S. HRG. 117–186

RETIREMENT SECURITY: BUILDING A BETTER FUTURE

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

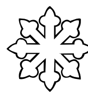
FIRST SESSION

ON

EXAMINING RETIREMENT SECURITY, FOCUSING ON BUILDING A BETTER FUTURE

MAY 13, 2021

Printed for the use of the Committee on Health, Education, Labor, and Pensions



Available via the World Wide Web: *http://www.govinfo.gov*

U.S. GOVERNMENT PUBLISHING OFFICE

46–766 PDF WASHINGTON : 2022

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

PATTY MURRAY, Washington, *Chair*

BERNIE SANDERS (I), Vermont
ROBERT P. CASEY, JR., Pennsylvania
TAMMY BALDWIN, Wisconsin
CHRISTOPHER S. MURPHY, Connecticut
TIM KAINE, Virginia
MAGGIE HASSAN, New Hampshire
TINA SMITH, Minnesota
JACKY ROSEN, Nevada
BEN RAY LUJAN, New Mexico
JOHN HICKENLOOPER, Colorado

RICHARD BURR, North Carolina, *Ranking Member*
RAND PAUL, M.D., Kentucky
SUSAN M. COLLINS, Maine
BILL CASSIDY, M.D., Louisiana
LISA MURKOWSKI, Alaska
MIKE BRAUN, Indiana
ROGER MARSHALL, M.D., Kansas
TIM SCOTT, South Carolina
MITT ROMNEY, Utah
TOMMY TUBERVILLE, Alabama
JERRY MORAN, Kansas

EVAN T. SCHATZ, *Staff Director*
DAVID P. CLEARY, *Republican Staff Director*
JOHN RIGHTER, *Deputy Staff Director*

C O N T E N T S

STATEMENTS

THURSDAY, MAY 13, 2021

Page

COMMITTEE MEMBERS

Murray, Hon. Patty, Chair, Committee on Health, Education, Labor, and Pensions, Opening statement 1
Burr, Hon. Richard, Ranking Member, a U.S. Senator from the State of North Carolina, Opening statement 3

WITNESSES

Lucas, Lori, President and CEO, Employee Benefit Research Institute, Washington, DC 5
Prepared statement 8
Summary statement 26
Akabas, Shai, Director of Economic Policy, Bipartisan Policy Center, Washington, DC 26
Prepared statement 30
Summary statement 47
Kyle, Deva, Counsel, Bredhoff & Kaiser, Washington, DC 47
Prepared statement 49
Summary statement 54
Gray, Dave, Head of Workplace Retirement Products, Fidelity Investments, Boston, MA 55
Prepared statement 56

RETIREMENT SECURITY: BUILDING A BETTER FUTURE

Thursday, May 13, 2021

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The Committee met, pursuant to notice, at 10:05 a.m., in room 106, Dirksen Senate Office Building, Hon. Patty Murray, Chair of the Committee, presiding.

Present: Senators Murray [presiding], Casey, Murphy, Kaine, Hassan, Smith, Rosen, Burr, Braun, Marshall, Scott, Tuberville, and Moran.

OPENING STATEMENT OF SENATOR MURRAY

The CHAIR. Good morning. The Senate Health, Education, Labor, and Pensions Committee will please come to order.

Today, we are having a hearing on retirement security, and this is the first this Committee has had since 2013. So, I want to thank Ranking Member Burr for working with me to hold this bipartisan hearing. Senator Burr and I will each have an opening statement, and I will introduce our witnesses. After they give their testimony, Senators will each have 5 minutes for a round of questions.

Before we begin, as usual, I want to walk through the COVID–19 safety protocols in place. We are all, again, grateful to our Clerks and all of our staff who have worked hard to get this set up and help make sure everyone stays healthy and safe.

We will follow the advice of the Attending Physician and the Sergeant at Arms in conducting this hearing. Committee Members are seated at least 6 feet apart, and some Senators are participating by videoconference. And while we are unable to have the hearing fully open to the public or media for in-person attendance, live video is available on our Committee website at *help.senate.gov*. And if you are in need of accommodations, including closed captioning, you can reach out to the Committee or to the Office of Congressional Accessibility Services.

Even before this pandemic wreaked havoc on our Nation, it was clear, our economy did not work for a lot of working families, and too many people in Washington State and across the Country were struggling just to get by, let alone plan for the future.

Calculations from the World Economic Forum found that the gap between what our Country is saving for retirement and what people will need was $28 trillion in 2015 and would be $137 trillion by 2050.

In 2016, over half a million full-time workers in Washington State worked for an employer that did not offer a retirement plan.

Only one in three workers in our Country is saving enough to retire comfortably, with the average worker on track to have their standard of living cut by one-fifth in retirement, and the situation is even worse among women and workers who are paid low income.

It is not just people's financial futures that have been in jeopardy. In 2018, the Federal Reserve found almost 40 percent of Americans said they would struggle to come up with $400 in an emergency. A historic pandemic that causes millions of lost jobs and millions of people to be forced out of the workforce to care for their families is exactly the kind of emergency people cannot afford.

That is why we took action in our relief bills, so people could draw on retirement savings to weather the storm without being penalized; and to provide direct financial assistance, as well, since helping people access their retirement can only go so far when one in four people in our Country do not have retirement savings to start with, and one-third say they are not on track for retirement.

Even before this crisis, women were more likely than men to face poverty in retirement, in part due to the wages they lose over the course of their careers to pay discrimination, lack of quality, affordable childcare, and national paid family leave.

Injustices, like investments, compound over time, leaving the average woman with over 400,000 less in earnings than her male colleagues over a 40-year career. That gap is even larger for women of color, who are estimated to lose around $1 million over the course of their career due to the wage gap. And, now, after this pandemic, one-fifth of Americans, one-quarter of women, and over one-quarter of people of color say they are worse off financially. Over half of Americans say they are more worried about retirement than they were a year ago, and nearly half do not think they will ever be able to retire.

We were facing a retirement crisis before COVID–19, but, as with so many other things, this pandemic has just poured gasoline on the fire.

If we are going to rebuild our Country stronger and fairer, we have to address the reality that, for far too long, the ways we helped families plan for the future have been stuck in the past; stuck in a time when women were not half of the workforce; when student debt was not at a historic high; when healthcare was less expensive; when more employers offered strong retirement benefits, like pensions; and when it was unthinkable that cyberattacks could throw the life savings of millions of people into jeopardy with just a few keystrokes.

We need to take steps today to protect families' plans for tomorrow. We need to make it easier for people to save for an emergency, enroll in a quality retirement plan, and get the tools and knowledge they need to plan their financial futures.

We need to address longstanding threats to families' finances, like the racism, sexism, and ableism that have chipped away at the economic security of so many people for decades, and new threats, like cyberattacks, which our retirement system has yet to fully reckon with.

A lot has changed for families across the Country over the last year, to say nothing of the last 8 years since our last retirement hearing. So, I am incredibly glad we are able to have this hearing today, and I am looking forward to continuing the conversation we are having today and working with my colleagues on both sides of the aisle to address pressing challenges and make long-needed updates to our Nation's retirement security.

With that, I will turn it over to Ranking Member Senator Burr for his opening remarks.

OPENING STATEMENT OF SENATOR BURR

Senator BURR. Thank you, Madam Chair, for scheduling this hearing and highlight the needs for Americans to save more for their future. I hope this bipartisan hearing is a sign that the Committee will work collaboratively on retirement legislation in our jurisdiction instead of using reconciliation again to move partisan ideas or more expensive bailouts.

I want to welcome our witnesses. I want to thank you for being here and for your expertise. And I want to especially welcome Dave Gray. North Carolina, Madam Chair, is the home of a lot of Fidelity employees, so we look to Fidelity for more than just the advice they give us today. They are the backbone of employment.

Some Members of the HELP Committee, like myself, serve on other committees, like Finance and Aging, who have held recent hearings on retirement matters. The hook into retirement issues for Labor Committee is ERISA, and the Employee Retirement and Income Security Act, ERISA, sets standards for retirement and health plans in private industry to protect individuals in these plans.

The Tax Committee in Congress handles the Internal Revenue Code portion.

There is an overlap between Committees that typically gets worked out very smoothly. That said, as a Member of the HELP Finance and Aging, I consider my office a one-stop shop on retirement and aging matters. I will personally get engaged in any bipartisan retirement matter without worry of jurisdiction, but for today, we will concentrate on the HELP piece.

