So there may have been increases, but if you just look at who has any and what those balances are, it is just woefully inadequate.

And this is why we need to actually make sure, in one way or another, to have universal coverage, either through the employer-sponsored system or through a complementary system, which is what the U.K. match program does.

Mr. LEVIN. Thank you so much, and not only for that great answer, but being so brief that you answered in the time I had remaining.

All right. Now I would like to have the honor of recognizing the Ranking Member of our full Committee, Dr. Foxx. Dr. Foxx, you have the floor for five minutes.

Ms. FOXX. Thank you very much, Mr. Levin. That is a very nice way to introduce it.

Dr. Biggs, you explained your testimony that retirement savings increased dramatically upon the introduction of a defined contribution and individual account plans, like the 401(k). Can you describe further how these plans have helped millions of Americans save for retirement, and why they are so important to American workers and their families?

Mr. BIGGS. Thanks very much, Congresswoman Foxx. I think in these kind of hearings and discussions, I find it very interesting, we are often talking about, as we transition from traditional defined benefit pensions into 401(k)s, so and so, good or bad things might happen. It is worth noting, participation in defined benefit pensions peaked at something like 39 percent of the private sector

workforce in 1975. I think we are far enough along now to know what is going to happen here.

The 401(k) was introduced in 1979, started growing in the 1980s. If you look at a chart in my testimony, it looks at Federal Reserve data on total retirement savings, you can see there is an inflection point there where savings in IRAs and 401(k)s started shooting up. And that helps explain why total retirement savings today are literally seven times higher than they were in the 1970s. Now, that money has got to go somewhere, and it is not all going to the rich.

So the 401(k)s work. First, more employers are willing to offer a 401(k) than a traditional pension. That means more opportunities to save.

Second, 401(k)s have contributions from both the worker and the employer, while traditional pensions had just the employer. That is two parties paying in, not just one.

Third, 401(k)s vest almost immediately. Traditional pensions have much stricter vesting requirements. In his opening statement, the Chairman noted that employees may switch jobs 12 times over their career. For that employee, a defined benefit pension would be a disaster, because they would be failing to vest, then failing to vest, then failing to vest, and they wouldn't get any money back.

We already see this in the public sector where there are still defined benefit pensions. Employees who shift around early in their careers get nothing. It is only the full career employees who get that. In the private sector, that doesn't exist anymore. We are switching around.

So we need a flexible system that allows people to save, take their savings with them. Say, if you are a mom and you take time out of the workforce, with a 401(k) that money still earns interest while you are caring for your kids. And you come back in and transfer it to a new plan. If you had a traditional pension, you might fail to vest in your benefit and get nothing. So we——

Ms. FOXX. You have answered. You have answered two questions for me in that explanation. I appreciate it.

Earlier this year, Dr. Biggs, congressional Democrats enacted an \$86 billion taxpayer bailout of failing multiemployer pension plans under the guise of COVID-19 relief. Mismanaged multiemployer pension plans were failing to keep their promises to retirees long before the pandemic. Unlike previous Democrat proposals to provide, quote, "loans," end quote, to these plans, their taxpayer-funded handout will not have to be repaid.

Dr. Biggs, I am concerned my Democrat colleagues believe they have somehow solved the problems facing multiemployer pension plans. Do you believe that simply throwing taxpayer money at these plans will help workers and retirees in long term? What changes should this Committee and Congress consider to address the chronic mismanagement and underfunding plaguing these plans? And I have one more question I would like to get in.

Mr. BIGGS. Well, you made the important point, that all along, assistance to multiemployer plans was framed in terms of loans. They need some help to get over the hump or to give them some money. They will pay it back. And then in the reconciliation bill, boom, the loans are gone. They are grants that no longer need to

be repaid. This happened very quickly. As far as I can see, not much justification for it.

Now, the cost estimate so far is around \$86 billion. That may well go up, because the total unfunded liabilities for multiemployer plans are \$86 billion, something like that. And the plans will try to act strategically. These are not well-run plans where the trustees, which is employers and the unions, have not acted as good stewards for the employees.

Ms. FOXX. Right.

Mr. BIGGS. If these were single-employer plans, they would be taken over by the PBGC. They would be frozen so they are not continuing to promise new benefits. We threw all of that out. And I think we just really need to rethink how we handle this.

Ms. FOXX. And with respect to my colleague from Michigan, who was so nice to me, having more government-type plans like this isn't going to solve the problem.

I want you to talk a little bit about the SECURE Act and how programs have built on the progress of the SECURE Act and expands retirement plan coverage, especially workers employed by small businesses, in terms of their being able to band together, as quickly as you can.

Mr. BIGGS. We talked earlier about——

Mr. LEVIN. The gentlewoman's time has expired, so please answer quite briefly.

Mr. BIGGS. OK. We talked earlier about the difficulty small businesses have starting retirement plans, the fixed costs that are there for them. What the SECURE Act did for small employers and SECURE Act 2 did for nonprofits is let them band together to create multiple-employer plans.

Now, those are different from the ones we just bailed out. But what would happen here is it spreads those fixed costs over a larger group of companies and makes it easier for them to do this. So I think that was really a worthy addition.

Ms. FOXX. Thank you. Thank you, Mr. Chairman, for your patience. I am very grateful to you.

Mr. LEVIN. Thank you so much. And I would like to point out for the record that I have changed jobs at least 12 times myself, and I have vested in two pension plans. And they are awesome, and I am super grateful that I will have that income in my retirement.

So let me now call on the gentleman from Indiana, Mr. Mrvan, who is next on the list. You have five minutes, sir.

Mr. MRVAN. Thank you very much.

Union Members typically have greater access to retirement savings plans than their nonunion counterparts. They also participate in these plans at a far greater rate than nonunionized workers. This is a part of what is referred to as the union advantage.

In fact, according to the Bureau of Labor Statistics, 91 percent of union workers have access to private sector retirement benefits and 85 percent of the union workers participate in retirement plans. Meanwhile, 65 percent of nonunion workers have access to private sector retirement benefits, and only 51 percent of nonunionized workers participate in plans.

Dr. Rhee, do you think an increase in unionized workers might help address the disparities you mentioned in your testimony re-

garding access to the participation rates in private sector retirement plans, particularly among women and people of color?

Ms. RHEE. So, absolutely. Thank you so much for bringing this up. So, insofar as workers of color have a retirement plan, whether it is a pension or 401(k), it actually is disproportionately through the unionized sector of the economy.

And also, with regard to women and pensions, I also want to actually highlight they are more likely to have defined benefit pensions versus 401(k). They are just more likely to have more retirement savings. And I would like to say that, in terms of the households that are doing OK, or well in terms of retirement readiness, you are either in the top 20 percent income bracket, or you have a pension.

With regard to women and pensions, it is particularly important because of the life expectancy issue. And if you would look at the data for current retirees, it is the women who used to be teachers who have the best retirement incomes. It is because they have that nice chunky pension that supplements Social Security.

So both pensions and unionization are absolutely critical for both workers of color having retirement security and women having retirement security.

Mr. MRVAN. Thank you. Dr. Ghilarducci, your testimony indicates that fewer than 15 percent of the workforce has a secure defined benefit pension plan now, but back in the 1970s, all workers with a retirement plan had a defined benefit plan.

Do you think there is a relationship between the decline in union density in our country over the past 40 years, and the decline of traditional defined benefit plans?

Ms. GHILARDUCCI. Definitely. Unions didn't just get pension plans for themselves. They got the plans for their spouses, and also the spillover effect of other employers mimicking what was the norm in those industries.

So when the auto workers got a defined benefit plan, the salaried workers wanted it as well, as well as the auto parts and the local department store. We saw this all over the Midwest. And I am happy to see someone from Indiana. I miss it a lot.

The point is, is that what Representative Levin said, that really does obviate what Andy said, is that having multiple defined benefit plans adds up, because by the time that you get to retirement, whether from your spouse, from your own work, it adds up to income for the rest of your life.

I think we could all agree here—I am hearing it—that everyone needs access to a plan they can save for early on. I really commend you to look at, like, Kevin Hassett, the Republican, and my plan to offer a TSP-like plan to everybody to start. And we would look like the rest of other countries, and we would really fulfill the promise that the 401(k) failed. The 401(k) plan is a failure. Coverage hasn't expanded, and most of the benefits have gone to the top.

Mr. MRVAN. Very quickly. How would enacting legislation like the PRO Act, which strengthens workers' ability to organize and collectively bargain, help workers' retirement security?

Dr. GHILARDUCCI. Oh, it would actually multiply. I think every one new union Member, the PRO Act would help would add three

more people to a pension plan. So the multiplier for a union plan is about one to three. So the PRO Act would provide retirement security.

Mr. MRVAN. Thank you, Doctor.

With that, Chairman, I yield back my time.

Mr. LEVIN. Thanks, Mr. Mrvan.

Well, Dr. Ghilarducci, Indiana is very well-represented here, because I am next going to recognize another gentleman from Indiana, Mr. Banks. And then I believe I will turn back the gavel to our Chairman, who has returned.

So, Mr. Banks, you have five minutes.

Mr. BANKS. Thank you, Mr. Chairman.

Dr. Biggs, the issue of reuniting missing participants with their savings is a growing problem. Plan sponsors often incur heavy costs searching to find up-to-date information to connect these individuals with their retirement accounts.

I am wondering if you think that—would electronic delivery of retirement plan documents enhance portability by allowing individuals to easily update their contact information, or monitor their savings accounts after changing jobs? I hope you heard that. I briefly was interrupted there. But if you got the gist of that, Dr. Biggs, if you could talk about how you reunite missing participants with their savings using enhanced portability, I would appreciate it.

Mr. BIGGS. Yes, I did. The issue of lost accounts is a problem associated—one of 401(k)s main advantages. 401(k)s are portable in ways that traditional pensions never were, which means that when you leave a job during one of these 12 job changes that we think that every person will have, those savings don't go away. They go with you.

One problem, though, is some of these accounts get lost. The Social Security Administration, where I formerly worked, did some research and found that something like one in six workers who participate in a retirement plan, if you ask them whether they participate in a retirement plan, they will tell you they don't. They may be unaware. You know, we don't know exactly what happens. But they leave, and then if they don't leave a forwarding address, or whatever happens and the account gets disconnected from them.

So the issue is, how do we reconnect these? There are proposals now of having a centralized data base at Treasury PBGC. And so, when a retirement plan sponsor has these lost accounts, they have to go do their due diligence to find the person. If they can't, then they report the account to the data base.

The issue I think is what happens to the account, who holds it. I would prefer that it continue to stay and earn interest, since a lot of these accounts, the lost accounts, will be from younger workers. You want them to stay invested, not get shifted to Treasury bonds or something.

But then you have the question of how do you try to reconnect with these people. And there is one question, do you do it by paper or do you do it electronically? I suspect today electronically is an easier way of doing it. I know I have done work on the Social Security statement, because a paper statement people would get, often

people would get that and they would look at it and it goes in the trash.

If you get an email from your employer trying to find you, that is something you can search on. It saves it for you in that way. You can access it more easily.

So I tend to favor electronic communication with people, because I just think it is an easier way of reaching people today, and it is easier for them to get back in touch with you via link to the internet.

So I think this is doable, but it is a challenge associated with one of actually the main plus points of 401(k) plans.

Mr. BANKS. So sticking with that, Dr. Biggs, nearly 15 million American workers who saved for their retirement through a defined contribution plan change jobs every year. These workers deserve to keep the money they previously saved for retirement, but far too often, they are unable to locate their hard-earned investments.

I know there are private sector solutions that exist to ensure some missing participants maintain balances in an IRA that are not cashed out. Can you talk a little bit about some of the hurdles that people face when they are trying to roll their money over, and as policymakers, what we can do to make that process easier?

Mr. BIGGS. Sure. One of the problems that often happens with small account balances, less than \$1,000, is that when you leave your job, the employer will simply issue you a check. Now, in theory, you could take that check, reinvest it in an IRA, maintain the savings, maintain the tax preference, but as we have seen in general, people don't do it. They see a check and they just cash it, and those savings are then lost.

So the issue is how do you find a way to keep that money invested. And, so, I think looking at the idea of the data bases of—there are private sector firms already that handle these small accounts, and if you want to look more closely at that. But it is keeping the money invested.

A lot of young folks—and it is for the same reasons you don't sign up for a retirement plan in the first place. You are busy. You are distracted. You may be changing jobs. You may be changing homes or cities. We are human beings, and things tend to fall by the wayside.

But going back, I think electronic communications is a great way of handling this, because electronically, we can find you everywhere these days. Your mailing address may change, your email address won't. And so that is an easier way of overcoming some of these hurdles that we have seen in the past.

Mr. BANKS. Very good. Thank you very much.

I yield back.

Chairman DESAULNIER. [Presiding.] Thank you, Representative.

I now want to recognize—well, first I want to thank Andy for stepping in. And then, I want to recognize the Representative from Michigan, Ms. Stevens, for five minutes. You are recognized.

Ms. STEVENS. Great. Thank you, Mr. Chair.

For years, workers, retirees, and participating businesses have been waiting for Congress to deliver a solution to the multiemployer pension crisis. And I am more than thrilled and delighted

to have been involved in that, in delivering that fix through the American Rescue Plan Act, which provided financial relief to the multiemployer pensions, and over 1.3 million hardworking Americans whose very livelihoods were hanging in the balance while we were waiting for Congress to fix this.

The Central States Pension Fund is no longer at risk of being insolvent. That is where we are today. And now, over 43,000 Michiganders will have their retirement security that they deserve. Over 260 businesses that serve as the lifeline for Michigan's economy no longer face increased liabilities that put jobs at risk.

And, Dr. Ghilarducci, could you speak about the importance of passing this crucial fix and what consequences may have been had Congress not have acted?

Ms. GHILARDUCCI. Yes. If those multiemployer plans had not been bailed out, the areas of the country where the devastation would have laid because those workers would not have incomes was very concentrated in the industrial Midwest, in the South, and in spotted communities.

So, notwithstanding the fact that these families would go from being lower middle class to poverty, and then rely on Medicaid and all sorts of poor relief, they would leave middle class, go to welfare, a tragedy for their households, it would have reverberated into their already devastated communities by probably a multiplier of 1.5 to 2.

Ms. STEVENS. Thank you.

And, Mr. Chair, I ask for unanimous consent to enter into the record the Central States district sheet for every HELP Subcommittee Member.

Chairman DESAULNIER. Without objection, so ordered.

Ms. STEVENS. Thank you.

And then, Dr. Rhee, in your testimony you mention that workers face an increasing retirement savings burden, and that workers of all backgrounds are worried about retirement, including millennials, who are now hitting age 40.

Could you please expand on why millennials are worried and what the data suggests about their access to and participation in retirement savings plans?

Ms. RHEE. Yes. Thank you. So, I am going to reference, because I can't remember the exact statistics, some of the surveys that I have cited in my written testimony.

So millennials have had a really rough time, right? So they kind of came into the labor market during the 2007–2008 financial crisis and the long recovery from the recession that followed. And I think that really sort of influenced their thinking about retirement security.

If you look at some of the work done by the National Institute on Retirement Security and their survey work focused on millennials, they found that they are actually very supportive of pensions, right? So it really kind of goes against this image of a free-flowing millennial who is just going to skip from job to job and wants all this flexibility.

And I think in some ways, millennials have had flexibility imposed on them by the labor market and economic structure. And at the same time, there actually is this kind of heightened aware-

ness of risks imposed by the market. And so, there actually is worrying and thinking about retirement savings. They are saving for retirement when they can. And also, there is actually a high level of support for pensions.

Ms. STEVENS. Thank you.

And, with that, Mr. Chair, I am going to yield back.