Our particular focus today is to find contribution plans, the reliable superstar of the retirement world. The question before us is, what is working well and what is lagging and needs improvements?

The answer to that question is easy at the surface level. The system works great. The system does not work great when you do not or cannot participate. What we need to do is help Americans and their employers offer, operate, and fund individual retirement plans.

We also need to make sure that people who have screwed up nearly every other retirement plan in America do not get their hands on the freedom and flexibility Americans have in their private retirement accounts. Many Americans who look ahead at their retirement have to look at the newspaper to see what is happening with Social Security, with their company or union defined benefit plan, or their catastrophically underfunded state and local pension plans.

Not so with defined contribution. Americans in defined contribution plans pick up a piece of paper and see two things—their name and their account balance. It is their money, and it is there. It is not a promise. It is not an accounting notation. It does not require a bailout. It is their money. It requires time, it requires personal contributions, maybe an employer match, and some basic financial knowledge. While investments must be managed well, market fluctuations must be weathered and smart decisions made as you near retirement. No politician can steal your 401(k) or IRA—at least not yet.

Congress is good at two things—overreacting and underreacting. Individual retirement plans have not gotten a lot of attention in some respects because they work. Individual retirement plans show that regular folks benefit from the success of corporate America and, quite frankly, investments.

Despite the anti-business rhetoric we hear from some in Congress and the Administration, it would surprise many that the energy or pharmaceutical companies that the Biden administration intends to put out of business are mainly owned by retirement plans, and that, in fact, is Americans. That is you and me and anyone else with a retirement account.

This irks some. It does not jibe with their government-centric philosophy. It does not jibe with their desire to demonize business when business is owned by Americans' retirement plans.

Retirement works when Americans control their own money. It goes wrong when we add middlemen with goals other than putting real money into a nest egg and growing that.

What happens when people other than you control your retirement? In the American Rescue Plan Act passed by Congress and signed into law in March, they included a massive bailout for certain multi-employer pension plans. These are retirement plans negotiated and promised by private sector employers and unions to private sector workers. Employers and unions could not afford the promises they made to workers over the past several decades, so they gave them $80 billion. That is, they gave them $80 billion of taxpayer funds to make private agreements work. A bailout, pure and simple, with no reforms to these plans to make sure that the promises will be able to be honored in the future.

The Federal Government cannot afford to guarantee every retirement promise made between private companies and their workers, or between poorly run states and their public unions. We have a national debt of $28 trillion, and that is just today.

There are numerous mismanaged pension systems that have failures looming both in the private and public sectors as we sit here. The latest data in 2018 from the Federal Reserve estimates $4.5 trillion in public plan underfunding. Four point five trillion dollars in underfunding.

Employees, states, and retirees should not and cannot rely on government bailouts for the future, so that means Congress needs to work together to shore up retirement options and to help Americans save for their own retirement.

Americans need to start saving more. With fewer Americans having access to an employer-sponsored pension plan, old rules of thumb about how much to save are outdated. The gap between the

retirement savings Americans have and the savings they need is already in the trillions and likely to grow.

Not only are many Americans struggling to keep pace with their savings needs, even more alarming is how many people have no savings outside of Social Security. The data we have seen says that over one-quarter of non-retirees have nothing in their retirement piggy banks, many of whom are already nearing the traditional retirement age.

While the long-term impact of the pandemic and economic lockdowns remains to be seen, we know that many Americans needed to tap into their retirement savings to pay more immediate needs in the past year, draining assets that were intended for retirement.

On the bright side of these discouraging numbers is what we know that works. AARP says that workers are 15 times more likely to save for retirement if they have access to a payroll deduction plan at work. You don't spend what you don't see.

We have also seen the success of a defined contribution plan, features like automatic enrollment and employer matching, which show that most workers will not opt out of an employer-sponsored savings plan if they are already enrolled, and many will set their payroll deduction to maximize the level they earn on the employer match.

The question of how to improve the average American's retirement outlook is not how do we bail out the systems that make up multi-trillion dollar savings gaps. Instead, it is, how do we help employers—employees and employers take advantage of the savings programs that already work.

I look forward to the hearing today. I look forward to the expertise of our panelists, and I thank the Chair for her indulgence.

The CHAIR. Thank you, Senator Burr.

I will now introduce today's witnesses.

Lori Lucas is the President and CEO of the Employee Benefit Research Institute in Washington, DC.

Thank you, and welcome, and thank you for joining us today.

Next, I would like to introduce Shai Akabas, the Director of Economic Policy at the Bipartisan Policy Center in Washington, DC.

Thank you for joining us today.

Next, Deva Kyle serves as counsel to Bredhoff & Kaiser, PLLC and advises clients on a wide range of issues under retirement and Internal Revenue code, laws, and regulations.

We are glad to have you here today.

Finally, I would like to introduce Dave Gray. Mr. Gray is the Head of Workplace Retirement Offerings and Platforms at Fidelity Investments in Washington, DC.

Thank you for being here today.

Ms. Lucas, we will begin with your opening statement.

STATEMENT OF LORI LUCAS, PRESIDENT AND CEO, EMPLOYEE BENEFIT RESEARCH INSTITUTE, WASHINGTON, DC

Ms. LUCAS. Good morning, and thank you to Chair Murray, Ranking Member Burr, and Members of the Committee for inviting me to testify on the important topic of retirement security.

The events of the past 14 months, including pandemic-related job loss, increased care giving needs, and heightened stress have, among other things, highlighted the need for savings and financial security.

My name is Lori Lucas, and I am the CEO of the Employee Benefit Research Institute. EBRI is a non-partisan, tax-exempt organization that contributes to sound employee benefit programs and public policy through independent, objective, fact-based research.

I want to start by thanking the Senate HELP Committee for the good work they have done in improving the U.S. retirement system over the years.

To put things in context, I believe that the best way to think of the U.S. retirement system is pre-and post-2006 Pension Protection Act. Prior to the PPA, defined contribution plans largely relied on individual workers to be engaged and to navigate savings and investing on their own. It was essentially a do-it-yourself system. However, the average worker is not a professional investor. They need help.

The PPA recognized this and incentivized employers to automate their defined contribution plan so that the default is for workers to be enrolled in the plan, to save at higher levels over time, and to invest in a diversified portfolio.

Yet, there are areas that the PPA did not fully address, creating the opportunity today to further improve the system. These include greater access, reduced plan leakage, and supporting thoughtful, post-retirement spending.

When it comes to improving access, EBRI research shows that the probability of successful retirement depends to a great extent on whether employees are eligible to participate in the defined contribution plan. Using EBRI's retirement security projection model, we find that merely having access to an employer-sponsored DC plan increases the chances that workers will have enough money to sustain themselves in retirement by 50 percent.

Yet, we find that about four in ten workers are projected to fall short of what they need in retirement savings, resulting in an aggregate retirement deficit across all U.S. households of $3.68 trillion in today's dollars.

This deficit is owed in part to the fact that many American workers, mainly those who work for small employers, do not have access to employer-sponsored retirement plans. Indeed, while 90 percent of workers at large companies have access, only half of workers at smaller companies do. Simply put, smaller companies often cannot afford to offer the existing traditional retirement plans.

The recently passed SECURE Act recognized this and created an alternative—pooled employer plans. PEPs allow multiple employers to offer a single plan that is run by an outside administrator, who also serves as the plan's fiduciary. The key to PEPs fulfilling their potential for expanding access, however, is to streamline legal and compliance needs, namely non-essential reporting, auditing, and compliance requirements that can cost—that can increase costs, and thereby reduce employer adoption rates.

Turning to plan leakage, the main culprit here is cash-outs by employees when they leave their employer. Each year, approximately 40 percent of terminated participants elect to prematurely

cash out of their defined contribution plan, and these are mainly younger workers with small balances. Part of the reason is that cash-outs are easy. In contrast, under the current rules, rolling over money into your new employer's plan can be extremely challenging.

How cannot cashing out be made easy? One way is through auto portability. That is where a participant's account from a former employer's retirement plan is automatically combined with their active account in the new employer's plan. This helps keep the assets in the retirement system and reduces leakage from cash-outs.

EBRI research finds that if we were to completely eliminate cash-outs, the youngest workers in the lowest income quartile would have a 35.5 percent increase in balances at retirement. Policies and support reducing or eliminating cash-outs from workplace retirement plans can improve outcomes, especially for lower-wage workers.

I want to conclude with a discussion of financial security in retirement. EBRI spending and retirement survey identifies two types of retirees who stand in stark contrast to one another. First are highly indebted retirees, who are a significant and growing group. They are characterized as predominantly female, divorced, people of color, with relatively low financial assets and crushing or unmanageable debt. Their retirement lifestyle is fraught with challenges, uncertainty, frustration, and the sense that they are barely hanging on.

Policies that promote financial wellness initiatives, such as budgeting, debt management, and financial coaching through the workplace during the accumulation phase can benefit workers in real time and also provide skills that can be carried over to retirement to potentially address the growing issue of debt in older ages.

On the other end of the spectrum, you have long-term, secure retirees, who have many sources of income, and they are often guaranteed, such as defined benefit plans or retiree medical coverage. These retiree lives are comfortable, stable, and secure.

But, unfortunately, this long-term secure cohort is likely to shrink as defined benefit plans and retiree medical plans become less prevalent. A possible solution would involve policies that promote sources of guaranteed income within the workplace, other than defined benefit plans, such as immediate or deferred income annuities.

In conclusion, the U.S. retirement system has made a lot of progress in the past 15 years. However, there is more to do. Taking lessons from the PPA, solutions that employ automation, that leverage the current system without undermining it, and that understand the needs of American workers to improve access, stem leakage, and create better retirement spenders.

Thank you for all you have done to improve the retirement system over the years. With your support and perseverance, we can build an even better future for Americans' retirement security.

[The prepared statement of Ms. Lucas follows:]

PREPARED STATEMENT OF LORI LUCAS

Retirement Security: Building a Better Future

Good Morning. Thank you to Chair Murray, Ranking Member Burr, and Members of the Committee, for inviting me to testify on the important topic of Retirement Security. The events of the past 14 months—including pandemic-related job loss, increased caregiving needs, and heightened stress—have, among other things, highlighted the need for savings and financial security.

The Employee Benefit Research Institute (EBRI) is a nonpartisan, tax-exempt organization created in 1978 for the purpose of contributing to sound employee benefit programs and public policy through independent, objective, fact-based research and education. We believe that retirement, health, and financial wellbeing benefits serve key functions: These programs support the security and well-being of U.S. workers, retirees, and their families; play key roles in many employers' compensation and talent strategies; and represent significant portions of the U.S. economy.

EBRI's mission is to produce and communicate independent, objective, nonpartisan data, research, and other information about employee benefits. We serve the public, employers, service providers, workers and their families, and policymakers.

As the U.S. employee benefit system has evolved, so too has EBRI. We continue to research existing programs, designs, and practices while also focusing on emerging trends and policies. Accelerating changes and uncertainties in the benefit system make our work more relevant than ever. We produce timely and relevant research and analysis. Our work supports employers, policymakers, service providers, and others in developing innovative solutions and making policy and design decisions.

The State of the Retirement System

I want to start by thanking the Senate HELP Committee for the good work they've done in improving the U.S. retirement system over the years.

I believe that the best way to think of the U.S. retirement system is pre- and post- 2006 Pension Protection Act (PPA). Prior to the PPA, the defined contribution part of the retirement system relied on individual workers to be engaged and navigate their 401(k) plan on their own — and increasingly, as we'll see, the defined contribution system *was* the private-sector retirement system. The PPA, however, was heavily based on the recognition from many years of research on 401(k) participant behavior that workers are not well positioned to save and invest on their own. The PPA harnessed the concepts of behavioral finance to determine how to adjust the defined contribution system to allow workers to better succeed in it. But it's now been 15 years since the PPA, and we can identify areas that still need work: access to the system, leakage from the system, and post-retirement spending out of the system.

The Role of the Employer

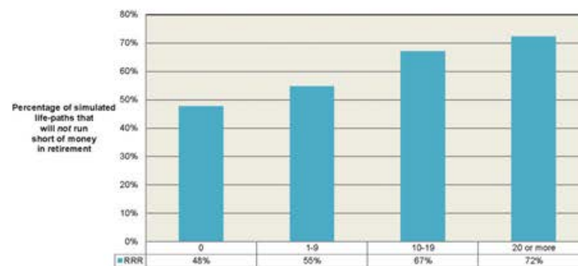
To underscore the importance of the employer in the retirement system, I'll note a statistic from the Retirement Confidence Survey[1], which EBRI produces along with Greenwald Research. This survey provides insights into

[1] https://www.ebri.org/docs/default-source/rcs/2021-rcs/2021-rcs-summary-report.pdf?sfvrsn=bd83a2f_2

worker and retiree perspectives on financial security going back more than three decades. In the 2021 Retirement Confidence Survey, more than 8 in 10 workers said they were satisfied with their workplace retirement plan overall.

Further, EBRI's *Issue Brief* "EBRI Retirement Security Projection Model® (RSPM) – Analyzing Policy and Design Proposals"[2] shows that the probability of a successful retirement depends to a great extent on whether employees are eligible to participate in a workplace defined contribution plan. For example, for Gen Xers, the Retirement Security Projection Model® estimated that those with ***no*** future years of eligibility in a workplace defined contribution plan have only a 48 percent probability of having enough money in retirement. In contrast, those who have 20 or more years of future eligibility in a workplace defined contribution plan (this may include years in which employees are eligible but choose not to participate) are simulated to have a 72 percent probability of having sufficient money in retirement. *In other words, merely having access to an employer-sponsored DC plan increases the chance that workers will have enough money to sustain themselves in retirement by 50 percent.*

Impact of Future Years of Eligibility for a Defined Contribution Plan for Gen Xers on 2014 Retirement Readiness Ratings™



Source: EBRI Retirement Security Projection Model® Version 1995.
Note: The values in this figure represent the percentages of simulated life-paths that will not run short of money in retirement assuming that 100 percent of simulated retirement expenses are paid.

About the Retirement Security Projection Model

EBRI's RSPM® simulates retirement income adequacy for all U.S. households between the ages of 35 and 64. The model reflects the real-world behavior of 27 million 401(k) participants as well as 20 million individuals with individual retirement accounts (IRAs). RSPM® produces three important metrics for evaluating retirement income adequacy:

- Retirement savings shortfalls give the present value of the simulated retirement deficits at retirement age (in current dollars).
- Retirement savings surpluses give the present value of simulated retirement surpluses at retirement age (in current dollars).

[2] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_451_rspm-31may18.pdf?sfvrsn=1a35342f_8

- Net retirement savings surpluses give the present value of simulated retirement surpluses less retirement deficits at retirement age (in current dollars).

Access: The Haves and Have-Nots

Nevertheless, in EBRI's *Issue Brief* "Impact of the COVID-19 Pandemic on Retirement Income Adequacy: Evidence from EBRI's Retirement Security Projection Model,®"[3] we find that about 4 in 10 workers are projected to fall short of what they need in retirement savings — resulting in an aggregate retirement deficit across all U.S. households ages 35–64 of $3.68 trillion.

EBRI Retirement Security Projection Model® Methodology

One of the basic objectives of RSPM® is to simulate the percentage of the population at risk of NOT having retirement income to adequately cover average expenses and uninsured health care costs (including long-term-care costs) at ages 65 or older throughout retirement in specific income and age groupings. RSPM® also provides information on the distribution of the likely number of years before those at risk run short of money as well as the percentage of preretirement compensation they will need in terms of additional savings in order to have a 50, 70, or 90 percent probability of retirement income adequacy.

VanDerhei and Copeland (2010)[4] describe how households are tracked through retirement age and how their retirement income/wealth is simulated for the following components:

- Social Security
- Defined contribution (DC) balances
- Individual retirement account (IRA) balances
- Defined benefit (DB) annuities and/or lump-sum distributions
- Net housing equity.

A household is considered to run short of money in this model if aggregate resources in retirement are not sufficient to meet average retirement expenditures, defined as a combination of deterministic expenses from the Consumer Expenditure Survey (as a function of income) and some health insurance and out-of-pocket, health-related expenses, plus stochastic expenses from nursing-home and home-health care (at least until the point such expenses are covered by Medicaid).