Chairman DESAULNIER. Thank you, Representative.

The Chair now recognizes Representative Fitzgerald for five minutes. You are recognized.

Mr. FITZGERALD. Thank you, Mr. Chairman.

Mr. Biggs, I—

[inaudible]—You know, we are all very familiar kind of with automatic enrollment, but SECURE Act 2.0 would expand automatic enrollment, obviously, to the 401(k) plans.

You know, what impact does this typically have on the employees? Has there been any analysis done on that or—[audio malfunction]

Mr. BIGGS. I apologize.

Mr. FITZGERALD [continuing] —you know, has anybody looked further?

Chairman DESAULNIER. Mr. Biggs, did you get the gist of that?

Mr. BIGGS. Just the gist of it. I think it is about automatic enrollment in 401(k) plans and the SECURE Act. I apologize. The signal was not great.

Automatic enrollment is a great example of—

Mr. FITZGERALD. That you aware of, and then what effect does it have actually on employers? I mean, everyone I think assumes that, you know, the automatic, kind of, forced savings is just a great thing for everyone, but I am wondering if anybody took a little bit longer or—

Mr. BIGGS. OK. Going back to late 1990, a lot of what is now being called behavioral economics research looked at the effect of defaults on people's behavior. We always assumed that people who needed to save or wanted to save would participate, the people who didn't wouldn't.

It turns out that most people do whatever they are defaulted into. If the default is to participate, 70 percent of people participate. If the default is not, then participation is going to be a lot lower.

So you can really influence people's behavior by choosing to make it automatic to participate and sign them up rather than not signing them up. And I think that is just a great example of how, you know, this retirement research that, you know, Teresa and Nari and I work in actually has translated into the real world. And that is very encouraging.

So as automatic enrollment is adopted, you see greater participation. The question is, how far is that going to go on its own? I personally favor what you see in SECURE Act 2.0 of making automatic enrollment sort of the default for newly hired employees. It strikes me as the best practice just to sign people up. And, you know, there are low-income people who don't need to save where it is a little more problematic, but, by and large, I think that is going to be a good policy.

The issue kind of I think you are getting at is what happens beyond that? You know, if an employer is making a match to their employee's 401(k)s and participation goes from 50 percent to 100 percent of their workforce just for instance, the cost to the employer is going to increase.

And the question is, how are they going to handle that? Are they going to offset that? You know, are they going to lower the match rate? Are they offsetting as health benefits, lower wages or whatever? I mean, that is the standard economic logic.

But there is also the issue of how will, sort of, lower income people who are automatically enrolled in a plan, how will that affect their sort of total savings? There is some evidence that looked at automatic enrollment in the Federal Government that, by and large, it increased savings. For less educated workers, though, they increased savings in their TSP plan, but debts and assets outside of it tended to decline, which goes to show that, you know, you can lead a horse to water, it is hard to make them drink. If they are really low income, and they are thinking about putting food on the table or, you know, sending their kids to summer camp or buying shoes for their kids, it is a tougher proposition.

So I think, by and large, automatic enrollment is a worthy thing, it is a great innovation, but we shouldn't think that just all our solutions lie in that. Life is more complicated for people, and they are going to try to make choices to make their lives as best they can. And often we in government who are policymakers can't foresee that accurately, so we just want to be modest about our claims.

Mr. FITZGERALD. Very good. Very good. Thank you very much for that answer.

Just real quick then, too, the other thing I hear when I am in the district and visit with a small, you know, business employer, and they are frustrated I think sometimes because they say, Listen, I want to be a good employer. I want to set up a retirement account for the employees that work for me, but, quite honestly, the cost of it and the regulations involved that we have to work toward meeting are too much.

And as a result of that, they never really can successfully launch that retirement program. And is there anything that we could do, as Members of Congress, to lessen that, or change that dynamic?

Mr. BIGGS. Well, this is an area where I feel a little worried about introduction of the State-based automatic IRA plans, like Dr. Rhee mentioned CalSavers. I live in the State of Oregon. We have OregonSaves.

On the one hand, you have small employers who are thinking they would like to offer a retirement plan for their employees, but there is cost to them increasing, there are legal liabilities to doing it. So they wonder what they are getting themselves into.

And they still might have done it, but if they see the automatic IRA plan, they may say, let's just put the employee into that instead. The issue, though, is a 401(k) is a much better retirement savings vehicle than an IRA, first, because you have employer matching it, and, second, because the savings limits are much higher than with IRAs.

So I am a little afraid we have set up this situation where small employers see some problems in setting up their own retirement

plan. They see an easy out. Hey, let's just put them in the State plan. The State plan isn't as good as a 401(k).

So I think we want to think both about what the State plans or some Federal version of them can offer, but also think how do we really make this easy on the smaller employers. SECURE Act 1 and SECURE Act 2 are movement in that direction, to make it lower cost and hopefully lower the scorecard.

Chairman DESAULNIER. Thank you, Mr. Biggs.

Mr. Fitzgerald, your time is up. Any concluding thoughts? No.

All right. The Chair will now recognize the Ranking Member for five minutes of questions. Mr. Allen, the floor is yours.

Mr. FITZGERALD. Thank you, Mr. Chair. I yield back. Thank you.

Chairman DESAULNIER. Thank you, Mr. Fitzgerald.

Mr. Allen.

Mr. ALLEN. Thank you, Mr. Chairman.

Dr. Biggs, you stated in your testimony that more Americans are saving for retirement than ever before, more employers are offering retirement plans than ever before—and, of course, we had that experience in our own company—and employees are saving more in these plans than ever before.

This is great news. And I believe we can build on this success. What more can this Committee and Congress do to increase the number of small businesses providing retirement plans for their workers? And how can we reduce the cost and the regulatory issues? I know that is one thing that we faced was, you know, all the, you know, the legal and other aspects you have to deal with in setting these things up. What can we do to reduce the cost to providing these plans to our employees?

Mr. BIGGS. Well, the facts that you point out on participation retirement plans, contributions, savings levels, number of retirees getting benefits, the reason why I push back so hard on the sort of retirement crisis meme that comes out, this idea that we are entering some, you know, apocalyptic period of retirement is because it will cause us to ignore all the progress we have made, and forget that what we really have, in a lot of ways, is kind of a mopping-up operation.

We need to say, where are the gaps in the current 401(k) system or the retirement plan? How do we fill those gaps? If we have this retirement crisis claim, people might say, Let's just throw the whole thing out. But the reality is the whole thing has worked remarkably well in improving retirement savings.

In my testimony, I point out U.S. retirement savings relative to other countries, very high. I point out, you know, Americans' ability to maintain their preretirement standard of living when retired is much better than in Europe that has the much more centralized sort of ways of doing things. We have to remember our successes.

We also want to say, where are the shortcomings? The shortcomings, I think, are largely in the small employer community where, as we have talked before, the fixed costs of setting up a plan are higher relative to the number of employees who are going to be served, and, second, the legal liabilities are just much more daunting. If you are a large employer, you can handle those things pretty easily, and almost all of them today are offering a plan. If you are a small employer, it is much harder.

So, I think we really need to think about first, lowering cost and protecting its legal liabilities for small employers, but we also, I think realistically, need to think about if there are alternatives for people in those employers. I mean, the employers just aren't up to—you know, they are running a taco stand or something like that. If running a 401(k) is not what they can do, what other alternatives? And that may be State plans or a Federal version of that.

Mr. ALLEN. And, perhaps, for just individuals that some type of incentive to do this.

Dr. Biggs, according to the most recently available PBGC data, the multiemployer pension plans are collectively underfunded by \$673 billion. Now, I said in my opening statement that, you know, we are dependent on the taxpayer, or at least the Democrats passed the American Rescue Plan and we took supposedly taxpayer money and—to the tune of eighty-six billion dollars to extend that plan process.

Right now, obviously, all of this money that is being spent, we are maintaining our standard of living on the backs of generations of Americans. I mean, you know, there may be four or five, six generations as this debt mounts up.

And so what do you see right now if we said, OK, what is actually staring us in the face? I think you mentioned \$4 trillion of unfunded mandates that we have right now. And is that the entirety of it?

Mr. BIGGS. It is never the entirety. I think with the multiemployer issue, we should have been honest with ourselves and with the American people all along. For decades, the American people were told, you know, the PBGC is self-funding. There is no liability on the Federal Government, no obligation on the Federal Government to pay anything. The multiemployer participants, if one withdraws or goes bankrupt, the others are going to bail it out. And because of that, they don't have to use strict accounting rules. They can kind of cowboy it.

And then we said, Oh, well, these are not going to be bailouts. These are going to be loans. All of that, at its core, was not honest. I mean, you had to know that, politically speaking, if these plans go under, the Federal Government is going to bail them out, just as at the end of the day we are going to bail out the Illinois firefighters, because we will say they don't deserve to get hit.

The key, though, is, first, how do we manage these plans and regulate them so we don't end up in that situation? And people were warned about this for decades. They refused to do it because there was a political cost.

But, second, when we go to a solution, I mean, maybe—and I wasn't against any financial assistance for multiemployer pensions. But to say this is all people who are going to be on welfare or Medicaid, a third of the folks at Central States were getting more than \$3,000 a month on top of Social Security.

These were generous pensions. You could have trimmed them somewhat while maintaining the benefits at the bottom, cut the cost to the taxpayer. And that would have been, I think, a more responsible approach to this than simply saying, we are going to cut a check for \$86 billion, and whatever it ended up being and call it solved.

To be honest, if my 401(k) drops when I am about to retire, where is my \$86 billion? I am a taxpayer, too. I am an American, too. Why does one group of Americans get treated so much better? The answer is political power, we know that. But it is just, let's be good regulators about this. Let's think about these plans seriously and be responsible about them.

Mr. ALLEN. Exactly. Point well taken. And thank you so much for your testimony. I thank all the witnesses.

And I yield back, Mr. Chairman.

Chairman DESAULNIER. Thank you, Mr. Allen.

That is the last individual of the Subcommittee that I have who wishes to speak. So, again, I want to thank the panelists. And we will go to closing comments in just a second.

And just a little housekeeping: For material submitted to the hearing record, pursuant to Committee practice, materials or submissions to the hearing record must be submitted to the Committee Clerk within 14 days following the last day of the hearing. So by close of business on July 7th, preferably in Microsoft Word format.

Only a Member of the Subcommittee or an invited witness may submit materials for inclusion into the hearing record, and the materials must address the subject matter of the hearing. Please submit materials to the Committee Clerk electronically by emailing submissions to edandlabor.hearings@mail.house.gov.

Witness questions for the hearing record. Again, I want to thank the witnesses. You were terrific. Lots to digest and to continue in conversation. I very much appreciate your contributions today. Members of the Subcommittee may have additional questions for you, and we ask that you please respond to those questions in writing. The hearing record will be held open for 14 days in order to receive those responses.

I want to remind my colleagues that, pursuant to Committee practices, witness questions for the hearing record, again, must be submitted to the Majority Committee Staff or Committee Clerk within 7 days. The questions submitted must address the subject matter of the hearing.

And now, for closing statements, we will go back to Mr. Allen for the Ranking Member's closing statement.

Mr. ALLEN. Thank you, Mr. Chairman.

And, again, I would like to thank our witnesses for participating in this important discussion this morning.

I would like to also note that folks in Georgia and across the country work very hard so they can enjoy a comfortable and meaning retirement.

Bipartisan updates to ERISA can help our constituents in many ways. We can simplify and reduce the cost of administering retirement plans. We can expand the number of retirement options available to small business employees. And we can boost access to defined contribution plans for workers.

Taxpayer-funded bailouts of outdated multi-employer pension plans are an irresponsible and unsustainable solution. We must fix this.

We must also focus on pro-growth economic policies to help more Americans succeed in the long term.

And I will say it again: I believe there is room for bipartisanship in the months ahead.

Thank you again to all the witnesses for participating in today's hearing and sharing your expertise. I look forward to working with all of you to ensure a strong American retirement system.

And, Mr. Chairman, with that, I yield back.

Chairman DESAULNIER. Thank you, Mr. Allen. It is always terrific to work with you. And I appreciate the fact that we can respect our differences but work to a common goal, which in this institution sometimes is very hard to get. So appreciate your friendship.

Mr. ALLEN. Yes, sir.

Chairman DESAULNIER. And I now recognize myself for the purpose of a closing statement.

Again, I want to thank the panelists. Terrific presentation. I really look forward to continued conversation.

I want to thank all my colleagues who spent time and joined us on this important subject matter.

I do want to talk about one thing we didn't talk about in this and the three-legged stool. It is home ownership and moral hazard and appropriate congressional action to make sure that we have an appropriate risk assessment.

I am very involved in State and local government, both with CalPERS and my own county, a "37 Act" county, here in California. And, clearly, we did some things. We assumed that our actuaries sometimes were too aggressive in terms of our rate of return. And, of course, that is what we want—one of the things we want to address.

So in terms of responsibility, we should remember that, as Madison famously said: If humans were angels, there would be no need for government. And this is one of those areas, I think, whether it is in the financial service industry and what happened in the housing industry where so many people, particularly people who are disadvantaged by this economy.

And, Mr. Biggs, I appreciate your comments. I don't want to be Polyannish, but I also think it is irresponsible not to recognize the sort of Dickens aspect of some of the challenges we have, that if you are a poor person, particularly a poor person of color, and your wages are limited, it is harder.

Also completely agree with the small business argument. When I did 401(k)s and was able to afford it as a restaurant owner, if I had a dime for every time one of my younger employees said, "You know, I would rather you just give me the money rather than put it in whatever this is." So it is daunting.

But I think we should be proportionate and be mindful about all of the risks and reinforce a responsible management and a responsible risk assessment by the managers of these retirement plans, irrespective of what their legal structure is, and also not have selective amnesia about risk assessments and moral hazards in financial institutions, because they are clearly intertwined, and particularly intertwined when it comes to home ownership, which we know is an important part, historically, of that third pillar.

Sorry to digress, but I wanted to bring that up.

I also wanted to thank and just remind folks that, accepting some of the criticism, we have a different perspective on our legislation to help save those multi-employer plans and that we did have support from AARP, the AFL-CIO, the National Association of Manufacturers, the U.S. Chamber of Commerce, and scores of other stakeholders who supported our efforts.

So the evidence-based research, Mr. Allen, you brought that up, and I am all in on that. So let's continue to do that.

Today's hearing also confirmed how vital and necessary pensions are to Californians, my home State, and all Americans. It highlighted the challenge and inequities in private sector retirement systems, particularly as it relates to access to and participation in employer-provided plans. And we have a lot of work to do.

I appreciated the witnesses' analysis of the SECURE Act 2.0. The Education and Labor Committee is expected to mark up the bill in the coming months. And look forward to more communication with all of my colleagues as we lead up to that.

And I also look forward to the fact that we must not stop there. We must continue to prioritize and enact other policies that boost workers' wages, strengthen Social Security, and make it easier for Americans workers to organize and collectively bargain for their best interest and also be respectful of employers.

I look forward to working with all of my colleagues on these important issues.

If there is no further business, thank you all again.

Without objection, the Subcommittee stands adjourned.

[Additional submission by Chairman DeSaulnier follows:]

U.S. House of Representatives
Committee on Education and Labor
Subcommittee on Health, Education, Labor, & Pensions

Hearing Entitled:
“Examining Pathways to Build a Stronger,
More Inclusive Retirement System”

Statement for the Record
of
Wayne Chopus
President and CEO, Insured Retirement Institute
June 23, 2021



Insured Retirement Institute

Chairman DeSaulnier, Ranking Member Allen, and Members of the House Education and Labor Subcommittee on Health, Education, Labor, and Pensions, my name is Wayne Chopus. As the President and CEO of the Insured Retirement Institute (IRI), I am pleased to provide you with our perspective on the importance of this Congress enacting common-sense, bipartisan solutions that will help America's workers, retirees, and their families build economic equity, strengthen financial security, and protect income in a manner that can sustain them throughout their retirement years.