That's because many American workers — mainly those working for small employers — do not have access to employer-sponsored retirement plans. According to the Bureau of Labor Statistics (BLS), while nearly 90 percent of workers at companies with 500 or more employees have access to either a defined benefit or defined contribution plan, just over half (53 percent) of workers at companies with fewer than 100 employees have such access. This creates a retirement landscape that is divided into the "haves" and "have-nots," the "haves" being those workers who are employed by large companies offering defined contribution plans and the "have-nots"

[3] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_505_2020crisis-21apr20.pdf?sfvrsn=b3423d2f_4

[4] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_07-2010_no344_rrr_rspm1.pdf?sfvrsn=38da292f_0

being those employed by smaller companies that do not offer such plans (I will get into the details of why that is true later in my testimony).

Workers' Retirement Confidence and Financial Literacy

The 2021 Retirement Confidence Survey also paints a distinct picture of the importance of the employer when it comes to workers' retirement confidence. According to the Retirement Confidence Survey, characteristics associated with retirement confidence include having a workplace retirement plan: 83 percent of confident workers report that their employer offers an employer-sponsored defined contribution plan, compared with 69 percent of less confident workers. Six in ten confident workers report expecting a workplace retirement plan toto be a major source of retirement income, vs. just over a third of less confident workers.

Who are confident workers? They are more likely to be...

DEMOGRAPHICS

- 70% Married (vs. 40% less confident)
- 32% Graduate or Professional Degree (vs. 17% less confident)
- 75% Employed full-time (vs. 56% less confident)
- 33% Expect retirement age will be <65 (vs. 9% less confident)
- 70% Excellent/very good health (vs. 35% less confident)
- 50% Expect to live to age 85+ (vs. 33% less confident)
- 57% Household income $100k+ (vs. 18% less confident)
- 52% Men (vs. 43% less confident)
- 41% Have an advisor (vs. 15% less confident)

SAVINGS

- 82% Have saved for retirement (vs. 45% less confident)
- 94% Currently saving (vs. 84% less confident)
- 54% No debt problem (vs. 24% less confident)
- 57% Calculated how much money is needed to live comfortably in retirement (vs. 21% less confident)
- 38% Personal savings or investments for retirement $250k+ (vs. 9% less confident)

RETIREMENT PLAN

- 83% Employer offers DC plan (vs. 69% less confident)
- 94% Contribute to DC plan (vs. 83% less confident)
- 58% Have DB plan (vs. 27% less confident)
- 90% Satisfied with workplace retirement plan (vs. 56% less confident)

MAJOR SOURCES OF INCOME IN RETIREMENT

- 60% From workplace retirement plan (vs. 38% less confident)
- 39% From personal savings or investments (vs. 22% less confident)
- 32% From DB plan (vs. 19% less confident)
- 34% From an IRA (vs. 16% less confident)

OTHER

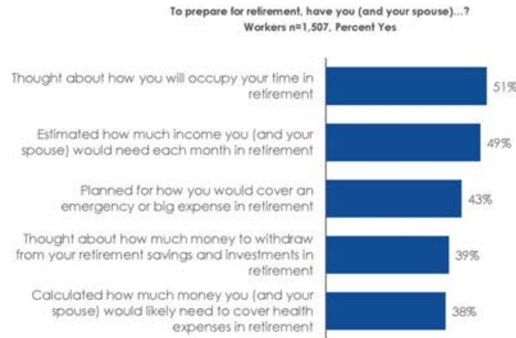
- 12% got a promotion since Feb. 1st 2020 (vs. 5% less confident)
- 56% ability to save for retirement not impacted by COVID-19 (vs. 38% less confident)
- 69% parents had or are having a good retirement (vs. 45% less confident)

All percentages shown are statistically significant

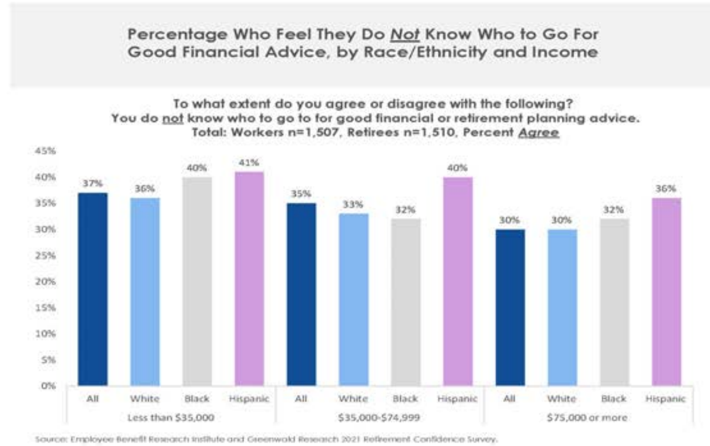
The Retirement Confidence Survey also finds that workers who describe themselves as being confident about their retirement prospects are characterized as being engaged: 82 percent have saved for retirement, compared with 45 percent of less confident workers, and 57 percent report having calculated how much money they need to live comfortable in retirement, compared with 21 percent of less confident workers.

Yet, the Retirement Confidence Survey finds that workers are not as engaged in their own financial security as they could be. Only half of workers say they have tried to calculate how much money they will need in retirement—and despite decades of financial literacy efforts by employers, that number is not different than it was in 1999. The Retirement Confidence Survey also finds a disconnect between retirement confidence and potential retirement reality: While most workers report being confident they know how much monthly income

will be needed, half says they have actually estimated how much income they would need each month in retirement.

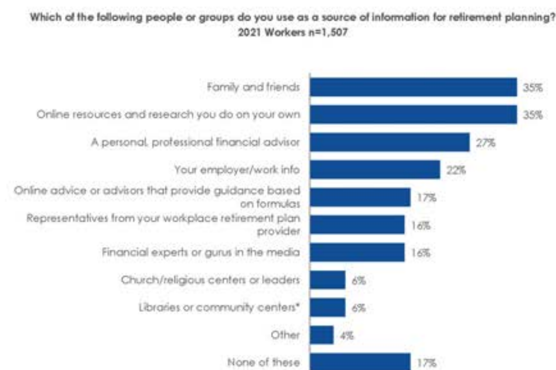


The Retirement Confidence Survey also finds that many people struggle with how to find trusted sources of financial help. Four in ten workers and 2 in 10 retirees say they don't know who to go to for financial and retirement planning advice. This might even be more true for minorities. Black and Hispanic workers and retirees are more likely to say they do not know who to go to for good financial advice than their white counterparts.[5]



[5] Although the numbers were not statistically significantly different than for white respondents.

Many turn to non-professional sources, like family and friends (35 percent of workers and 22 percent of retirees) or go online to do their own research (35 percent of workers and 25 percent of retirees). Turning to the employer or work for information on retirement planning is relatively less common: just over 1 in 5 workers report this as a source of information, even though 73 percent say they are satisfied with the education materials they receive on their workplace retirement savings plan.



The Success of Auto Features

As I started out noting, a major step forward for workplace defined contribution plans came with the 2006 Pension Protection Act, which created safe harbors for auto features such as automatic enrollment, contribution escalation, and target-date funds. Behavioral finance research has demonstrated that by harnessing people's natural tendencies toward inertia, mental accounting, cognitive dissonance, etc., it is possible to improve outcomes. This is the case with auto features. Automatic enrollment essentially changes the equation so that workers don't have to proactively *choose* to join the workplace defined contribution plan but instead are automatically placed in their savings plan and must opt out if they do not wish to save. Research has shown that most people — regardless of age, gender, race, income — tend to remain in the defined contribution plan when automatically enrolled.[6] Similarly, research has shown that by automatically increasing employee contributions to the defined contribution plan over time (e.g., by 1 percent of pay per year), it is possible to transform poor savers into robust savers.[7] Finally, making professionally managed diversified portfolios such as target-date funds the default investment vehicle in defined contribution plans results in more appropriate risk-taking by plan participants.[8]

---

[6] https://www.nber.org/papers/w7682

[7] https://www.jstor.org/stable/10.1086/380085?seq=1

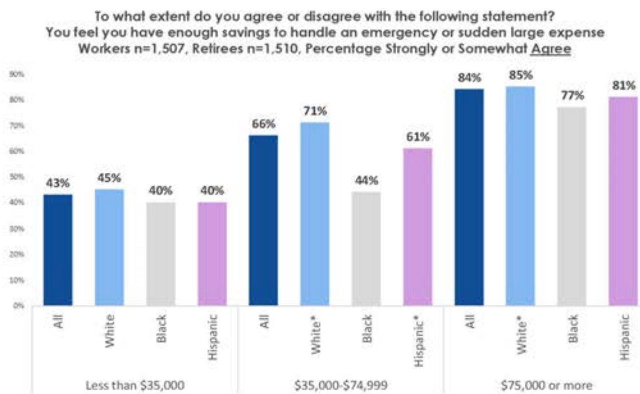
[8] A Deeper Look at Asset Allocation: Plan Structure and Demography the Key to Effective Plan Design. Public Retirement Research Lab Report.