I commend you for holding this hearing, and I welcome the opportunity to provide this statement for the record to the Subcommittee to offer several proposals which can help build a stronger and more inclusive retirement system by increasing access to workplace retirement plans, facilitating greater use of lifetime income options, and making information about past and possibly forgotten retirement accounts more readily available.

Summary of Testimony

Consistent with our consumer-focused mission, my testimony will address two key points:

1. America's workers and retirees were already facing a looming retirement income crisis before the onset of the COVID-19 pandemic, and the economic disruption it has caused to further exacerbate the already existing retirement income anxiety.
2. Legislation, like the public policy measures contained in IRI's 2021 Federal Retirement Security Blueprint,¹ offer a solid foundation of common-sense, bipartisan solutions to help more of our nation's workers and retirees strengthen and enhance their retirement security.

¹ The "2021 IRI Federal Retirement Security Blueprint," Insured Retirement Institute, March 2021.

About IRI

For three decades, IRI has vigorously promoted consumer confidence in the value and viability of insured retirement strategies, bringing together the interests of the industry, financial advisors, and consumers under one umbrella. Our mission is to promote a better understanding of the insured retirement value proposition, modernize standards and practices to improve value delivery and the customer experience, and advocate before public policymakers on critical issues affecting consumers that rely on insured retirement strategies utilizing protected lifetime income solutions to sustain them during their retirement years.

IRI is the only national trade association representing the entire supply chain for the insured retirement strategies industry. Our member companies include major life insurance companies like Prudential, Equitable, MassMutual, Pacific Life, Nationwide, and Jackson National; broker-dealers like Morgan Stanley, Raymond James, and Edward Jones; and asset management companies like PIMCO, T. Rowe Price, and Blackrock. Our member companies represent more than 90 percent of annuity assets and include the top 10 distributors ranked by assets under management. Our members are represented by financial professionals serving millions across the country. Therefore, we bring a perspective not only from the entire supply chain of insured retirement strategies but, more importantly, from Main Street America to Congress.

America's Growing Retirement Anxiety and Savings Crisis

According to a survey by the Economic Innovation Group² 82 percent of voters believe retirement security is a significant problem for our nation. Workers, retirees, and their families are concerned about their ability to accumulate sufficient savings to provide sustainable income to last during their retirement years. This anxiety has significantly grown in the past year with the COVID-19 pandemic's impact on retirees' and workers' physical and financial health.

A survey conducted by the National Institute of Retirement Security³ provides insights into the depth of this anxiety. The survey found that more than two-thirds – 67 percent – say the nation faces a retirement crisis, and more than half

² The "Retirement Security and Wealth Attitudes: National Voter Survey," Economic Innovation Group, June 2021.

³ "Retirement Insecurity 2021 – American Views of Retirement", National Institute of Retirement Security, February 2021.

– 56 percent – are concerned that they will not achieve a financially secure retirement. The research also found that 51 percent say their concerns about their ability to achieve financial security in retirement has increased, 67 percent say that COVID-19 has changed or is causing them to consider changing their plans about when they will retire, and 65 percent of current workers say it is likely they will have to work past retirement age to have enough money to retire.

Fidelity Investments recently released its "2021 State of Retirement Planning Study,"⁴ which further demonstrates the harm inflicted on workers and retirees plans for retirement due to the events of the past year. The study found that 80 percent of America's workers said their retirement plans were disrupted in the past year due to actions such as job loss or retirement account withdrawals. The survey also found that one in three estimates that they will need two to three years to recover financially from the events of the past year.

Furthermore, a study by Transamerica⁵ also found that nearly 1 in 5 workers has reported contributing less to their retirement account now than before the pandemic, 18 percent have reduced retirement contributions since the coronavirus crisis started and 31 percent of those who are recently unemployed reported they are contributing less to their retirement. Those who reported contributing less to their retirement savings can be further broken down generationally, with about 16 percent being Baby Boomers, 18 percent being Generation Xers, around 15 percent being Millennials, and about 27 percent identified as Generation Z.

As this research demonstrates, retirement security remains an area of significant concern for America's workers, retirees, and their families. Additionally, this research confirms what IRI's members hear from the millions of workers and retirees they work with each day to plan and save for their retirement years: workers and retirees are shouldering the burden of accumulating savings to produce income to sustain them during their retirement years. This has caused enormous pressure for the individual consumer, particularly if they are lower- and middle-income workers.

⁴ "2021 State of Retirement Planning Study", Fidelity Investments, March 2021.

⁵ "Retirement Security Amid COVID-19: The Outlook of Three Generations", 20th Annual Transamerica Retirement Survey of Workers, May 2020.

Further adding to this anxiety is a lack of access to workplace retirement savings plans. According to Transamerica's "Navigating the Pandemic: A Survey of U.S. Employers,"⁶ 48 percent of employers do not offer a 401(k) or similar retirement plan, and 63 percent of those employers said they are not too likely or not likely at all to start a plan within the next two years. Even though 65 percent of employers feel a sense of responsibility in trying to help their employees achieve a financially secure retirement and nearly three-quarters believe that offering retirement benefits is essential for attracting and retaining employees, concerns about plan costs remain a top reason employers do not offer a plan.

IRI respectfully submits for your consideration the measures outlined below to strengthen and enhance retirement security for America's workers and retirees as the Subcommittee examines pathways to build a stronger, more inclusive retirement system.

Bipartisan, Common-Sense Solutions

Earlier this year, IRI published its 2021 Federal Retirement Security Blueprint. The Blueprint offers several measures which, if enacted into law, would expand opportunities for more of our nation's workers to save in a workplace retirement plan, preserve and promote access for retirement savers to obtain information more readily about their retirement accounts, and facilitate the use of lifetime income products to better insure against the risk of outliving savings.

Expanding Opportunities for More Workers to Save for Retirement

To expand opportunities for more of America's workers to save for retirement, IRI's 2021 Federal Retirement Security Blueprint put forth several measures that have attracted bipartisan support and have been introduced as bills in previous sessions of Congress. One of those measures would allow for more employees of nonprofits, public educational organizations, and religious institutions to save for retirement using pooled-employer plans.

⁶ "Navigating the Pandemic: A Survey of U.S. Employers," Transamerica Institute, June 2021.

Authorize the Formation of 403(b) PEPs

The SECURE Act contained provisions that will make workplace retirement plans more available to small business employees and reduce barriers that have discouraged small business employers from offering their employees a workplace retirement plan. It amended the law governing multiple employer plans (MEPs) and established pooled employer plans (PEPs). The changes made by the SECURE Act will enable small employers to band together and delegate responsibility to a professional fiduciary while reducing the individual cost of offering a retirement plan.

A recent study conducted by Transamerica⁷ demonstrates that the changes made by the SECURE Act will encourage more small business employers to offer their employees a retirement plan. The study found that of the employers not anticipating offering a plan within the next two years, nearly one-third would consider joining a multiple employer plan (MEP) or a pooled employer plan (PEP) because of their reasonable cost.

Unfortunately, the benefits of a workplace retirement plan that could be offered by a small business employer through a MEP or PEP in accordance with the changes made by the SECURE Act is not available to 501(c)(3) nonprofits, public educational organizations, and religious institutions. The SECURE Act did not authorize employers who offer their employees a 403(b)-retirement plan, which is typically utilized by nonprofit, public educational organizations, and religious institutions, to use MEPs or PEPs. Those employers offering a 403 (b) retirement plan still have the barriers in place that the SECURE Act reduced for employers who offer other types of retirement plans. As a result of not including 403(b) plans in the SECURE Act, organizations eligible to offer a 403(b) plan must still assume the financial and administrative challenges and legal risks when offering a plan. Therefore, many do not offer a retirement plan to their employees.

The SECURE Act should be amended to encourage employers who would typically use a 403(b) plan to offer a retirement plan to their employees by authorizing these organizations to form and use 403(b) pooled employer plans in the same manner as other small businesses are permitted to do so under the SECURE Act. This change expanding

⁷ Ibid.

PEPs to 403(b) plans will permit nonprofit, public educational and religious institution employers to also be relieved of the burdensome administration challenges that now discourage these employers from offering their employees a workplace retirement plan, as they now would be able to achieve the same economies of scale and delegate responsibility for sponsoring the plan to a professional plan fiduciary as other small businesses. This measure was included in the "Securing a Strong Retirement Act of 2021" ([H.R.2954-117th Congress](#)) and the "Improving Access to Retirement Savings Act" ([S.1703-117th Congress](#)).

Promote Greater and Easier Access to Information About Retirement Plans

To promote greater and easier access for retirement savers to information that can help guide their planning for retirement, IRI's 2021 Federal Retirement Security Blueprint included several measures that have attracted bipartisan support and have been introduced as bills in previous sessions of Congress. One of the measures included in the "Securing a Strong Retirement Act of 2021" would aid individuals in planning for their retirement by providing them with an opportunity to obtain information more readily about past and possibly forgotten accounts. Two other measures not included in IRI's 2021 Federal Retirement Security Blueprint would also help to promote greater and easier access to information about retirement plans. The measures seek to modernize and foster more efficient communications between the retirement income industry and retirement plan participants and extend retirement savings counselling to federal student loan, job training, and apprenticeship recipients.

Establish a National, Online Lost and Found for Americans' Retirement Account

Today, workers in America change jobs more frequently, and they often leave retirement savings in plans maintained by their previous employers. Over the past decade, 25 million workplace retirement plan participants changed jobs and left behind a retirement savings plan. Millions more have left two or more accounts resulting in roughly \$8.5 billion in "lost" retirement savings.

To facilitate workers planning for their retirement, Congress should provide the tools and resources necessary for retirement savers to locate employer-sponsored retirement accounts. A national, digital database utilizing information

already provided to the Department of Treasury, should be established. This database would enable retirement savers to search and locate their former employer-sponsored retirement savings accounts to ensure they are not leaving retirement savings behind.

The creation of this one-stop-shop database will help workers – especially Generation Xers, Millennials, and future generations – to track their past and possibly forgotten workplace retirement accounts. By making it easier to track past or forgotten retirement savings accounts, workers will have additional opportunities to either establish or rollover their found savings into a new or their current retirement savings account, thereby increasing their retirement savings. Creating a national, online lost and found database will also allow workers — to better keep track of their employer-sponsored retirement savings and not leave thousands of dollars on the table. This measure was included in the “Securing a Strong Retirement Act of 2021” ([H.R.2954-117th Congress](#)).

Authorize the Use of Electronic Communications with Retirement Plan Participants

At a time when Americans are more responsible than ever for ensuring their financial security in retirement, the continued use of default paper delivery works against the goal of helping workers and retirees make decisions about their retirement. The density of printed disclosure documents is, for many people, intimidating, and the static nature of printed materials does not invite the kind of interactive engagement people should have to manage their retirement portfolios intelligently. The current methods of authorized communications often cause a delay in receiving information because of the time it takes for a paper statement to arrive in someone's mailbox. Further, paper-based communications add costs to the operations of retirement savings plans that are born mostly by the individual retirement saver.

IRI has long supported efforts to modernize and foster more efficient communications between the retirement plan providers and participants. In 2020, the Department of Labor finalized a safe harbor to allow employers to utilize default electronic delivery while ensuring important consumer protections. Unfortunately, the “Securing a Strong Retirement Act of 2021” ([H.R.2954-117th Congress](#)) would require that one paper benefit statement be delivered annually to all

plan participants, unless a plan participant elects differently. IRI would ask the Subcommittee to reconsider this requirement and instead consider including further measures to foster and facilitate greater use of electronic communications. By allowing for electronic communications to be used as the default option, while continuing to provide and maintain important safeguards to ensure plan participants who still want to receive required communications in paper format can do so, retirement plan participants of all ages and incomes will be provided with the opportunity to access timely information and data about their accounts more readily. This measure was introduced in the "Receiving Electronic Statements to Improve Retiree Earnings (RETIRE) Act ([H.R. 4610 – 115th Congress](#)).

Increase Financial Literacy About Retirement Planning and Retirement Savings

While the federal government has mandated financial counseling for federal student loan borrowers when entering and exiting college to improve college students' financial literacy there is no such counseling sessions required to provide information about the many workplace retirement savings choices that must be made when an individual enters the workforce. This lack of education about workplace retirement savings options is also an issue for those individuals who have completed a federally funded job training or apprentice program as they enter the market searching for employment.

IRI would ask the Subcommittee to consider including retirement savings education as a required element of federal student loan borrowers' exit counseling requirements and extend this counseling to recipients of federally funded job training and apprentice programs. By adding and extending retirement savings counseling, the beneficiaries of these federal financial assistance and training programs will be empowered with information about the different types of retirement savings accounts and risk options to help them make well-informed decisions about developing their own sustainable retirement savings strategies during their working years.

Facilitate the Use of Protected Lifetime Income Solutions

IRI's 2021 Federal Retirement Security Blueprint includes several measures to facilitate the use of protected lifetime income solutions to insure against the risk of outliving one's retirement savings during their retirement years. Several

of these proposals have been introduced in previous sessions of Congress. We offer these recommendations for the Subcommittee's consideration as it conducts its examination of pathways to build a stronger, more inclusive retirement system.

Authorize Expanded Use of Lifetime Income Products as Default Investment (QDIAs) Options

Qualified default investment alternatives (QDIAs) have proven to be an important innovation that has helped enhance the retirement security of America's workers. However, current Department of Labor regulations create a barrier for using certain investments, such as annuities, that do not meet specified liquidity requirements as a default investment option when plan participants fail to select investments for contributions to workplace retirement plans. As such, participants do not have a chance to convert their savings into protected lifetime income to sustain them during their retirement years.

To allow for more workers to access protected lifetime income products in a workplace retirement plan, IRI asks the Subcommittee to consider legislation that would lift the current Department of Labor regulatory barrier, which now prevents annuities from being offered as a default investment option in workplace retirement plans. This measure was introduced in the ["Lifetime Income Employees Act" \(H.R.8990-116th Congress\)](#).

Clarify Fiduciary Status for Providers of Guaranteed Principal Products in Workplace Plans

The SECURE Act included a measure designed to encourage retirement plan providers to offer their participants more opportunities to choose a protected lifetime income option as part of the plan's menu of investment options. However, there have been several recent class-action lawsuits filed against plan providers concerning their status as fiduciaries under Employee Retirement Income Security Act of 1974 (ERISA) when they offer general account protected lifetime income solutions as part of their retirement plan menu of investment options. The cases have produced conflicting decisions that are inconsistent with the objective of the SECURE Act provision and have caused confusion for retirement plan sponsors about their duties if they choose to offer annuities – protected lifetime income solutions – as part of a retirement plan's investment lineup for plan participants.

The uncertainty generated by the conflicting court decisions comes at a time when there is increased interest from plan participants in seeking protected lifetime income solutions, such as an annuity provided by an insurer using their general account funds that will provide them with safe, reliable investment options. For over four decades, millions of middle-class families have invested their retirement savings in products using general account funds, or stable value funds, because these products offer participants lifetime income solutions that guarantee principal while still providing interest as a safe and reliable investment option.

To reduce the uncertainty caused by the conflicting court decisions, IRI asks the Subcommittee to consider legislation to clarify that the offering and selling of general account products would not trigger fiduciary status to ensure that retirement savers can continue to access these valuable protected lifetime income products to achieve their retirement goals. This clarification was provided in [H.R. 7278 – 115th Congress](#).