Today, 7 in 10 defined contribution plans offer automatic enrollment, and 76 percent offer automatic contribution escalation.[9] More than three-quarters of 401(k) plans, covering more than three-quarters of 401(k) plan participants, included target-date funds in their investment lineup. Just over one-quarter of the assets in the EBRI/ICI 401(k) database were invested in target-date funds, and more than half of 401(k) participants in the database held target-date funds.[10]

The increasing robustness of defined contribution plans has created an environment that has both positive and negative aspects. On the one hand, defined contribution plans are increasingly being a venue for offering financial wellness initiatives (more on that later). On the other hand, defined contribution plans are becoming ripe for being viewed as de facto emergency savings vehicles.

Emergency Savings and DC Plans

Going back to the Retirement Confidence Survey, just over 4 in 10 low-income (earning less than $35,000 per year) individuals who are either working or retired say they feel they have enough savings to handle an emergency or sudden large expense. And, while two-thirds of middle-income ($35,000 to $75,000 in household income annually) individuals report that they can handle an emergency expense, only 44 percent of such Black Americans report this.



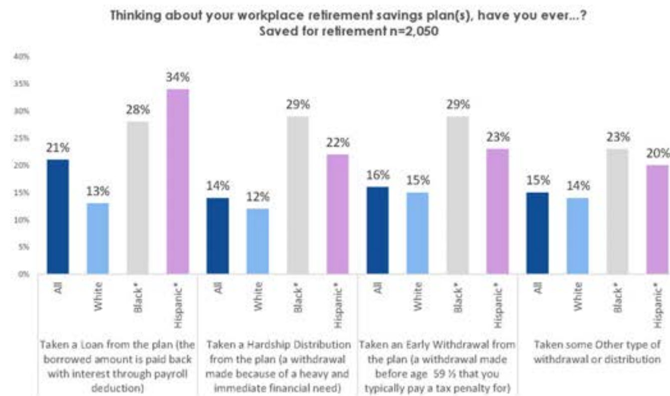
The Retirement Confidence Survey finds that while 21 percent of those who had saved for retirement say they have ever taken a loan from their retirement savings plan and 14 percent say they had taken a hardship distribution, that rose to 28 percent of Black workers and 34 percent of Hispanic workers taking a loan, and 29 percent of Black workers and 22 percent of Hispanic workers taking hardship distributions from their defined

[9] 2020 Callan DC Trends Survey

[10] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_526_401kxsec.4mar21.pdf?sfvrsn=80823a2f_6

contribution plan. The top three reasons that Black workers took a loan from their workplace retirement plan was to make ends meet, followed by buying a home, car, or other large purchase, and paying off credit card bills or credit card debt. For Hispanic workers, the top three reasons were to buy a home, car, or other large purchase; to pay off credit card bills or credit card debt; or to cover medical expenses.

Percentage of Those Who Saved for Retirement Who Took a Loan or an Early Withdrawal, by Race/Ethnicity



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

The extent to which defined contribution plans become de facto emergency savings vehicles will ultimately have a profound impact on workers' retirement security. EBRI's *Issue Brief* "CARES Act: Implications for Retirement Security of American Workers"[11] quantifies the potential impact on the future retirement security of American workers when legislation, such as the CARES Act, permits use of defined contribution plans as emergency savings vehicles.

In this analysis, EBRI again used its proprietary Retirement Security Projection Model® to evaluate a scenario in which employees take the full coronavirus-related distribution under the CARES Act — which is up to $100,000, with a three-year payback. In this scenario, the overall median reduction in retirement balances as a multiple of pay at age 65 for those employees is estimated to be 2.3 percent. However, should these employees take the full coronavirus-related distribution up to $100,000 with *no payback* (they fail to restore the $100,000 to their plan balances), the overall median reduction in their retirement balances as a multiple of pay at age 65 is projected to be 20 percent.

The truly catastrophic scenario, however, is when workers are provided CARES-Act-like access to withdrawals from their defined contribution plan time and again during their life as various crises occur. In this scenario,

[11] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_509_cares-30jul20.pdf?sfvrsn=1ac63d2f_6

assuming such access every 10 years, the overall median reduction in retirement balances as a multiple of pay at age 65 for such workers would be 54 percent.

Fortunately, a PSCA survey of plan sponsors on CARES Act provisions found that most defined contribution plan sponsors saw limited use of coronavirus-related distributions. Still, those who are encouraged to — or have no choice but to — use their defined contribution plan as an emergency savings vehicle are clearly likely to have an impaired retirement nest egg.

Some Solutions

Expanding Access to Workplace Savings Plans

Going back to the "haves" and "have nots" when it comes to workplace retirement plan access, in a survey of small businesses with and without retirement plans conducted by the Main Street Alliance/American Sustainable Business Council, 64 percent of respondents cited cost as the largest barrier to offering a retirement savings plan. Another survey, by the Small Business Majority in Illinois, found that of the 70 percent of small businesses that do not offer plans, 27 percent cited a lack of administrative capacity and 14 percent cited cost as the reason for doing so.[12] Simply put, smaller companies often cannot afford to offer traditional DC plans or may lack the capacity to administer them.

The recently passed SECURE Act recognized this and created an alternative: Pooled Employer Plans, or PEPs. PEPs build off of the Multiple Employer Plan (MEP) framework that allows different employers to offer a single 401(k). In this way PEPs combine contributions from many workplaces into a single pool, even as participants continue to have individual accounts as they do in traditional employer-sponsored defined contribution plans. This potentially allows small employers to have reduced costs, administrative burden and fiduciary duties—all of which could make it far easier for them to offer such plans to their employees. -

EBRI examined the impact of widening access through MEPs in its *Issue Brief* "How Much More Secure Does the SECURE Act Make American Workers: Evidence From EBRI's Retirement Security Projection Model.®"[13] We based our findings on several industry studies that reported adoption of MEPS by employers ranging from 7.3 percent in one study to as high as 66 percent in another. At the median, one study found that between 31 and 33 percent of employers with fewer than 500 employees were likely to adopt MEPs if such plans were made widely available.

Focusing on this middle-case scenario of approximately one-third of small employers adopting MEPs, EBRI's Retirement Security Projection Model® estimates an 8.1 percent *decrease* in retirement savings *shortfalls* — or the amount of money that people will run short during retirement — for workers currently ages 34–39 employed by a small company (an employer with fewer than 100 employees). Clearly, if adoption were higher, so would be the impact on retirement savings shortfalls.

However, the key to PEPs fulfilling their potential for expanding access to smaller employers not currently sponsoring a retirement plan is to streamline legal and compliance requirements—namely, nonessential reporting / audit / and compliance requirements may increase costs and thereby reduce employer adoption rates, plainly defeating the objectives for expanding PEPs. So, in short, PEPs may be viewed by smaller employers as a viable and more practical alternative to the current workplace retirement system, and can improve

---

[12] How States Are Working to Address the Retirement Savings Challenge An analysis of state-sponsored initiatives to help private sector workers save. Pew report. June 1, 2016

[13] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_501_secure-20feb20.pdf?sfvrsn=db6f3d2f_4

retirement outcomes for their employees—but only if we can reduce costs and administrative burdens for these employers.

Reducing Plan Leakage

Turning to workplace retirement plan leakage, the main culprit here is cash outs by employees when they leave their employer—which they may do 5 times between ages 25 and 34, if Bureau of Labor Statistics data is any guide.[14] Each year approximately 40 percent of terminated participants elect to prematurely cash out of their defined contribution plan—and these are mainly younger workers with small balances. And the cost is high. In its *Issue Brief* "The Impact of Auto Portability on Preserving Retirement Savings Currently Lost to 401(k) Cash out Leakage,"[15] EBRI estimated that in 2015 alone, $92.4 billion was lost due to leakages from cash outs, representing a serious problem that affects the potential of 401(k) plans to produce adequate income replacement in retirement.

401(k) Plan Options When Employees Leave their Job

Under current rules, workers have a number of options regarding their 401(k) balances when they leave a job: They may be able to leave the money in their former employer's 401(k) plan, they may be able to move the money to a new employer's 401(k) plan, they can roll their money into an individual retirement account (which may occur automatically if the balance is small), or they can cash out of the retirement system altogether. According to a March 2019 Alight report studying post-termination distribution behavior over 10 years, 40 percent of all terminated participants make the decision to cash out prematurely, accounting for 15 percent of all terminated participants' plan assets. That study also found that participants with lower balances tended to cash out much more frequently — up to 80 percent when savings are less than $1,000 and remaining at levels over 50 percent until balances surpassed $10,000. Under current rules, balances of less than $1,000 may be cashed out by the employer when employees terminate; balances of $1,000 to $5,000 may be "forced out" into a safe harbor IRA by employers upon worker termination.

Part of the reasons cash outs are so high is that a cash out is often the easiest way for a terminated participant to move money out of their employer's plan. In contrast, under current rules, rolling over money into your new employer's plan can be extremely challenging. When workers in their twenties and thirties continually cash out their retirement plan balances each time they switch jobs—when it comes to retirement security—they are undoing all the good that's come of being automatically enrolled in their retirement plan in the first place.

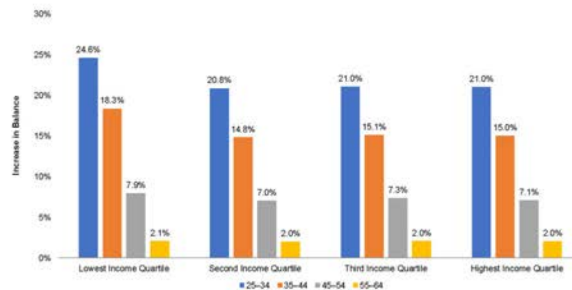
Considering auto portability as a stand-alone policy initiative, EBRI estimates the value of additional accumulations over 40 years (in current dollars) resulting from "partial" and "full" auto portability. Partial auto portability is when participant balances of less than $5,000, adjusted for inflation, are automatically rolled into the new employer plan, eliminating cash outs. Full auto portability is when all participant balances are automatically rolled into the new employer plan. Under partial auto portability, the estimated value of additional accumulations (because of elimination of cash outs) is estimated to be $1,509 billion in current dollars over 40 years. Under full auto portability, the value is estimated to be $1,987 billion. Focusing on workers in the lowest income quartile who are currently 25–34 — in other words, workers who are most likely to cash out, and

[14] https://www.bls.gov/news.release/pdf/nlsoy.pdf

[15] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_489_autoport-15aug19.pdf?sfvrsn=80723c2f_6

whose cash outs are most damaging because they forfeit an entire career's worth of investment gains on the cash outs — the Retirement Security Projection Model® estimates an increase in balances for those workers of 24.6 percent at retirement under partial auto portability.

Increase in Aggregate Balances at Age 65 as a Result of Implementing Partial Auto Portability, by Age and Age-Specific Income Quartile



Source: EBRI Retirement Security Projection Model,® versions 2913 and 2922.
Note: 40-year time horizon.

Under the full auto portability scenario, where the benefits of auto portability would potentially accrue to anyone at job change (not just those with balances under the $5,000 indexed threshold), those currently 25–34 in the lowest income quartile are projected to experience a 35.5 percent increase in balances at retirement.

In short, policies that support solutions that reduce or eliminate cash outs from workplace retirement plans can improve outcomes, especially for lower-wage workers who are more likely to cash out their smaller balances as they change jobs.

It is worth noting that participants whose balances are forced out of their defined contribution plan into an IRA currently are subject to a Department of Labor safe harbor that includes a requirement that the forced-out balances must be invested in a capital preservation vehicle with reasonable expenses. The EBRI *Issue Brief* "Comparing Asset Allocation Before and After a Rollover From 401(k) Plans to Individual Retirement Accounts"[16] finds that 76 percent of IRA balances less than $5,000 reside in money funds. This compares to 25 percent of balances greater than $5,000 in money funds. Further, the majority (52.9 percent) of traditional IRAs with balances between $1,000 and $5,000 are held by workers ages 25–44. This is not a demographic that financial planners generally recommend hold high allocations of money funds. For workers ages 25–29, 76.3 percent had all of their IRA balances of $1,000 to $5,000 in money assets even though the accounts were established at least seven years prior.

Keep in mind that at the same time that 401(k) plan assets that are forced out into IRAs are required to be invested in capital preservation funds, automatic enrollment safe harbors within 401(k) plans require that assets be invested in diversified investments such as target-date funds. Also, state IRA programs such as the Illinois

---

[16] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_495_assetallocation-7nov19.pdf?sfvrsn=85cc3c2f_4

Secure Choice Savings Program have successfully implemented default investment options that initially place worker savings into capital preservation vehicles, and then after a period of 90 days, if no action by the worker has been taken (such as withdrawing the money or moving it to another fund), the assets are automatically transferred to an age-appropriate target-date fund.

Because of the strong evidence that inertia prevents people from moving their assets out of capital preservation funds — even if that money sits in the funds for many years and the individual has a very long time horizon — a policy that changes the forced-out safe harbor default so that money remaining in capital preservation funds after 90 days is transferred to an age-appropriate target-date fund, similar to what state programs like Illinois Secure Choice have in place, could result in a better alignment of individuals' asset allocation within their rollover IRA and their time horizon.

Finally, in the area of leakage, I'd like to address the emergency savings issue I outlined above. One way that the existing employer-based defined contribution system is increasingly being leveraged is to facilitate overall employee financial wellness. The 2020 EBRI Financial Wellbeing Employer Survey: COVID-19 Driving Benefit Offerings and Potentially Forcing Tough Budget Decisions[17] is a survey of larger employers that identifies the types of financial wellbeing initiatives that they are offering or exploring.

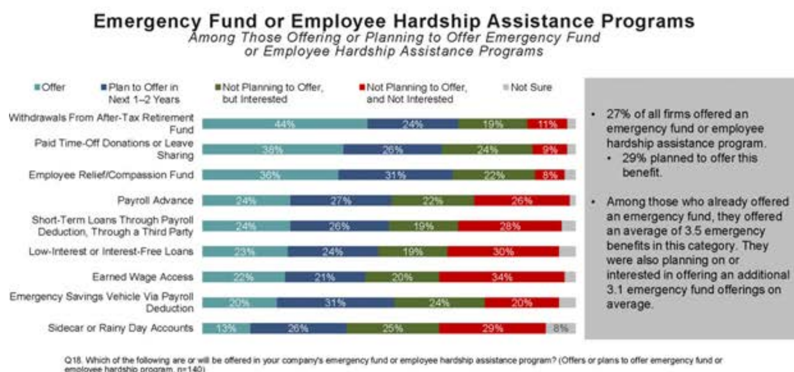
Not surprisingly, in 2020, emergency savings help was top of mind for many survey respondents. The most common emergency fund program employers reported offering was withdrawals from after-tax retirement funds (44 percent), while paid-time-off donations or leave sharing (38 percent) was the second most likely currently offered feature. The least likely emergency fund or employee hardship assistance programs to be offered were the relatively new sidecar or rainy day accounts (13 percent) and emergency savings vehicles via payroll deduction (20 percent). In other words, emergency savings vehicles most commonly come in the form of already-available money/funds. However, emergency savings vehicle via payroll deduction was the emergency savings vehicle that employers were most likely to plan to offer to their employees in the next one to two years (31 percent). Sidecar or rainy day accounts — which may be attached to or offered through the existing defined contribution plan — were cited by 26 percent of employers as something that they planned to offer in the next one to two years. In other words, employers are considering ways of leveraging the existing infrastructure of payroll deduction or defined contribution plans in order to help workers with emergency savings going forward.

---

[17] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_515_fwes2020-22oct20.pdf?sfvrsn=34693a2f_8

Given employers' interest in facilitating emergency savings, policies that promote adoption of such solutions, including those through the defined contribution plan structure, could lead to wider availability of these offerings by employers — which could also take pressure off core defined contribution assets to serve as de facto emergency savings during times of crisis.

.