Conclusions

IRI appreciates the opportunity to submit this statement for the record to the Subcommittee. The enactment of the SECURE Act in late 2019 was a big step forward that has put workers and retirees on a path towards relieving some of the anxiety they are feeling about how they will be able to have a secure and dignified retirement.

However, there is still much more that needs to be done. IRI is respectfully submitting this statement for the record in which we are expressing our support for several measures included in H.R. 2954, the "Securing a Strong Retirement Act of 2021." This legislation will help to strengthen and enhance our nation's private-sector retirement system, as well as offer several additional measures which will help those individuals whose long and short-term retirement security has been impacted by the economic consequences stemming from the pandemic and those who are affected by America's long-standing, looming retirement savings crisis.

The proposals we expressed support for, along with the additional ones we have offered in this statement, all will help to enhance retirement savings opportunities, increase access to lifetime income solutions, increase financial literacy about retirement planning and savings, and provide opportunities to modernize and foster more efficient ways for

retirement plan providers and retirement plan participants to communicate and share information about their accounts.

IRI believes these solutions will provide workers and retirees with the opportunity to build economic equity, strengthen their financial security, and protect their income in a way that can sustain them throughout their retirement years.

[Additional submission by Chairman DeSaulnier and Mr. Allen follows:]



AMERICAN BENEFITS
COUNCIL

WRITTEN STATEMENT
FOR THE HEARING OF THE
HOUSE OF REPRESENTATIVES
EDUCATION & LABOR
COMMITTEE
SUBCOMMITTEE ON HEALTH, EMPLOYMENT,
LABOR AND PENSIONS
ENTITLED
PATHWAYS TO BUILD A STRONGER, MORE
INCLUSIVE RETIREMENT SYSTEM
JUNE 23, 2021

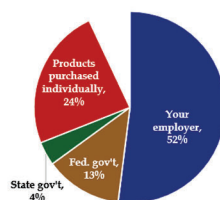
The American Benefits Council (the “Council”) thanks Chair Scott and Ranking Member Fox and all members of the committee for holding the hearing, “Pathways to Build a Stronger, More Inclusive Retirement System.” Your work and that of the committee have been instrumental in the great bipartisan strides we have made in this area. We appreciate your leadership in further improving retirement outcomes for American workers and their families. Through your continued efforts there are many bipartisan proposals that could strengthen the retirement system and provide greater retirement security to more Americans.

A majority of voters trust employers the most to help them achieve a secure retirement.

Voters were asked:

Which ONE of the following sources do you trust the most to help you achieve a secure retirement?

- Plans provided by employers, through a pension or 401(k)-type plan
- Financial products purchased by you individually
- Plans provided by the federal government
- Plans provided by your state government



Source: Public Opinion Strategies 2020 Post-Election National Survey Results

The private retirement system has helped millions of Americans achieve retirement security. According to a post-election poll conducted by Public Opinion Strategies in the 2020 presidential election, a majority of voters trust employers the most in helping them achieve a secure retirement and a majority of voters believe that the standards for employer-provided benefits should be established at the federal level. The Setting Every Community Up for Retirement Enhancement (SECURE) Act enacted in 2019 was a major step forward in meeting the challenges faced by Americans in achieving a secure retirement. In addition, the American Rescue Plan Act enacted earlier this year included vital funding reform that provided much needed stabilization to single-employer pension plans. Even with those changes being enacted, the system can be further improved and strengthened and there are numerous existing bipartisan proposals — several of which are discussed below — that we believe can help achieve that result.

The American Benefits Council is a Washington D.C.-based employee benefits public policy organization. The Council advocates for employers dedicated to the

achievement of best-in-class solutions that protect and encourage the health and financial well-being of their workers, retirees and their families. Council members include over 220 of the world's largest corporations as well as organizations serving employers of all sizes. Collectively our members directly sponsor or administer health and retirement benefits for virtually all Americans covered by employer-sponsored plans.

KEY BIPARTISAN PROPOSALS FOR IMPROVING RETIREMENT SECURITY

There are many retirement policy proposals that are worthy of discussion. We are highlighting several that Council members have identified as important reforms that build on the SECURE Act and significantly help American workers better prepare for retirement. Many of the proposals below are included in both the Securing a Strong Retirement Act of 2021 (H.R. 2954, the “Neal/Brady” bill) as approved by the House Ways and Means Committee and the Retirement Security and Savings Act of 2021 (S. 1770, the “Cardin/Portman” bill). Some proposals not included in the bills should be considered as well. Some of the proposals are additionally found in in other bipartisan legislation, such as the Retirement Parity for Student Loans Act (S. 1443, the “Wyden student loan” bill) and the Retirement Savings Lost and Found Act (S. 1730, the “Warren/Daines missing participants” bill).

Self-correction procedures

Plan sponsors should generally be permitted to self-correct inadvertent plan violations under the IRS’ Employee Plans Compliance Resolution System (EPCRS) without a submission to the IRS or a fee payable to the IRS. This will help employees because errors can be corrected more quickly and more efficiently. Under a proposal included in the Neal/Brady bill and the Cardin/Portman bill, all inadvertent plan violations could be self-corrected under EPCRS without a submission or fee to the IRS, provided that this rule would not apply if the IRS discovers the violation on audit and the employer has not at that point taken actions that demonstrate a commitment to correct the violation. These bills, which we strongly support, would also make improvements to the self-correction process that would make self-correction a more reliable and effective process.

Reducing barriers to saving through student loan repayment programs

The burden of student loan debt serves as an unfortunate barrier to saving for retirement. Given the benefit of compound interest, putting money away early in one’s career — especially through an employer-provided plan with matching contributions and low fees — can have a powerful effect on one’s retirement savings account balance at retirement age. But student debt prevents many individuals, especially in their 20s and 30s, from saving optimally for retirement.

Many employers are interested in helping employees save for retirement despite student tuition or debt obligations and are considering a variety of innovative approaches to do so. We urge Congress to support these programs with policies that embrace innovation.

For example, the Council supports proposals that would make it easier for employers to provide matching contributions to 401(k) retirement plans based on an employee's student loan payments. Such a provision is included in the Neal/Brady legislation and the Danny Davis/LaHood (H.R. 2917) student loan bill. This student loan proposal is also included in legislation in Senator Wyden's student loan bill and the Cardin/Portman legislation. Measures such as this that would leverage the tax laws and behavioral economics would go a long way toward reducing barriers to retirement savings particularly for younger workers. Just like saving early, enacting supportive policy as soon as possible will have a positive effect on retirement outcomes.

We are supportive of other proposals to give employers greater flexibility in helping their employees with student loan debt including making permanent provisions that make it easier for employers to pay down student loans for their employees without triggering taxable income for their employees, up to an annual limit of \$5,250 on the total of such repayments as well as other educational assistance.

PEP and "group of plan" reforms

Policymakers are constantly searching for ways to improve retirement plan coverage and Council members believe that the best way to do so is to build on the employer-based system. Open multiple employer plans (called "pooled employer plans," or PEPs) present a significant opportunity to do so. Much was accomplished in the enactment of the SECURE Act but additional reforms can make PEPs even more effective in expanding coverage, ensuring consistent participation and providing a solid retirement. We note the following proposals:

- **Provide the same PEP advantages to charities, churches and public educational institutions:** Currently, the PEP provisions in the SECURE Act do not cover 403(b) plans, which are widely used by charities, churches and public educational organizations (the only entities permitted to maintain such plans). We support the expansion in Neal/Brady and in Grassley/Hassan/Lankford (S. 1703) of the PEP provisions to cover 403(b) plans, so that these entities can enjoy the same new economies of scale being made available to taxable employers.
- **Service Crediting:** Under a MEP that is not a PEP (a "closed MEP"), if an employee works for one employer in the MEP and then moves to another employer in the MEP, the employee's service with the first employer counts with the second employer and vice versa.

- **PEPs:** The service crediting rule makes sense in the context of a closed MEP where employees are moving among closely related employers. But in the context of a PEP, it does not make sense. For example, why should a hardware store in Maine have to make a new employee immediately eligible and immediately vested based on prior service by the same employee for a barber shop in Nevada, just because the two employers participate in the same PEP?
- **Statute and policy:** The statute is not clear on whether the MEP rule applies to PEPs. In our view, it should not. From a policy perspective, the growth of PEPs and the expansion of coverage would be inhibited if the MEP rule applied to PEPs.
 - If small employers know that, for example, they may need to treat new hires as immediately eligible and immediately vested that could mean fewer small employers join PEPs, undermining the extent of the coverage expansion. This is because the potential additional expenses of applying the service crediting rules across the entire PEP could erase the cost savings obtained elsewhere for the PEP through economies of scale and tracking service crediting based on an employee's previous employers does little to advance administrative simplicity and cost savings.
 - Similarly, many employers would likely be concerned to learn that, under a PEP, a short-term employee who left after a couple of years could become 100% vested later by reason of working for an unrelated employer. Again, this has cost implications.
- **Trustee duties:** SECURE requires the trustee of a PEP "to be responsible for collecting contributions" to the PEP.
 - **Different business models:** Based on the input we have received, there are different business models that may be used with respect to the collection of contributions to the PEP. Under one business model, the trustee would be responsible for collecting contributions. Under a second business model, the PEP would use a directed trustee, which would not have any fiduciary expertise or any administrative system that could be used to enforce or oversee the collection of contributions. If the trustee in this second business model were forced to take on this responsibility, it would have to establish new systems to perform a new function, which would trigger unnecessary costs and delays in implementing PEPs.
 - **Flexibility would expand coverage:** We believe that it is important to accommodate both business models, so that PEP coverage can be

expanded to the greatest extent. Accordingly, we ask that that Congress treat PEPs in the same way as all other types of plans. PEPs should be permitted to assign contribution collection responsibility to the entity best suited to this task, which will often be the pooled plan provider. This legislative solution would simply permit the collection process to be assigned to other fiduciaries, which would facilitate the use of the fiduciary with the most experience and expertise in this regard.

- **Groups of plans that are permitted to file a single Form 5500 under Section 202 of the SECURE Act:** Under current law, generally, a Form 5500 for a defined contribution plan must contain an opinion from an independent qualified public accountant as to whether the plan's financial statements and schedules are fairly presented (referred to below as the "audit requirement"). However, generally, no such opinion is required with respect to a plan covering fewer than 100 participants.
 - A group of plans that fits within the SECURE provision may contain some plans that are subject to the audit requirement and some that are not. Under the proposed change, plans which are subject to the audit requirement may elect to jointly file a single audit as if they were part of the same plan, but the audit requirement and expense would not be imposed on the small plans. As an alternative, to further simplify the administration of the group of plans and to enhance security, the plan administrator may elect to treat all the plans in the group as one plan for purposes of the audit requirement -- including the small plans upon which the requirement would otherwise not be imposed. The latter election would simplify plan administration by accommodating a wider variety of coverage solutions being developed in the marketplace.

Improving required retirement plan reports and disclosures

Under current law, employer-sponsored retirement plans and IRAs are required to provide a variety of reports and disclosures to participants at various times or upon the occurrence of specified events. The Council believes there is a significant opportunity to improve both the content and the timing of required disclosures in a manner that provides for more effective and meaningful communications to participants and account owners, while also decreasing administrative costs for plans and IRAs.

We support bipartisan proposals to take such steps, such as a proposal included in both the Neal/Brady bill and the Cardin/Portman bill. That proposal would direct the U.S. Treasury Department, the U.S. Department of Labor (DOL) and the Pension Benefit Guaranty Corporation (PBGC) to review the reporting and disclosure requirements and

make recommendations to Congress to consolidate, simplify, standardize and improve these participant communications.

A related issue that we urge the committee to consider is one that affects those plan participants who are *not enrolled in the plan* but who nevertheless are considered participants because they are *eligible* to enroll in the plan. Under current law, even non-enrolled participants are required to receive the same reports and disclosures as participants who are enrolled in the plan. Because these non-enrolled participants are receiving plan communications that do not relate to them, the Council strongly supports the proposal in both the Neal/Brady bill and the Cardin/Portman bill under which non-enrolled participants would not be required to receive the unnecessary notices that they receive under current law. Instead, such participants would receive an annual reminder of their eligibility to participate in the plan.

Stop indexing the PBGC variable rate premium for single-employer plans

A bipartisan proposal aimed at addressing concerns over PBGC premiums, which are a factor in causing employers to terminate or engage in pension plan de-risking activities, is included in the Cardin/Portman bill. Today, single-employer defined benefit plans pay both a per-participant flat-rate premium and a variable-rate premium to the PBGC each plan year. Both types of premiums are currently indexed. But indexing the variable-rate premium does not make sense because the variable-rate premium is calculated based on the plan's unfunded vested benefits, an amount that is inherently indexed. As a result, indexing the variable-rate premium will eventually lead to companies owing 100%, 200% or even more of their underfunding to the PBGC. The Cardin/Portman bill would address this by eliminating the indexing of the variable-rate premium and freezing such rate at the 2018 premium level (\$38 per \$1,000 of unfunded vested benefits).

Another critical issue for plan sponsors is the extremely high PBGC premiums. While PBGC's single employer plan program was running deficits, premiums were raised to extreme levels -- ***almost \$700 per participant in 2021 for some plans that are fully funded on a funding basis*** -- that are clearly no longer needed in light of the extraordinarily high levels of surpluses at PBGC. According to PBGC's own 2020 financial reports and projections, PBGC's single-employer plan system is financially strong ***with a current surplus of \$15.5 billion and a projected surplus of \$46.3 billion by 2029***. Moreover, these premium levels are a major factor in the widespread exodus from the pension system, as recognized by the PBGC Participant and Plan Sponsor Advocate. The Advocate has further commented that this exodus threatens to seriously erode PBGC's premium base, since healthy companies are the ones that can afford to leave the system, leaving PBGC with less healthy companies to support it.

Every year that we wait to correct the excessive premiums, more employees lose future pension benefits from their employer, as a result of plan sponsors with active plans either freezing their plan or leaving the system in part or in whole. And in some cases, the premiums of almost \$700

per participant could provide much needed help if re-directed toward actual benefits. ***In one case, in part because of the presence of so many retirees, PBGC premiums are 16% of the total payroll of a major company.***

The Council welcomes a dialogue about lowering PBGC premiums both flat and variable rates. We believe that the rates can be appropriately lowered without undermining the PBGC or the security of the participants and, in fact, lowering them would help both. We also support taking PBGC premium increases and decreases off budget, since premiums cannot be used for purposes unrelated to PBGC's mission.

Permitting higher catch-up contributions for older Americans

Even though most Americans understand the benefit of saving for retirement throughout their working years, younger workers in particular often face competing financial priorities, such as buying a home, paying off student loans and raising a family. These expenses can make it challenging for many workers to prioritize saving for retirement until their 40s, 50s or even 60s. In 2020, most employees are generally limited to making elective deferrals of \$19,500 to a 401(k), 403(b), or governmental 457(b) plan (\$13,500 with respect to SIMPLE IRAs and SIMPLE 401(k)s). But individuals age 50 and older may make a "catch-up" contribution of an additional \$6,500 (\$3,000 for SIMPLEs). To give workers nearing retirement age an even greater ability to better prepare for retirement, the Council supports the provisions in the Neal/Brady and Cardin/Portman bills that would increase the catch-up contributions for certain older workers.

Increasing the age at which RMDs must begin

The Council believes it is important that retirees be allowed to retain their savings in retirement accounts as long as possible to help protect against the risk of retirees depleting their retirement savings during their lifetime. We therefore urge the committee to support bipartisan proposals such as those in the Neal/Brady and Cardin/Portman bills that would further increase the age at which participants and IRA account owners must begin taking RMDs to age 75.