Spending in Retirement

I want to conclude with a discussion of financial security *in* retirement. This is an increasingly important area of focus for the retirement industry, plan sponsors, and policymakers as more individuals enter retirement. EBRI's *Fast Fact* "A Tale of Three Retirement Lifestyles"[18] notes that in the third quarter of 2020, about 28.6 million Baby Boomers — those born between 1946 and 1964 — reported that they were out of the labor force due to retirement. Yet not enough is understood about how retirees spend their money and, just as importantly, why they spend the way they do. Further, recent research by EBRI has found a great deal of heterogeneity when it comes to retirement lifestyles, with some very specific driving forces behind financially comfortable vs. struggling retirees.

Examining the spending habits and situations of 2,000 individuals ages 62 to 75 at and during retirement in EBRI's Spending in Retirement Survey[19] identifies two types of retirees that stand in stark contrast to one another: highly indebted retirees who described their debt as unmanageable or even crushing, and long-term secure retirees, or those retirees who reported they had long-term care insurance.

Focusing on highly indebted retirees, we note that 1 in 10 (10.3 percent) of the respondents to the Spending in Retirement Survey reported that their debt was either unmanageable or crushing. These highly indebted

---

[18] https://www.ebri.org/docs/default-source/fast-facts/ff-386-spendinginretirement-4mar21.pdf?sfvrsn=d9823a2f_6
[19] https://www.ebri.org/publications/research-publications/issue-briefs/content/why-do-people-spend-the-way-they-do-in-retirement-findings-from-ebri-s-spending-in-retirement-survey

retirees were characterized as predominantly female, divorced, people of color, and in poor health, with relatively low household financial assets. Indeed, one-fifth had no financial assets, compared with 6 percent of

Highly Indebted Retirees: 10.3%
72% Female (vs. 55% of typical retirees)
35% Divorced (vs. 20% of typical retirees)
85% saved less than needed for retirement (vs. 46% of typical retirees)
63% Less than $50,000 in financial assets (vs. 27% of typical retirees)
50% Income less than $30,000 (vs. 38% of typical retirees)
90% have credit card debt (vs. 30% of typical retirees)
40% Worked during retirement (vs. 31% of typical retirees)
70% Say current spending higher than they can afford (vs. 17% of typical retirees)
83% are spending down retirement assets to pay health care expenses (vs. 69% of typical retirees)
72% Say standard of living is lower in retirement (vs. 31% of typical retirees)

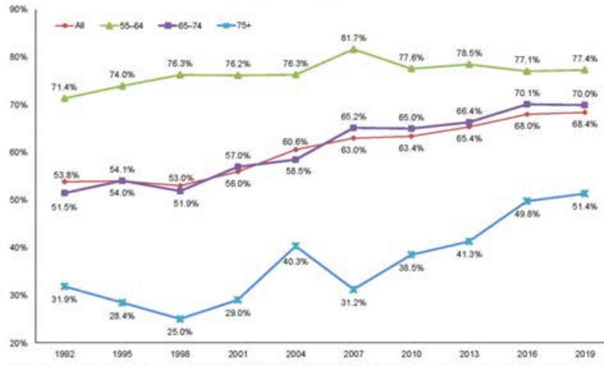
Long-Term Secure Retirees: 18.6%
$150k in Median household assets (vs. $75k of typical retirees)
34% reporting income higher than $100,000 (vs. 22% of typical retirees)
70% Have a pension (vs. 58% of typical retirees)
30% Have a guaranteed income product (vs. 23% of typical retirees)
23% Saved more for retirement than needed (vs. 18% of typical retirees)
30% Not seeking to spend down assets (vs. 23% of typical retirees)
25% Don't stick to spending plan (vs. 19% of typical retirees)
14% Have retiree healthcare (vs. 9% of typical retirees)

typical retirees. The retirement lifestyle they portray is fraught with challenges, uncertainty, frustration, and the sense that they are barely hanging on.

Unfortunately, this struggling retiree cohort is likely to grow. Based on data from the Federal Reserve's Survey of Consumer Finances (SCF), EBRI's *Issue Brief* "Who Is Most Vulnerable to the Ticking Debt Time Bomb in Retirement: Families with the Oldest, Black/African American, and Hispanic Family Heads"[20] found the share of American families with heads ages 55 or older with debt increased continuously from 1998 through 2019. The 2019 level of 68.4 percent was nearly 15 percentage points higher than the 1992 level of 53.8 percent and 5.4 percentage points higher than in 2007. This increase in the incidence of debt has been driven in recent years by the families with heads ages 75 or older. For this age cohort, the share having debt increased from 41.3 percent in 2013 to the 51.4 percent in 2019.

[20] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_521_debt-17dec20.pdf?sfvrsn=eb403a2f_6

Percentage of Families With Heads Ages 55 or Older With Debt, by Age of Family Head, 1992–2019

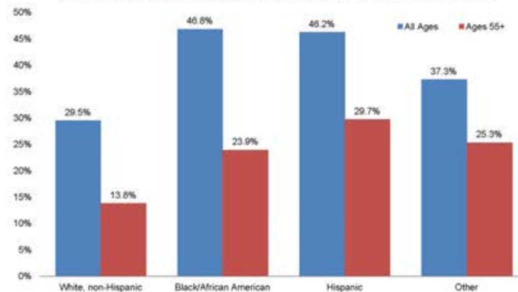


Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, 2016, and 2019 Survey of Consumer Finances.

Further, the incidence of credit card debt increased for families with heads ages both 55–64 and 75 or older in 2019, and each age group of family heads experienced an upturn in the median credit card debt held in 2019. In fact, families with heads ages 75 or older had significant growth in both median housing and median credit card debt in 2019.

Families with Black/African American or Hispanic heads had much higher debt-to-asset ratios than families with white, non-Hispanic heads. Further, the debt of the families with minority heads is more likely the result of consumer debt, not housing debt. This is troubling because while families can build wealth through homeownership, they cannot through consumer debt. Finally, families with minority heads, particularly those with Hispanic heads, were more likely to have debt payments more than 40 percent of their income.

Median Debt-to-Asset Ratio of All Families and Families with Heads Ages 55 or Older Having Debt, by Race/Ethnicity of the Family Head, 2019



Source: Employee Benefit Research Institute estimates from the 2019 Survey of Consumer Finances.

Policies that promote financial wellness initiatives, such as budgeting, debt management, and financial coaching through the workplace during the "accumulation phase" can benefit workers real time and also provide skills that can be carried over to retirement to potentially address the growing issue of debt in older ages.

In comparison to the highly indebted retirees in the Spending in Retirement Survey, 18.6 percent of survey respondents reported having long-term care. These "long-term secure" retirees portray a life in retirement that is comfortable; stable; secure and even luxurious; and filled with flexibility, opportunities, and options. This cohort has more sources of — often stable — income: Long-term secure retirees were considerably more likely to report having a defined benefit or traditional pension plan (70 percent vs. 58 percent of typical retirees). And they tended to have more sources of income generally and less reliance on Social Security: 59 percent said they had personal retirement savings (compared with 51 percent of typical retirees), 46 percent reported an individual retirement account (IRA) (vs. 38 percent of typical retirees), 36 percent reported a workplace retirement savings plan (compared with 30 percent of typical retirees), and 30 percent reported a product that guarantees monthly income for life, such as an annuity (compared with 23 percent of typical retirees). They were also likelier to report having retiree health care (14 percent).

Unfortunately, this cohort is likely to shrink. According to estimates in EBRI's *Fast Fact* "Putting Numbers to the Shifting Private-Sector Retirement Landscape,"[21] the percentage of private-sector wage and salary workers participating solely in a defined benefit plan decreased from 28 percent in 1979 to just 1 percent in 2019. Correspondingly, the percentage participating in solely DC plans went from 7 percent to 41 percent. The percentage with both plans went from 10 percent in 1979 to 8 percent in 2019 after peaking at 16 percent in 1985. The dramatic and continuing shift of private-sector worker plan coverage from DB to DC has implications not only for future retirees who must manage their own drawdown strategy during retirement but also for employers, providers, and policymakers as they navigate this seismic change in the retirement equation.