Reforming the rules regarding inadvertent overpayments to participants

The complexity of administering a retirement plan can result in a plan incorrectly calculating benefit payments for a participant, especially in a defined benefit plan. Sometimes these errors result in an overpayment being made to a participant. IRS correction procedures in some cases require plans to seek to recoup from participants a discovered overpayment, sometimes months or even years after the overpayment was made to the participant. This often causes significant distress for participants – many of whom were retirees – who had no idea that the plan incorrectly calculated their benefits. Further complicating matters, in many cases an overpayment was rolled over

to an IRA or another plan because the participant believed that such amount was eligible for rollover treatment when in reality it was not.

In some circumstances under EPCRS a plan sponsor may correct for an overpayment without seeking recoupment from the participant. However, the Council's members believe that additional steps to protect retirees should be taken and therefore the Council strongly supports provisions in the Neal/Brady and Cardin/Portman bills that would permit employers not to seek recoupment from the participant and to permit rollovers of inadvertent overpayments.

Expansion of electronic disclosure of plan communications

DOL regulations give plan sponsors the option to provide required notices and statements in an electronic format while providing participants with appropriate protections and the right to receive paper copies of notices at no charge. The Council strongly supported updating the means by which plan sponsors can fulfill their disclosure requirements. We believe that electronic communication can improve employee engagement and help them take more effective and timely action. Bipartisan proposals that restrict this option should be carefully measured against these goals and should be designed to resolve a specific problem so as not to undermine the goals.

Similarly, we support retirement plan proposals to allow remote notarization with strong safeguards to protect participants and spouses. This was acutely necessary during the pandemic and has been allowed on a temporary basis. The success of this system – in terms of efficiency, protections and flexibility – on a temporary basis provides a solid basis for making this rule permanent.

Missing participants

Our members devote a great deal of effort and financial resources to sponsoring retirement plans and to searching for those who have unclaimed benefits. We wholeheartedly share the goal of reuniting plan participants with their retirement benefits.

In this regard, we welcomed the introduction of missing participant legislation in Neal/Brady, Cardin/Portman and Warren/Daines, which addressed the missing participant issue. The Department of Labor has issued guidance, in the nature of best practices, but more is needed because it does not define when a participant is missing or unresponsive. The Council believes strongly in the need for comprehensive guidance on plan fiduciary responsibilities with respect to unresponsive and missing participants.

The bills also include a provision that would use data that employers are already required to report to Treasury to create a national, online lost and found for Americans' retirement accounts. In addition, the Department of Labor would be directed to develop standards for determining if an employer has satisfied their fiduciary responsibilities

with respect to missing participants; in our view, all agencies involved should develop the standards jointly, including Treasury and PBGC. We believe that transfers of small unclaimed benefits to the PBGC should be optional and limited to uncashed checks of \$1,000 or less and it should be clear that once a plan does not contain any benefits on behalf of a participant, the plan fiduciaries should have no further duty to search for that participant.

We look forward to continuing to work with Congress on these issues. Our members' extensive experience with missing and lost participants provides a valuable resource for policymakers, including input with respect to strategies to improve consistency among agencies with regulatory authority for missing and unresponsive participants.

New "secure deferral arrangement" automatic enrollment safe harbor

A significant retirement policy success in recent years has been encouraging plan sponsors to automatically enroll their employees in a retirement plan at a default contribution rate and then to periodically increase that rate over time. But as successful as these automatic enrollment and automatic escalation features have been to date, policymakers are now looking at options to continue building on their success.

Under the existing automatic enrollment safe harbor, plans are generally deemed as meeting certain nondiscrimination testing rules if certain criteria are met, including that employees are automatically enrolled at a contribution rate of at least 3% of compensation in the first year and such rate must increase by at least 1% a year until the contribution rate is at least 6% (but not greater than 15%) by the fourth year.

The Council encourages the committee to consider proposals that would build upon the existing safe harbor by adding a new automatic enrollment safe harbor for "secure deferral arrangements." A secure deferral arrangement would, among other features, provide for a higher default contribution rate in the first year (i.e., at least six but not greater than 10%) and would remove that 10% cap on default deferrals after the first year. Such proposals have been included in the Cardin/Portman bill, the Collins/Hassan bill and the 2017 Neal bill.

Remove limitations on subsidies resulting from accumulation of retirement assets

Effective retirement saving can improve overall health and financial well-being. Individuals and families should not be penalized for preparing for retirement. The Council urges the committee to support legislation that would exclude current retirement plan assets and future retirement plan benefits from eligibility calculations for state and federal housing and food subsidies.

Along these same lines, the Council supports efforts to allow employers to deposit any employer contributions that would otherwise be made on behalf of special needs

employees to the employee's Section 529A (ABLE) account instead of the company's 401(k) plan. Special needs employees frequently choose not to participate in a 401(k) plan, or they must withdraw funds with corresponding taxes and penalties, because the funds accumulated in the plan can imperil their eligibility for much-needed means-tested benefits that they would otherwise be qualified to receive. Under the proposed solution, the employee could opt into the ABLE account, if offered by the plan sponsor. The employer contribution would be subject to the same deduction rules currently applicable to 401(k) employer contributions and the employee would be taxed on the contribution made to the account. The amounts would be subject to the Section 529A rules once contributed.

Parity for CSEC organizations

The SECURE Act, Neal/Brady and Cardin/Portman together include numerous very helpful tax credits as incentives for taxable companies to start a plan or to adopt certain pro-participant features. For example, the following very beneficial proposals are either in the law or being considered:

- The SECURE Act increased the cap on the small business start-up credit from \$500 to \$5,000.
- The SECURE Act provided a three-year \$500 small business tax credit for adopting automatic enrollment.
- Neal/Brady would increase the start-up in credit in two very material ways:
 - Increase the credit from 50% to 100% of start-up costs for companies with up to 50 employees.
 - Provide a contribution-based credit that could be worth over \$100,000 over five years, depending on the size of the business.
- Cardin/Portman would provide a five-year tax credit for small businesses that adopt a new type of safe harbor automatic enrollment 401(k) plan.
- Similar to Neal/Brady, Cardin/Portman would enhance the small business start-up credit by increasing it from a credit equal to 50% of start-up costs to a 75% credit for the smallest employers.
- Cardin/Portman would provide a three-year \$500 small business credit for adopting automatic re-enrollment.

Unfortunately, tax-exempt organizations do not receive any of these credits, so the

significant help — well over \$100,000 in total in some cases — that the credits provide is not available to tax-exempt employers. Moreover, tax-exempt organizations do not pay any less to set up a plan.

We strongly believe that something needs to be done to level the playing field to treat tax-exempt organizations more fairly. We also recognize that addressing this issue in a comprehensive way for all tax-exempt organizations is a broad project that will require further work and consideration. But we believe that it is appropriate to start the legislative process with a small but important step and therefore support a proposal that would provide tax credits to employees in cooperative and small employer charity (CSEC) plans.

A consistent federal framework

We have one key point in conclusion. The fundamental basis for an effective private retirement system is the ability to rely on the single set of national rules applicable to designing and operating retirement plans, especially for companies that operate in more than one state. These rules can be found in Section 514 of the Employee Retirement Income Security Act (ERISA). There is no greater threat to the health of the private retirement system than a possible erosion of this principle of current law. We urge Congress to work with us to support and enforce the federal nature of the rules governing qualified retirement plans.

Additional issues that we are working on

There are also a number of critical issues that we are actively working on, but on which we do not have a current recommendation.

- **Racial, ethnic and gender disparities in retirement savings:** These issues are obviously part of a much broader national dialogue, but it is also very important that policymakers and the retirement savings community closely examine what can be done to address these concerns in the context of retirement security. In that regard, we have established a Board-level working group to examine the disparities in retirement savings and ways to help more vulnerable populations. This is a high priority for us and we are looking forward to working with Congress and the agencies on these critical issues.
- **Emergency savings:** The pandemic has highlighted our country's need for emergency savings to address the unexpected. We strongly believe that it is important for any emergency savings legislation to be designed in such a way that supports, rather than undermines, retirement security and that addresses wellbeing holistically to include financial and budget planning, as well as health issues. In this regard, we have written a letter supporting the Enhancing Emergency and Retirement Savings Act of 2021 (S. 1870, introduced by Senators

Lankford and Bennet), which would be a major step forward. We continue to have a dialogue with our members about other possible approaches to this important issue.

- **Cybersecurity:** Our members are actively working on ensuring that participant's benefits are protected from cyberattacks, a top priority. We look forward to a continued dialogue with Congress and the agencies on this topic. We will note that the cybersecurity environment changes very rapidly. Today's protections will be outdated soon, which is why our members' work is ongoing. This is also important to remember in policy discussions because specific rules applied based on today's threats will not be effective very long and could actually inhibit the evolution of important protections in the future.
- **Environmental, social and governance factors:** For many months, our members have been engaged with us in active discussions of the role of ESG factors in retirement plan investments and other activities. This is another area where we look forward to continued dialogue with our members, Congress and the agencies. The ability to save for retirement is a critically important part of Americans' sense of economic security. Employer-provided retirement plans are a uniquely positive influence on one's financial well-being in retirement. Public policy should therefore encourage participation and adequate savings in these plans whenever possible.

* * * * *

We thank the committee for holding this hearing and for a long history of dedicated bipartisan work on protecting and enhancing the private retirement system. We look forward to continuing to work with the committee on this critical endeavor.

[Additional submissions by Mr. Allen follow:]



Statement by The ERISA Industry Committee to
the
U.S. House Education and Labor
Subcommittee on Health, Employment, Labor & Pensions
Hearing on
Examining Pathways to Build a Stronger, More Inclusive Retirement
System

June 23, 2021

Chairman DeSaulnier, Ranking Member Allen, and Members of the House Health, Employment, Labor, and Pensions Subcommittee, thank you for the opportunity to submit a statement for the record on behalf of The ERISA Industry Committee (ERIC) on building a more inclusive, retirement system. ERIC is the only national association that advocates exclusively for large employers on health, retirement, and compensation public policies at the federal, state, and local levels. ERIC's members are leaders in every industry sector and provide comprehensive retirement benefits to tens of millions of active and retired workers and their families across the country. As such, ERIC has a strong interest in policies that impact employers' ability to provide cost-effective retirement programs and the ability of employees to receive such benefits.

ERIC member companies are working hard to keep their businesses viable, to keep workers employed, and to tailor their benefits to the needs of their workforce, often enhancing them to address needs during the pandemic, as allowed by law. Each member company has a different situation, but changes in ERISA would help all of them support their workers and their workers' retirement security. ERIC very much appreciated the retirement provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and in the American Rescue Plan Act of 2021 which provided immediate aid to retirement plan participants and sponsors. To further support the financial and retirement security of workers and retirees, ERIC encourages Congress to implement the following provisions:

- **Allow for "matching contributions" for student loan payments** to encourage increased retirement savings
- **Ease administrative burdens on plan sponsors** by expanding the self-corrections process and consolidating notice requirements
- **Expand the required minimum distribution (RMD) age from 70½ to 75**
- **Stop unnecessary and harmful PBGC premium increases**, that are implemented as part of a budget gimmick and outside of established policy procedures
- **Provide additional savings opportunities for those close to retirement** by the increasing catch-up limits in plans
- **Clarify the recovery process for retirement plan overpayments** from innocent participants and their future payments
- **Create a pension registry** to help plan sponsors locate hard-to-find plan participants

- **Modernize the definition of a highly compensated employee (HCE)**, while maintaining the key policy objective of the nondiscrimination rules by assuring that the qualified plan benefits an appropriate portion of employees without management or decision-making power
- **Promote emergency savings funds** that allow defined contribution plans to permit participants to withdraw or use limited, pre-tax elective deferrals for critical short-term financial needs without imposing an early distribution tax penalty

You will note that many of these provisions were included in the Securing a Strong Retirement Act of 2021 (SSA) which was introduced by Ways and Means Committee Chairman Neal and Ranking Member Brady in the House and in the Retirement Security and Savings Act by Senators Cardin and Portman in the Senate. ERIC applauds the leadership of these members of Congress in recognizing the continued need to focus on retirement security.

One point of concern in recent legislation is the attempt to rollback recent advances in electronic delivery. Last year the Department of Labor issued final regulations which allow plan sponsors to use electronic delivery as the default option for providing plan disclosures. This regulation significantly eased administrative burdens for plan sponsors by allowing them to modernize their notice delivery systems and move into the 21st century, and importantly allowed them to target delivery more appropriately especially for younger participants. However, the SSA bill rolls back this advancement by requiring plan sponsors to deliver at least one paper quarterly benefit statement per year for defined contribution plans. Not only does this provision impose an annual paper disclosure, but also requires a disclosure that contains individualized information and can often exceed several pages. As such, we encourage Congress to reject this provision and allow plan sponsors to provide retirement notices in the same manner as other notices and information, including those provided by the government.¹ At the very least, if Congress decides that an annual disclosure is necessary, it should be a short and generic notice - i.e., a "postcard notice" - which can be provided more easily and quickly than a benefit statement.

ERIC and our large employer plan sponsor member companies look forward to continued conversations with you and other interested parties to advance these measures and explore additional provisions that can be included to further promote retirement security for working Americans. Thank you for the opportunity to share our ideas. If you have any questions, please contact me at arobinson@eric.org or by calling 202-789-1400.

¹ The Social Security Administration no longer provides benefit statements for anyone under the age of 60. Similarly, the Internal Revenue Service requires taxpayers to call into the agency to receive a paper tax form or to download it from a computer.



June 23, 2021

The Honorable Mark DeSaulnier
Chairman
House Committee on Education and Labor
HELP Subcommittee
Washington, DC 20515

The Honorable Rick Allen
Ranking Member
House Committee on Education and Labor
HELP Subcommittee
Washington, DC 20515

Re: HELP Subcommittee Hearing “Examining Pathways to Build a Stronger, More Inclusive Retirement System”

Dear Chairman DeSaulnier and Ranking Member Allen,

On behalf of the SPARK Institute, I would like to thank you for holding today’s hearing on the critical issues involved in improving retirement security for millions of Americans. Our members deeply value your leadership and look forward to working with you and the Committee to advance solutions that improve, simplify, and modernize retirement savings.

The SPARK Institute believes that retirement security is the shared responsibility of individuals, employers, government, and the providers, consultants, and advisors who serve them. We represent the interests of a broad-based cross section of retirement plan service providers and investment managers, including banks, mutual fund companies, insurance companies, third-party administrators, trade clearing firms and benefits consultants. Collectively, our members serve approximately 100 million employer-sponsored plan participants.

Today’s hearing underscores that the work to enhance retirement security is not finished. As Congress reflects on recent enactment of the Setting Every Community Up for Retirement Enhancement (SECURE) Act, we are excited to share with you a number of suggestions for additional improvements and enhancements. Attached you will find the SPARK Institute’s Legislative and Regulatory Agenda which was the product of extensive input from our members. We are pleased that a number of these proposals have been included in various introduced bills.

In the House, SPARK has endorsed the Securing a Strong Retirement Act of 2021 (SSRA) introduced earlier this year by Ways and Means Committee Chairman Neal and Ranking Member Brady. SSRA was approved last month on a unanimous bipartisan vote in the Ways and Means Committee. SPARK is especially supportive of a number of provisions in SSRA that have been identified by our members as key improvements such as expansion of the small business start-up credit, increasing the required beginning date to 75 and additional catch-up contributions for certain older employees. SPARK noted our support for a provision to integrate student loan repayment solutions into workplace savings plans. SPARK also commended the provisions in SSRA that will streamline and simplify retirement plan operations, including expanding self-correction, limiting notices for unenrolled participants, permitting self-certification of hardships distributions, and permitting 403(b) plans to invest in collective investment trusts (CITs).

SHAPING AMERICA’S RETIREMENT



SPARK is committed to working with Congress to continue advance the many improvements contained in SSRA. However, SPARK strongly encourages Congress to reconsider the inclusion of Section 313 that would mandate retirement savers receive one of their quarterly benefit statements in paper each year. SPARK has long championed e-delivery of retirement plan documents because it provides employees with access to real-time information on their retirement benefits and online tools to assist them with retirement planning. The 2020 Department of Labor E-Delivery Rule struck an appropriate balance between expanding default e-delivery and consumer protections. SPARK encourages Congress to advance harmonization of e-delivery rules across the federal agencies, including at the Treasury Department/IRS

We greatly appreciate your interest in and commitment to these important retirement security issues. As retirement savings reforms and enhancements advance through the legislative process, we look forward to working with the Committee to ensure the retirement reforms are as effective as possible to help all Americans achieve a financially secure retirement.

Sincerely,

Tim Rouse
Executive Director
The SPARK Institute, Inc.



Legislative & Regulatory Agenda 2021

The SPARK Institute represents the interests of a broad-based cross section of retirement plan service providers and investment managers, including banks, mutual fund companies, and insurance companies. Collectively, our members serve approximately 95 million participants in 401(k) and other defined contribution plans. We focus on promoting the important benefits of employer-sponsored retirement plans, which are critical to the financial security of Americans saving for retirement.

The SPARK Institute believes that **retirement security is a shared responsibility** of individuals, employers, government, and the providers, consultants, and advisors that serve them. Building on the successful enactment of the Setting Every Community Up for Retirement Enhancement (SECURE) Act in 2019, the SPARK Institute is committed to working with Congress and federal regulators to advance solutions that implement the five pillars of the SPARK Institute's Legislative and Regulatory Agenda detailed below.

☒ **PRESERVE & EXPAND INCENTIVES FOR RETIREMENT SAVINGS**

*The SPARK Institute seeks to **preserve the current tax incentives** for retirement savings and **opposes financial transaction taxes** that would harm retirement savers. The SPARK Institute supports efforts to **increase coverage through expanded tax incentives** so that more workers have access to, and utilize, employer-sponsored savings vehicles, like 401(k), 403(b), and 457(b) plans.*

☒ **ELECTRONIC DELIVERY & ADMINISTRATION: MODERNIZING RETIREMENT PLAN COMMUNICATIONS**

The electronic delivery of retirement plan documents empowers employees by providing them access to real-time information on their retirement benefits and online tools to assist them with retirement planning. The 2020 Department of Labor E-Delivery Rule struck an appropriate balance between expanding default e-delivery and consumer protections. Additionally, the ongoing pandemic has highlighted the value of electronic delivery and the need for other modernizations to facilitate the greater use of technology for notarizations and other plan operations.

*The SPARK Institute supports the **expansion of default e-delivery**. We will continue to work for the **harmonization of e-delivery rules** across the federal agencies, including at the Treasury Department/IRS. The SPARK Institute will advance a **nationwide remote notarization standard**.*



☒ **FINANCIAL WELLNESS & LITERACY: MEETING THE HOLISTIC FINANCIAL NEEDS OF RETIREMENT SAVERS**

Retirement savings are part of the holistic financial needs and challenges that plan participants face. With sensible changes to federal rules, employers and service providers can do more to help improve the financial wellness of all employees and implement policies that support an employee's participation in retirement savings plans while meeting their existing obligations, such as student loans.

*The SPARK Institute supports legislative and regulatory solutions to **integrate student loan repayment solutions** into workplace savings plans. The SPARK Institute encourages efforts to **expand access to financial wellness programs** inside and outside of retirement savings plans and the growth of **financial literacy programs**. The SPARK Institute will **advance emergency savings solutions** to address the economic needs and concerns of employees and supports the **expansion of workplace savings programs** to include other non-retirement savings priorities.*

☒ **SIMPLIFICATION: ADVANCING REFORMS TO MAKE RETIREMENT SAVING EASIER AND ENHANCE OUTCOMES**

Simplifying and modernizing the rules and regulations that govern retirement plans will make it easier and less expensive for employers to offer retirement plans so all Americans can enjoy a financially secure retirement.

*The SPARK Institute supports efforts to streamline retirement plan operations, including **plan design simplification, notice consolidation, testing relief, and streamlined reporting requirements**. The SPARK Institute also supports changes that would **permit 403(b) plans to invest in collective investment trusts (CITs)**. The SPARK Institute will work to **advance missing participant solutions** and **expand access to self-correction for plan errors**.*

☒ **LIFETIME INCOME: ENCOURAGING INNOVATIVE WAYS TO GENERATE INCOME IN RETIREMENT**

To ensure that retirees have the lifetime income they need to enjoy a comfortable retirement, more should be done to ensure that retirement savers have access to lifetime income options in their retirement plans. This means offering lifetime income investments during the accumulation phase and offering lifetime distribution options at retirement. We believe not in supporting one product, but rather in supporting a robust market where plan fiduciaries can choose what best meets the needs of participants. We need rules that support, not impede, innovative solutions.

*The SPARK Institute supports legislative and regulatory changes that would facilitate the **inclusion of annuities and other lifetime guarantees** during the accumulation phase and through retirement.*

[Additional submission by Chairman Scott follows:]



Statement for the Record

Submitted to the

United States House of Representatives
Committee on Education and Labor
Subcommittee on Health, Employment, Labor and Pensions

"Examining Pathways to Build a Stronger, More Inclusive
Retirement System"

June 23, 2021

On Behalf of

Susan K. Neely
President and CEO
American Council of Life Insurers
101 Constitution Avenue, NW
Washington, DC 20001

The American Council of Life Insurers (ACLI) is pleased to submit this statement for the record on "Examining Pathways to Build a Stronger, More Inclusive Retirement System." ACLI thanks Chairman Mark DeSaulnier (D-CA) and Ranking Member Rick W. Allen (R-GA) for holding this important hearing. This statement will highlight the successes of the current retirement system, challenges that workers and retirees face, especially in light of the COVID-19 global pandemic, and public policy proposals supported by ACLI that would enhance and build upon the successes of our nation's retirement system.

THE AMERICAN COUNCIL OF LIFE INSURERS

The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. Financial security is our core business, and retirement security for all Americans is a critical mission. We protect 90 million American families with financial products that reduce risk and increase financial security, including life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, dental and vision benefits, and other supplemental benefits. As society and work changes, we are committed to financial security solutions that protect all Americans, regardless of where and how they work, their stage in life, or the economic status of their household. Americans are living longer, and financial security into retirement is a big challenge facing our country. We help people retire with security, with more products, availability, accessibility, and affordability for all.

ACLI members represent 95 percent of industry assets in the United States. Through a well-crafted partnership of the private solutions ACLI members provide, and public solutions that are necessary, we believe the benefits of financial security can be made available to all Americans. Accordingly, ACLI member companies offer insurance contracts and investment products and services to employment-based retirement plans (including defined benefit pension plans, 401(k), SIMPLE, SEP, 403(b), and 457(b) plans) and to individuals (through IRAs and annuities). Three-fifths of small employers (those with 99 or fewer employees) rely on life insurer products and services in their employment-based retirement plan. ACLI members are also employer sponsors of retirement plans for their employees. And there are more than 15 million annuity-based IRAs held by individuals. As service and product providers, as well as employer plan sponsors, life insurers believe that adequately and consistently saving for retirement, effectively managing assets throughout retirement and utilizing appropriate financial protection products are all critical to Americans' retirement and financial security.

In 2020, American families received \$392.3 billion in payments from annuities, \$130 billion in payments from life insurance, \$20 billion in disability income insurance benefits and \$11.4 billion in long-term care insurance benefits. Americans are faced with significant financial security challenges, and the insurance industry is a vitally important part of how Americans are able to plan, save and guarantee themselves a secure retirement.¹ No other industry provides Americans with the level of financial guarantees provided by the life insurance industry.

¹ ACLI analysis of preliminary 2020 NAIC Annual Statement data.

THE RETIREMENT SYSTEM IN AMERICA

The retirement system for private-sector workers in America builds upon the contributions made to Social Security and is enhanced by employment-based retirement plans, individual retirement accounts, annuities, and other investments. Private sector savings play a vital role in retirement security for millions of Americans. Current tax incentives for pensions and retirement savings encourage employers to provide and maintain work-based plans and have enabled millions of American families to accumulate savings, thereby improving their retirement security. According to the Bureau of Labor Statistics, more than 80 percent of full-time civilian workers have access to a retirement plan through their employer, and of these workers, 82 percent participate in a workplace plan.² Yet, there remain workers, mostly those who are working part-time and those at small businesses, without such access. More can and should be done to ensure that everyone who can afford to save for retirement is saving for retirement.

CHALLENGES FACING RETIREMENT SAVERS

While the current combination of Social Security and employment-based and individual retirement arrangements has successfully demonstrated that workers can attain retirement security, the global pandemic has brought into sharp focus challenges Americans face with ensuring they have both short-term and long-term savings – both key components to financial health. In 2019 for example, almost 50 percent of all households in the US households had less than \$5,300 in liquid savings that can be used for an emergency.³ This was exacerbated in 2020 as families faced financial crises with the economic downturn related to COVID-19. Some retirement savers, having little to no emergency savings, utilized plan loans and distributions features made available through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The median amount of coronavirus distribution according to Fidelity Investments was \$4,800, indicating that smaller amount of emergency savings was a deficiency for many families.

While workplace retirement plans with payroll deducted contributions are incredibly effective at helping people save, impediments still exist that prevent many Americans from maximizing this important savings tool. For some, understanding the value of saving for retirement and the underlying financial management concepts can prove to be daunting. Some of the mystery derives from the shift over time from defined benefit plans to defined contribution retirement plans. With greater choice and flexibility, retirement savers have a greater role in setting personal savings goals, making informed investment decisions and planning for income throughout retirement.

Certain segments of the population have greater barriers to savings. Despite 80 percent of full-time civilian workers having access to a retirement plan in the workplace, only 40 percent of part-time workers enjoy access to workplace savings, in particular, people who work for small employers and gig economy workers.⁴ Additionally, Federal Reserve data show that Black and Hispanic savers have savings rates that lag significantly behind their white counterparts. These deficiencies are magnified in women. It is important to note that financial insecurity, which includes a lack of retirement savings, is deeply rooted in other institutional inequities, including earnings, savings, housing and overall financial wealth. According to the Federal Reserve's 2019 Survey of Consumer

² Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States, March 2020, <https://www.bls.gov/nchs/ebs/benefits/2020/employee-benefits-in-the-united-states-march-2020.pdf>

³ ACLI analysis of the Federal Reserve, Survey of Consumer Finances, 2019.

⁴ Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States, March 2020, <https://www.bls.gov/nchs/ebs/benefits/2020/employee-benefits-in-the-united-states-march-2020.pdf>

Finances, Black and Hispanic families are far less likely to have a retirement account.⁵ Among middle-aged families (who have the highest rates of account ownership) 65 percent of white families have at least one retirement account, compared to 44 percent of Black families, and just 28 percent of Hispanic families.⁶ Contributing to this disparity is that Black and Hispanic families do not have access to a retirement plan in the workplace at the same rate that white families do.

Millennials also tend to be less prepared for retirement than earlier generations at the same stage in life with 45 percent having no dedicated retirement savings. Of those with such savings, a third have saved \$6,600 or less and 30 percent of millennial households have less than \$1,300 in liquid emergency savings.⁷ Almost 41 percent are burdened with student loan debt and may delay saving for retirement.⁸ This segment may also face challenges related to access to a retirement savings plan in the workplace. According to Pew Charitable Trusts' report, *Retirement Plan Access and Participation Across Generations*, younger workers are less likely than older workers to be offered retirement plans by their employers. And when they are, younger workers are less likely to participate.⁹

Adult caregivers are also in a challenging situation. Many financially assist their children, while an estimated 9.7 million adult children over the age of 50 care for their parents as well.¹⁰ Women act nearly twice as often as men as caregivers for their adult parents, which can have a significant impact on their retirement savings. The total individual amount of lost wages due to women leaving the labor force early because of caregiving responsibilities equals \$142,693. The estimated impact of caregiving on their lost Social Security benefits is \$131,351.¹¹ Additionally, woman caregivers are much less likely to participate in an employer's 401(k) program. Among single women 50 years old and older, the chance of participating in a 401(k) plan is 35.8 percent for caregivers, compared to 43.6 percent for non-caregivers.¹² Furthermore, mothers of young children, due to their absence in the labor force during child-rearing years, also experience gaps in opportunities to contribute to a workplace retirement plan. According to the Bureau of Labor Statistics, the labor force participation of mothers of young children was only 66 percent, compared to 75 percent of mothers with older children.¹³

Other important factors that can greatly impact a person's ability to achieve a financially secure retirement include longevity and proximity to retirement age. COVID-19 has certainly exacerbated these two considerations. While living a long and healthy life is an aspiration for many, it is also an essential consideration when planning for retirement. Ensuring that retirees do not outlive their savings and are able to decumulate their accounts in a manner that ensures quality of life, is incredibly important. Americans are living longer – with more than 10,000 Americans turning 65

⁵ Federal Reserve, 2019 Survey of Consumer Finances, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>

⁶ Id

⁷ ACLI analysis of the Federal Reserve, Survey of Consumer Finances, 2019

⁸ ACLI analysis of the Federal Reserve, Survey of Consumer Finances, 2019

⁹ The Pew Charitable Trust, *Retirement Plan Access and Participation Across Generations*. https://www.pewtrusts.org/-/media/assets/2017/02/retirement_plan_access_and_participation_across_generations.pdf

¹⁰ MetLife, Mature Market Institute, *The MetLife Study of Caregiving Costs to Working Caregivers*.

<https://www.caregiving.org/wp-content/uploads/2011/06/mmi-caregiving-costs-working-caregivers.pdf>

¹¹ Id.

¹² Christian E. Weller and Michele E. Tolson, *Do Unpaid Caregivers Save Less for Retirement?*, <https://for.ijournals.com/content/6/2/61/tab-article-info>

¹³ Bureau of Labor Statistics, *Employment Characteristics of Families — 2020*, <https://www.bls.gov/news.release/pdf/famee.pdf>

every day. Some could expect to live 30 years in retirement, and risk outliving their retirement savings. Additionally, older Americans who are near or in retirement need additional options to ensure that they can preserve and manage their savings to last throughout their retirements.

BOLD SOLUTIONS TO ADDRESS RETIREMENT CHALLENGES

The passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, the most comprehensive retirement legislation passed since the Pension Protection Act in 2006, is expected to prove instrumental in increasing access to retirement plans. The provisions within the SECURE Act built upon the current successful private sector system, making important enhancements to improve American's financial retirement security. For example, the SECURE Act includes provisions making it easier for employers to sponsor a retirement plan, encouraging employees to save, and helping them prepare for a secure retirement through lifetime income solutions, have real-world positive benefits. Increasing access for employees of small employers alone is anticipated to result in more than 700,000 new retirement savings accounts.

To build upon the success of the SECURE Act, other effective public policy proposals, in addition to action by plan sponsors and providers, can help to address savings challenges and help Americans ensure a secure retirement. Policymakers should continue to seek to increase access to essential financial protections, encouragement financial equality, and provide incentives to retirement savings and guaranteed retirement income products. The focus should continue to be on ways to help more people achieve a financially secure retirement — increasing savings rates, workplace access and lifetime income security for *all* Americans, all key to financial security. Additionally, policy should be crafted to specifically help vulnerable populations, those adversely affected by COVID-19 and those that aim to close the short-term savings gap, build a financially sound foundation.

The following are policy proposals that seek to increase retirement security and savings that ACLI supports include:

1. Increased Access to and Participation in Retirement Plans

A sizable majority of full-time workers have access to a retirement plan in the workplace. Still, more could be done to expand access and coverage. While access is high for workers at larger employers, roughly 50 percent of all workers employed by small businesses – those with fewer than 50 workers – have access to a workplace retirement plan.¹⁴ Of those workers, only 39 percent take advantage of the plan in the workplace.¹⁵ Many small businesses do not offer a retirement savings plan, but not for a lack of access to a marketplace of product offerings. The uncertainty of revenue is the leading reason given by small businesses for not offering a plan, while cost, regulatory and administrative burdens and lack of employee demand are other impediments. Policy that seeks to incentivize small business plan creation, build upon the current employer-provided system and increase access to savings should be advanced. Measures that accomplish these goals include:

¹⁴ Bureau of Labor Statistics, National Compensation Survey 2020, <https://www.bls.gov/news.release/ebs2.101.htm>

¹⁵ *I*d.

- **Retirement Savings Option for All Employees:** Requiring a universal approach for employers without a retirement plan to provide workers with access to payroll deducted savings through an IRA, 401(k), or other qualified retirement savings plan, is key to fundamentally expanding access to the power of workplace, payroll deducted savings. Employers should have the flexibility to choose to use IRAs or set up a 401(k), or other qualified retirement savings plan. Employers should not be overly burdened by administrative costs in order to comply and workers must have the right to opt out of participation. When offered a retirement plan by their employer, four out of five full-time private-sector workers participate. Additionally, nearly 73 percent of employers now automatically enroll new participants into their plan.¹⁶ While employees have the option to opt out, most do not. In fact, with new employees, participation rates nearly double to 93 percent when automatically enrolled, compared with 47 percent under voluntary enrollment.¹⁷ A universal approach in which all employers with more than 10 employees offer a plan in the workplace would provide an estimated 27.7 million workers with access to an employment-based retirement plan with 20.8 million additional workers participating in those plans.¹⁸
- **Increased Start Up Credit:** Under current law, small employers (with fewer than 100 employees) that adopt a new retirement plan are entitled to an annual tax credit for three years equal to 50 percent of the costs of starting up the plan, up to a cap on the annual credit of \$500. Pending legislation seeks to increase the credit and provide an additional credit for employers who automatically enroll employees in their plan.¹⁹
- **Increased Default Contribution Levels:** Currently, employers typically automatically enroll employees into their retirement plans at three percent of their employees' salary. While this is an excellent tool to help savers contribute to their retirement plan, increasing the default yearly, similar to a provision included in the Securing a Strong Retirement Act (SSRA) of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX), would result in greater savings levels.²⁰ Additionally, tax credits for small business to participate in automatic enrollment not only mitigates cost for these businesses but ensures small business employees are able to take advantage of this tool.
- **Automatic Enrollment:**
 - **Incentive for Small Businesses:** Similar to automatic escalation tools, automatic enrollment has proved to be extremely effective in increasing participation rates, and ultimately, savings balances. Pending legislation would provide small

¹⁶ Willis Towers Watson, 2017 Defined Contribution Plan Survey, <https://globenewswire.com/news-release/2018/02/26/1357421/0/en/U-S-employers-enhancing-defined-contribution-retirement-plans-to-help-improve-workers-financial-security.html>

¹⁷ Jeffrey W. Clark, Jean A. Young, Vanguard, *Automatic Enrollment: The Power of Default*, <https://institutional.vanguard.com/iam/pdf/CIRAE.pdf>

¹⁸ ACLI estimates based on the National Compensation Survey: *Employee Benefits in the United States*, March 2020, <https://www.acli.org/~/media/Files/2020/03/2020-03-20-NCS-EB-US.pdf>

¹⁹ H.R. 2954, The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX), S. 1770, The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD).

²⁰ Id.

businesses with a tax credit of \$500 per year for three years for automatic enrollment.²¹

- o **Expanded Access:** Employers without a retirement savings plan should be encouraged to automatically enroll employees into a payroll deduction plan. Employers that elect to sponsor an "Auto-IRA" instead of a 401(k) plan should also receive state wage law pre-emption.²²

2. Incentivizing Savings for Vulnerable and At-Risk Populations

Special consideration should be given to individuals who face unique challenges when it comes to retirement savings. These groups, many times, can benefit greatly from focused public policy initiatives to make their path to saving for retirement easier. These include:

Institutionally Disadvantaged Savers: For too long, racial injustice and systemic inequity have excluded communities of color from traditional pathways to financial security and created fewer opportunities for financial peace of mind. Everyone, no matter their age, job, income, gender or race, deserves the chance to build financial certainty and Congress should look for ways to collaborate with critical industries in order to drive solutions that address systemic inequities by investing in underserved communities, advancing financial education, and removing barriers to access.

Low Income Earners: While the current Saver's Credit allows low- and middle-income earners a tax credit, SSRA would encourage utilization of this important credit. Additionally, the Retirement Security and Savings Act of 2021, introduced by Senators Rob Portman (R-OH) and Ben Cardin (D-MD) would go one step further, and significantly improve the incentive by making the credit refundable, contributing it directly to a retirement plan or Roth IRA and expanding those eligible for the credit.²³

Part-time Workers: Part-time workers have historically had less access to and lower participation in retirement plans. Currently, only 39 percent of part-time workers have access to a retirement plan at work.²⁴ With the enactment of the SECURE Act, current law now requires employers to allow long-term, part-time workers to participate in their 401(k) plans, those with at least 500 hours of service in three consecutive years. SSRA further extends this benefit to part-time workers by decreasing the year requirement to two consecutive years.

Student Loan Borrowers: Innovative policy approaches that would assist employees in saving for retirement should be a top priority for legislators. One legislative approach ACLI supports would enable employers to contribute a "match" to an employee's 401(k) account in the

²¹ [H.R. 2954](#), The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX); [S. 1770](#), The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD).

²² [H.R. 3499](#), The Automatic IRA Act of 2017, introduced in the 115th Congress by Chairman Richard Neal (D-MA); [S. 2370](#), The Automatic IRA Act of 2019, introduced in the 116th Congress. Introduced by Sen. Sheldon Whitehouse (D-RI).

²³ [H.R. 2954](#), The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX); [S. 1770](#), The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD).

²⁴ Bureau of Labor Statistics, National Compensation Survey 2020, <https://www.bls.gov/news.release/ebs2.101.htm>

amount that the employee is contributing to their student loan repayments.²⁵ This would apply to 403(b) and SIMPLE plans as well.

Home Health Care Workers: As noted above, these workers may not have taxable income due to their caregiving duties. A current legislative proposal seeks to remedy this by allowing home health care workers to contribute to a plan or IRA by amending the Employee Retirement Income Security Act in order to allow "difficulty of care" payments as compensation when determining retirement continuation limitations.²⁶

Those Closest to Retirement: As the way we live and work has forever been changed by the global pandemic, those close to retirement need even more flexibility regarding how they continue to accumulate assets, but also, when they are obligated to begin distributing. Given current market volatility, more and more savers are opting to stay in the workforce. Increasing the required minimum distribution (RMD) age from 72 to 75 is a step in the right direction. Also, allowing those 62-64 to maximize their catch-up contributions by increasing the amount, is yet another tool.²⁷

Additionally, retirement savers that are close to or in retirement may want to take steps to ensure they do not outlive their savings. One vehicle that allows them to do this is an annuity. Removing barriers to annuities, provides savers with the option to ensure they have income for life. Additionally, public policy changes to modernize qualified longevity annuity contracts (QLAC) rules, such as repealing the 25-percent account balance limit, increase the eligible QLAC amount to \$200,000 and making important changes to ensure spousal survivor rights, ensure that these important tools can be utilized by consumers in order to ensure retirement solvency.²⁸

3. Additional Plan Innovations

While the SECURE Act certainly made a large impact on the retirement savings landscape, small changes would build upon and improve the current retirement system. These include:

- Expansion of the Open Multiple Employer Plans (Open MEPs) provision to include 403(b) plans which can be sponsored by certain tax-exempt employers and public educational institutions.
- Clarification related to stable financial planning tools that can meet savers' financial needs. Currently there is ambiguity surrounding fiduciary liability as it relates to general account funds. Insurance companies offer these conservative, insured instruments with guaranteed principal and interest. Backed by the insurer's general assets, these general account

²⁵ [H.R. 2954](#), The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX); [Retirement Parity for Student Loans Act of 2021](#), introduced in the 117th Congress by Senators Wyden (D-OR), Cantwell (D-WA), Cardin (D-MD), Whitehouse (D-RI) and Brown (D-OH); [S. 1770](#), The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD).

²⁶ [S. 972](#), introduced in the 116th Congress by Senators Grassley (R-IA) and Wyden (D-OR); [H.R. 1994](#), introduced in the 116th Congress by Representatives Neal (D-MA), Brady (R-TX), Kind (D-WI) and Kelly (R-PA).

²⁷ [H.R. 2954](#), The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX).

²⁸ [H.R. 2954](#), The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX); [S. 1770](#), The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD).

products often provide higher rates of return than other fixed return and stable value investment vehicles. Large sums of 401(k) assets are invested in these products as many employers include them among the investment options available to their retirement plan participants. It is critical that Congress provide legislative clarity in order for these stable, safe arrangements to continue.

- Support for legislative efforts, like the Lifetime Income for Employees Act, bipartisan legislation introduced in the 116th Congress by Representatives Don Norcross (D-NJ) and Tim Walberg (R-MI). This bill would remove a barrier that prohibits annuities from being offered as a default investment option in workplace retirement plans.²⁹
- Rethinking and reimagining of how benefits, including retirement benefits, are provided and utilized. While the current system of employer-based benefits has worked well for millions of working Americans and their families, far too many Americans either cannot or do not take advantage of the benefits-based tools critical to achieving financial security, resulting in a financial wellness coverage gap. Addressing this “benefits coverage gap” is essential to give workers the financial building blocks that are essential to financial freedom and security.
- Reinforcement of the value and benefits associated with the electronic delivery of retirement plan documents and notices, while providing opt-out options for participants. COVID-19 has demonstrated that being able to access important documents electronically is a critical need of Americans.

CONCLUSION

Providing Americans, especially vulnerable populations, with greater access to retirement savings tools will help them better prepare for retirement. Many retirees can expect to live more than 30 years or longer in retirement. In fact, the first generation of workers who largely have self-funded for retirement are now at the age when they will start drawing down on their savings. They need to understand how to manage their savings to ensure it lasts their lifetime. Facilitating lifetime income solutions and increasing financial education empowers and educates Americans to make better decisions. Additionally, ensuring access to and the tools to engage in a retirement plan in the workplace will have a profound impact on creating new savers.

Nearly all the public policy proposals detailed in this statement are included in both the Securing a Strong Retirement Act of 2021 and the Retirement Security and Savings Act of 2021. They will improve the current retirement system and guarantee a financially secure retirement for millions of Americans. By taking action now on retirement security legislation, Congress has an opportunity to enact comprehensive legislation that will help more people retire with peace of mind — increasing the availability, accessibility and affordability of retirement security products for all Americans. ACLI continues to urge policymakers to support and make every effort to enhance the current retirement system. We and our members stand ready to assist the Congress in this worthwhile endeavor.

²⁹ [H.R. 8990](#), The Lifetime Income for Employees Act, introduced in the 116th Congress by Representatives Don Norcross (D-NJ) and Tim Walberg (R-MI).

[Additional submission by Ms. Stevens follows:]



California's 11th District is represented by:

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United States House of Representatives
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Phone: 202-225-2095

THE CENTRAL STATES PENSION FUND

Economic Impact on California's 11th District

10	0	\$0
CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT	CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT	CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT
Retired (6) and inactive (4) pension plan participants in the 11th District	Number of companies who employ participants residing in California's 11th District	Plan contributions made on behalf of 11th District participants in 2020
These participants rely on the strength of their multiemployer pension plan for their future retirement security.	These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	These contributions help ensure that Central States participants, including 11th District constituents, will have a hard earned pension in their retirement.
\$56,259	\$1,663	\$1,619,668
ANNUAL BENEFITS PAID	ANNUAL IN-DISTRICT TAXES PAID	PENSIONS AT RISK
Total annual payments to pension beneficiaries in the 11th District	Total annual federal tax payments made by retirees on their benefits	Current pensions at risk in California's 11th District
Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	On average, each retiree pays \$323 in federal tax revenue every year on their benefits.	The loss of this retirement income to California's 11th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District:

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VoicesForPensionSecurity.com

Data as of March 31, 2021



Michigan's 11th District is represented by:

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THE CENTRAL STATES PENSION FUND

Economic Impact on Michigan's 11th District

2,714	81	\$4,292,526
CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT	CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT	CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT
Retired (1,508), active (841), and inactive (865) pension plan participants in the 11th District	Number of companies who employ participants residing in Michigan's 11th District	Plan contributions made on behalf of 11th District participants in 2020
These participants rely on the strength of their multiemployer pension plan for their future retirement security.	These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	These contributions help ensure that Central States participants, including 11th District constituents, will have a hard earned pension in their retirement.
\$24,176,357	\$1,915,229	\$514,158,223
ANNUAL BENEFITS PAID	ANNUAL IN-DISTRICT TAXES PAID	PENSIONS AT RISK
Total annual payments to pension beneficiaries in the 11th District	Total annual federal tax payments made by retirees on their benefits	Current pensions at risk in Michigan's 11th District
Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	On average, each retiree pays \$1,169 in federal tax revenue every year on their benefits.	The loss of this retirement income to Michigan's 11th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: MARATHON PETROLEUM CO (P), U.S. FOODS INC., D.H. LEPPERS (USA) INC., RYAN TRANSPORTATION INC., MICH. CONF. OF TEAMSTERS, CASSERS TRANSPORT CO., FERGUSON ENTERPRISES LLC, PRAIRIE LAKE/DELL, MC KESSON CORP., AMF FRESH-IT SYSTEM INC.

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VoicesForPensionSecurity.com

Data as of March 31, 2021



Connecticut's 2nd District is represented by:
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 Phone: 202-225-2676

THE CENTRAL STATES PENSION FUND

Economic Impact on Connecticut's 2nd District

20 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (14), active (1), and inactive (5) pension plan participants in the 2nd District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	1 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Connecticut's 2nd District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$10,583 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 2nd District participants in 2020 These contributions help ensure that Central States participants, including 2nd District constituents, will have a hard earned pension in their retirement.
\$199,604 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 2nd District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$8,277 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$517 in federal tax revenue every year on their benefits.	\$2,686,656 PENSIONS AT RISK Current pensions at risk in Connecticut's 2nd District The loss of this retirement income to Connecticut's 2nd District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: BIMBO BAKERIES USA INC

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VoicesForPensionSecurity.com

Data as of March 31, 2021



Georgia's 6th District is represented by:
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 Phone: 202-225-4501

THE CENTRAL STATES PENSION FUND

Economic Impact on Georgia's 6th District

300 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (97), active (37), and inactive (166) pension plan participants in the 6th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	4 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Georgia's 6th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$257,436 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 6th District participants in 2020 These contributions help ensure that Central States participants, including 6th District constituents, will have a hard earned pension in their retirement.
\$1,286,966 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 6th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$79,191 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$747 in federal tax revenue every year on their benefits.	\$36,792,403 PENSIONS AT RISK Current pensions at risk in Georgia's 6th District The loss of this retirement income to Georgia's 6th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: VRC INC / USF HOLLAND INC ABF FREIGHT SYSTEM INC ATLAS COLD STORAGE USA INC PENGAE TRUCK LEASING CO LP

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VoicesForPensionSecurity.com

Data as of March 31, 2021



Georgia's 12th District is represented by:
Rep. Rick W. Allen (R)
 United States House of Representatives
 570 Cannon House Office Building
 Washington, DC 20515
 Phone: 202-225-2823

THE CENTRAL STATES PENSION FUND

Economic Impact on Georgia's 12th District

677 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (227), active (113), and inactive (237) pension plan participants in the 12th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	14 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Georgia's 12th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$1,958,371 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 12th District participants in 2020 These contributions help ensure that Central States participants, including 12th District constituents, will have a hard earned pension in their retirement.
\$3,278,342 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 12th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$226,361 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$935 in federal tax revenue every year on their benefits.	\$86,245,755 PENSIONS AT RISK Current pensions at risk in Georgia's 12th District The loss of this retirement income to Georgia's 12th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: RICHMOND COUNTY CONSTRUCTORS LLC ABF FREIGHT SYSTEM INC MORGAN CORP SAVANNAH RIVER REMEDIATION LLC WILLIAMS PLANT SERVICES LLC QUALIA SYSTEMS INC
 BHI ENERGY SPECIALTY SERVICES LLC YRC INC / USF HOLLAND INC KENDISH RELEASING INC HEBBARD ELECTRIC INC

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Data as of March 31, 2021



Illinois's 15th District is represented by:
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 United States House of Representatives
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 Washington, DC 20515
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THE CENTRAL STATES PENSION FUND

Economic Impact on Illinois's 15th District

2,518 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (1,461), active (382), and inactive (675) pension plan participants in the 15th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	64 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Illinois's 15th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$3,549,428 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 15th District participants in 2020 These contributions help ensure that Central States participants, including 15th District constituents, will have a hard earned pension in their retirement.
\$18,528,119 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 15th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$1,269,515 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$797 in federal tax revenue every year on their benefits.	\$345,228,016 PENSIONS AT RISK Current pensions at risk in Illinois's 15th District The loss of this retirement income to Illinois's 15th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: PRAIRIE FARMS DAIRY INC / MILANO DAIRY FOODS CO LLC YRC INC / USF HOLLAND INC HIGHLAND MACH & SCREW PROD CO ABF FREIGHT SYSTEM INC U S FOODS INC CASDEN TRANSPORT CO DANIEL L BEBE TRAVEL INC THE DIAL CORPORATION BARNHART SERVICES USA INC CHAMPAIGN ASPHALT CO LLC

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Data as of March 31, 2021



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 Washington, DC 20515
 Phone: 202-225-2461

THE CENTRAL STATES PENSION FUND

Economic Impact on Indiana's 1st District

660 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (345), active (71), and inactive (244) pension plan participants in the 1st District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	32 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Indiana's 1st District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$565,861 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 1st District participants in 2020 These contributions help ensure that Central States participants, including 1st District constituents, will have a hard earned pension in their retirement.
\$3,330,965 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 1st District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$198,492 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$529 in federal tax revenue every year on their benefits.	\$77,302,708 PENSIONS AT RISK Current pensions at risk in Indiana's 1st District The loss of this retirement income to Indiana's 1st District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.
Top Employers with Participants Residing in District: ABF FREIGHT SYSTEM INC. KLOSCORNER METALS CORPORATION YMC INC / USF HOLLAND INC SCHOLL DAIRY CO INC CENTRAL STATES H & W P SARGENT'S EQUIPMENT REPAIR G E MARSHALL INC RIETH RILEY CONST CO INC R T TRANSPORT INC SPARTAN STORES DISTRIBUTION LLC		

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Data as of March 31, 2021



Indiana's 3rd District is represented by:

Rep. Jim Banks (R)
 United States House of Representatives
 1713 Longworth House Office Building
 Washington, DC 20515
 Phone: 202-225-4436

THE CENTRAL STATES PENSION FUND

Economic Impact on Indiana's 3rd District

2,443 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (1,469), active (516), and inactive (458) pension plan participants in the 3rd District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	26 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Indiana's 3rd District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$5,026,387 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 3rd District participants in 2020 These contributions help ensure that Central States participants, including 3rd District constituents, will have a hard earned pension in their retirement.
\$24,737,679 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 3rd District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$1,949,956 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$1,216 in federal tax revenue every year on their benefits.	\$464,851,860 PENSIONS AT RISK Current pensions at risk in Indiana's 3rd District The loss of this retirement income to Indiana's 3rd District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.
Top Employers with Participants Residing in District: SUPERVALU INC YMC INC / USF HOLLAND INC AUTO HANDLING LLC ABF FREIGHT SYSTEM INC JACK COOPER TRANSPORT COMPANY LLC CENTRAL SUPPLY CO INC LORAL UNION NO 454 LGS TRUCKING G & L CORP STATEWIDE TRUCKING INC		

For additional information contact:
 Pete Pirode, Central States' Sr. Director of Employer and Pension Services and Finance
 807-232-5700 or ppirode@centralstates.org

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Data as of March 31, 2021



Michigan's 7th District is represented by:

Rep. Tim Walberg (R)

United States House of Representatives
2206 Rayburn House Office Building
Washington, DC 20515
Phone: 202-225-6276

THE CENTRAL STATES PENSION FUND

Economic Impact on Michigan's 7th District

4,066 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (2,224), active (575), and inactive (1,267) pension plan participants in the 7th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	63 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Michigan's 7th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$5,462,803 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 7th District participants in 2020 These contributions help ensure that Central States participants, including 7th District constituents, will have a hard earned pension in their retirement.
\$32,124,866 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 7th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$2,259,034 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$941 in federal tax revenue every year on their benefits.	\$657,484,254 PENSIONS AT RISK Current pensions at risk in Michigan's 7th District The loss of this retirement income to Michigan's 7th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.
Top Employers with Participants Residing in District: YRC INC / USF HOLLAND INC ALKO STEEL CORP MARATHON PETROLEUM CO LP CASSIDY TRANSPORT CO JACK COOPER TRANSPORT COMPANY LLC MEDINA CONCRETE INC DOAN CONSTRUCTION CO BIMBO BAKERIES USA INC ABF FREIGHT SYSTEM INC WALKER TRAMIT MEX CO		

For additional information contact:
Pete Priede, Central States' Sr. Director of Employer and Pension Services and Finance
800-232-5700 or ppriede@centralstates.org

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Data as of March 31, 2021



Michigan's 9th District is represented by:

Rep. Andy Levin (D)

United States House of Representatives
312 Cannon House Office Building
Washington, DC 20515
Phone: 202-225-4961

THE CENTRAL STATES PENSION FUND

Economic Impact on Michigan's 9th District

3,156 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (1,764), active (399), and inactive (993) pension plan participants in the 9th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	70 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Michigan's 9th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$4,650,384 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 9th District participants in 2020 These contributions help ensure that Central States participants, including 9th District constituents, will have a hard earned pension in their retirement.
\$23,900,222 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 9th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$1,800,006 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$930 in federal tax revenue every year on their benefits.	\$508,158,958 PENSIONS AT RISK Current pensions at risk in Michigan's 9th District The loss of this retirement income to Michigan's 9th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.
Top Employers with Participants Residing in District: CASSIDY TRANSPORT CO FAYO BEVERAGES INC CROSS & PETERS CO MARATHON PETROLEUM CO LP BIMBO BAKERIES USA INC YRC INC / USF HOLLAND INC SUPERIOR MATERIALS LLC KENDISHA RELEASING INC MICH CONF OF TEAMSTERS U-S FOODS INC		

For additional information contact:
Pete Priede, Central States' Sr. Director of Employer and Pension Services and Finance
800-232-5700 or ppriede@centralstates.org

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Data as of March 31, 2021



New Jersey's 1st District is represented by:
Rep. Donald Norcross (D)
 United States House of Representatives
 2427 Rayburn House Office Building
 Washington, DC 20515
 Phone: 202-225-6001

THE CENTRAL STATES PENSION FUND

Economic Impact on New Jersey's 1st District

22 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (11), active (2), and inactive (9) pension plan participants in the 1st District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	2 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in New Jersey's 1st District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$30,721 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 1st District participants in 2020 These contributions help ensure that Central States participants, including 1st District constituents, will have a hard earned pension in their retirement.
\$144,162 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 1st District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$5,638 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$470 in federal tax revenue every year on their benefits.	\$2,974,150 PENSIONS AT RISK Current pensions at risk in New Jersey's 1st District The loss of this retirement income to New Jersey's 1st District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: CASSENS TRANSPORT CO ARAMARK UNIFORM & CAR APRIL LLC

For additional information contact:
 Pete Pirode, Central States' Sr. Director of Employer and Pension Services and Finance
 800-232-5700 or pp@centralstates.org

VoicesForPensionSecurity.com

Data as of March 31, 2021



New York's 25th District is represented by:
Rep. Joseph D. Morelle (D)
 United States House of Representatives
 1317 Longworth House Office Building
 Washington, DC 20515
 Phone: 202-225-3615

THE CENTRAL STATES PENSION FUND

Economic Impact on New York's 25th District

20 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (11), active (7), and inactive (2) pension plan participants in the 25th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	3 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in New York's 25th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$69,857 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 25th District participants in 2020 These contributions help ensure that Central States participants, including 25th District constituents, will have a hard earned pension in their retirement.
\$132,593 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 25th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$10,500 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$808 in federal tax revenue every year on their benefits.	\$2,140,195 PENSIONS AT RISK Current pensions at risk in New York's 25th District The loss of this retirement income to New York's 25th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: CASSENS TRANSPORT CO JACK COOPER TRANSPORT COMPANY LLC QUALITY CARRIERS INC

For additional information contact:
 Pete Pirode, Central States' Sr. Director of Employer and Pension Services and Finance
 800-232-5700 or pp@centralstates.org

VoicesForPensionSecurity.com

Data as of March 31, 2021



Pennsylvania's 7th District is represented by:
Rep. Susan Wild (D)
 United States House of Representatives
 1027 Longworth House Office Building
 Washington, DC 20515
 Phone: 202-225-6411

THE CENTRAL STATES PENSION FUND

Economic Impact on Pennsylvania's 7th District

76 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (58) and inactive (18) pension plan participants in the 7th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	1 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Pennsylvania's 7th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$1,525 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 7th District participants in 2020 These contributions help ensure that Central States participants, including 7th District constituents, will have a hard earned pension in their retirement.
\$589,358 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 7th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$28,906 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$474 in federal tax revenue every year on their benefits.	\$8,038,618 PENSIONS AT RISK Current pensions at risk in Pennsylvania's 7th District The loss of this retirement income to Pennsylvania's 7th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: QUALITY CARRIERS INC.

For additional information contact:
 Pete Pirode, Central States' Sr. Director of Employer and Pension Services and Finance
 800-232-5700 or pp@centralstates.org

VoicesForPensionSecurity.com

Data as of March 31, 2021



South Carolina's 2nd District is represented by:
Rep. Joe Wilson (R)
 United States House of Representatives
 1438 Longworth House Office Building
 Washington, DC 20515
 Phone: 202-225-2452

THE CENTRAL STATES PENSION FUND

Economic Impact on South Carolina's 2nd District

737 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (285), active (107), and inactive (345) pension plan participants in the 2nd District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	11 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in South Carolina's 2nd District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$691,444 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 2nd District participants in 2020 These contributions help ensure that Central States participants, including 2nd District constituents, will have a hard earned pension in their retirement.
\$4,881,156 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 2nd District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$362,422 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$1,177 in federal tax revenue every year on their benefits.	\$126,621,263 PENSIONS AT RISK Current pensions at risk in South Carolina's 2nd District The loss of this retirement income to South Carolina's 2nd District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: YRC INC / USF HOLLAND INC ABF FREIGHT SYSTEM INC RICHMOND COUNTY CONSTRUCTORS LLC SAVANNAH RIVER REMEDIATION LLC LOCAL UNION NO 509 ARAMARK UNIFORM & GEAR SUPPLY LLC MORGAN CORP WILLIAMS PLANT SERVICES LLC PARSONS SAVANNAH CONSTR CO ACTIVE USA LLC

For additional information contact:
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 800-232-5700 or pp@centralstates.org

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Data as of March 31, 2021



Tennessee's 1st District is represented by:
Rep. Diana Harshbarger (R)
 United States House of Representatives
 367 Cannon House Office Building
 Washington, DC 20515
 Phone: 202-225-8256

THE CENTRAL STATES PENSION FUND

Economic Impact on Tennessee's 1st District

1,366 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (1,022), active (79), and inactive (265) pension plan participants in the 1st District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	15 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Tennessee's 1st District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$672,256 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 1st District participants in 2020 These contributions help ensure that Central States participants, including 1st District constituents, will have a hard earned pension in their retirement.
\$13,275,957 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 1st District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$822,884 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$747 in federal tax revenue every year on their benefits.	\$186,488,057 PENSIONS AT RISK Current pensions at risk in Tennessee's 1st District The loss of this retirement income to Tennessee's 1st District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: VRC INC / USF HOLLAND INC ABF FREIGHT SYSTEM INC TREVICOS NICHOLSON BV ACTIVE USA LLC G 98 MI CONSTRUCTORS HUBBARD TRUCKING INC THE INC CONSOLIDATED NUCLEAR SECURITIES LLC JACK COOPER TRANSPORT COMPANY LLC BAKERS CONSTRUCTION SERVICES INC

For additional information contact:
 Pete Plante, Central States' Sr. Director of Employer and Pension Services and Finance
 800-232-5700 or pplant@centralstates.org

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Data as of March 31, 2021



Wisconsin's 5th District is represented by:
Rep. Scott Fitzgerald (R)
 United States House of Representatives
 1507 Longworth House Office Building
 Washington, DC 20515
 Phone: 202-225-5101

THE CENTRAL STATES PENSION FUND

Economic Impact on Wisconsin's 5th District

2,754 CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Retired (1,657), active (337), and inactive (760) pension plan participants in the 5th District These participants rely on the strength of their multiemployer pension plan for their future retirement security.	36 CENTRAL STATES PENSION FUND EMPLOYERS WITH EMPLOYEES IN DISTRICT Number of companies who employ participants residing in Wisconsin's 5th District These employers provide the jobs that are the lifeline of the District's local economy. Bipartisan pension legislation would provide relief to these employers from increasing liabilities that are putting jobs at risk.	\$3,807,887 CONTRIBUTIONS MADE ON CENTRAL STATES PENSION FUND PARTICIPANTS IN DISTRICT Plan contributions made on behalf of 5th District participants in 2020 These contributions help ensure that Central States participants, including 5th District constituents, will have a hard earned pension in their retirement.
\$27,184,311 ANNUAL BENEFITS PAID Total annual payments to pension beneficiaries in the 5th District Research shows that retirement benefits strengthen local businesses and economies by encouraging economic activity, leading to higher incomes for workers and more jobs created by local employers.	\$1,966,670 ANNUAL IN-DISTRICT TAXES PAID Total annual federal tax payments made by retirees on their benefits On average, each retiree pays \$1,097 in federal tax revenue every year on their benefits.	\$476,158,723 PENSIONS AT RISK Current pensions at risk in Wisconsin's 5th District The loss of this retirement income to Wisconsin's 5th District constituents may result in reduced economic activity in the district, weakened local businesses, lower incomes for workers and fewer jobs.

Top Employers with Participants Residing in District: NESTLE PURINA PETCARE CO VRC INC / USF HOLLAND INC ABF FREIGHT SYSTEM INC BRENTAG GREAT LAKES LLC SENSIENT FLAVORS LLC WEST BEND TRANSIT & SERV NEW BERLIN TECH MFG INC BRABO BAKERIES USA INC ACE RED-HART INC UNIVAR SO LUTIONS USA INC

For additional information contact:
 Pete Plante, Central States' Sr. Director of Employer and Pension Services and Finance
 800-232-5700 or pplant@centralstates.org

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[Whereupon, at 12:19 p.m., the Subcommittee was adjourned.]