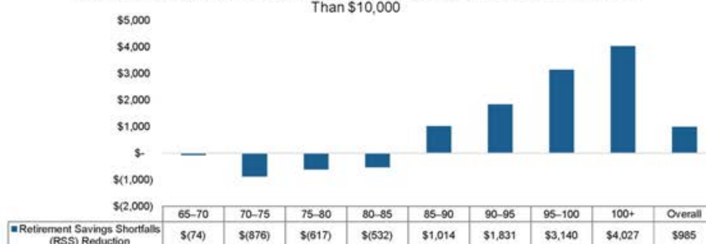
Source: U. S. Department of Labor Form 5500 Summaries through 1999. EBRI estimates 2000–2019 using Bureau of Labor Statistics, Current Population Survey, and U.S. Department of Labor data.

[21] https://www.ebri.org/docs/default-source/fast-facts/ff-385-dcplans-25feb21.pdf?sfvrsn=4f843a2f_8

Still, today, only a very small percentage of defined contribution and IRA balances are currently annuitized. In EBRI's *Issue Brief* "Under the Dome — A Closer Look at Legislative Proposals Impacting Retirement,"[22] EBRI used its Retirement Security Projection Model® to examine the impact of having half of all 401(k) or 403(b) plan distributions taken in the form of guaranteed income for life at age 65. Essentially, the analysis examined the change in average retirement deficits by age at simulated death for those annuitizing. As might be expected, for those who die prior to age 85, there is an increase in retirement deficit.

Impact of Guaranteed Income for Life on Retirement Deficits
FOR THOSE WHO UTILIZE THE PROVISION

Average Retirement Deficit Reductions by Age at Death From Assuming 50% of 401(k) Balances Used to Purchase Single Premium Immediate Annuity at Age 65 at Annuity Purchase Price Based on Historical Average for Discount Rates; Excludes Balances Less Than $10,000



	65–70	70–75	75–80	80–85	85–90	90–95	95–100	100+	Overall
Retirement Savings Shortfalls (RSS) Reduction	$(74)	$(876)	$(617)	$(532)	$1,014	$1,831	$3,140	$4,027	$985

Source: EBRI Retirement Security Projection Model® version 3568.

For those who die after age 85, however, the purchase of a single premium immediate annuity with 50 percent of the 401(k) or 403(b) account balance provides *reductions* in average retirement deficits. For those who die between ages 85 and 90, the average retirement deficit decreases by $1,014 in current dollars. The reductions in average retirement deficits increase substantially for those who die at later ages: $1,831 for those who die between 90 and 95, $3,140 for those who die between 95 and 100, and $4,027 for those who die after age 100. Overall, the impact of using 50 percent of the 401(k) or 403(b) balance to buy a single premium immediate annuity at age 65 is to decrease retirement deficits by $985 in current dollars.

A possible solution to reduced DB coverage by private sector workers could involve policies that promote sources of guaranteed income within the workplace other than defined benefit plans. These might include immediate or deferred income annuities. For workers that no longer have access to retiree medical plans, facilitating usage of health savings accounts for retirement health care expenses may ultimately give retirees greater comfort that they can cover out of pocket health care expenses in retirement.[23]

[22] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_486_retprop-11jul19.pdf?sfvrsn=1ef23f2f_8
[23] EBRI research finds that a couple with drug expenses at the 90th percentile throughout retirement who wants a 90 percent chance of having enough money for health care expenses in retirement by age 65 should target retiree health care savings of $325,000 in 2020. https://www.ebri.org/retirement/content/a-bit-of-good-news-during-the-pandemic-savings-medicare-beneficiaries-need-for-health-expenses-decrease-in-2020

Conclusion

The U.S. retirement system has made a lot of progress in the past 15 years, thanks in large part to the 2006 Pension Protection Act, as well as the hard work of others, including those in this room. However, there is more to do. Taking lessons from the PPA — along with 15 more years of evaluating defined contribution participant behavior — the key areas of weakness are easy to identify: access to the system, leakage from the system, and the need for better retirement spending solutions.

We know that the biggest gap when it comes to access to workplace retirement plans lies with small businesses that don't have the wherewithal or resources to offer traditional defined contribution plans. Solutions such as PEPs may serve as appealing alternatives. When it comes to stemming leakage, a clear area of focus is cash outs upon employment termination, along with improving the existing force-out safe harbor and helping employees with emergency savings. Finally, as more and more private-sector workers rely solely on their defined contribution as their only workplace retirement savings plan, there is a need to sharpen their financial skills around debt, and find ways to help them spend down their retirement nest egg more confidently.

Thank you for all you have done to improve the retirement system over the years. With your support and perseverance, we can build an even better future for America's retirement security.

[SUMMARY STATEMENT OF LORI LUCAS]

The 2006 Pension Protection Act achieved great strides in improving the defined benefit retirement system by incentivizing employers to "automate" their defined contribution plans so that the "default" is for workers to be enrolled in the plan, to save at higher levels over time, and to invest in diversified portfolios.

Yet, there are areas that the PPA did not fully address, creating the opportunity today to further improve the system. These include greater access, reduced plan leakage; and supporting thoughtful post-retirement spending.

- *Improving Access*: Pooled Employer Plans can improve access for employees of small companies because they potentially offer reduced costs and administrative burden to small employers by allowing multiple employers to offer a single plan that is run by an outside administrator who also serves as the plan's fiduciary. The key to PEPs fulfilling their potential for expanding access, however, is to streamline legal and compliance requirements—namely, nonessential reporting / audit / and compliance requirements that can increase costs and thereby reduce employer adoption rates.
- *Reducing Plan Leakage*: The main culprit when it comes to workplace plan leakage is cash outs by employees when they leave their employer. They do this because it is easy under the current system. Policies that support solutions that make is easy to NOT cash out from workplace retirement plans—which may include auto portability—can improve outcomes, especially for lower wage workers who are more likely to cash out their smaller balances as they change jobs.
- *Supporting Employers' Interest in Helping with Emergency Savings*: Employers increasingly seek to facilitate emergency savings through workplace programs. Policies that promote adoption of such solutions, including solutions made available through the existing workplace defined contribution plan structure, could lead to wider availability of these offerings by employers—which could also take pressure off core defined contribution assets to serve as de facto emergency savings during times of crisis.
- *Facilitating Post-Retirement Spending*: (1) Highly indebted retirees are a significant and growing group. Policies that promote financial wellness initiatives, such as budgeting, debt management, and financial coaching through the workplace during the "accumulation phase" can benefit workers real time, and also provide skills that can be carried over to retirement to potentially address the growing issue of debt in older ages. (2) As defined benefit and retiree medical plans become less and less prevalent, the need for other sources of guaranteed income increases. A possible solution could involve policies that promote sources of guaranteed income within the workplace, other than defined benefit plans, such as immediate or deferred income annuities. Also, for workers that no longer have access to retiree medical plans, facilitating usage of health savings accounts for retirement health care expenses may ultimately give retirees greater comfort that they can cover out of pocket health care expenses in retirement.

The CHAIR. Thank you.

Mr. Akabas.

STATEMENT OF SHAI AKABAS, DIRECTOR OF ECONOMIC POLICY, BIPARTISAN POLICY CENTER, WASHINGTON, DC

Mr. AKABAS. Good morning, Chair Murray, Ranking Member Burr, and distinguished Members of the Committee. Thank you for inviting me to testify today about the state of retirement security in America and where we go from here.

My name is Shai Akabas, and I am Director of Economic Policy at the Bipartisan Policy Center, a non-profit organization that combines the best ideas from both parties to promote health, security, and opportunity for all Americans.

The U.S. retirement system is working well for many people, particularly those with stable employment, sufficient income, and opportunities to save throughout their life. While the structures in place have room for improvement, they result in positive, financially stable outcomes for a majority of households.

But, millions of Americans are falling through the proverbial cracks in the system, and cracks is really an understatement. These are gaping holes in need of reform. My testimony will discuss where these holes are and how this Committee can start to repair them.

I will start by briefly discussing the challenge. A majority of Americans worry about running out of money in retirement, making it the Nation's top financial concern. Recent trends from the COVID pandemic and recession to rising healthcare costs, to increasing life expectancies, have made building a secure retirement both more important and more challenging.

Although the retirement security challenge is faced by all Americans, the ability to meet it varies significantly. Workers with low incomes, those without college degrees, people of color, women, and part-time, seasonal, and temporary workers all disproportionately struggle to save for retirement.

Even when these workers can and want to save, they frequently do not have access to a workplace retirement plan. I hope this Committee will appreciate how the current retirement system often works well for people like us in this room and focus on how to make it work just as well for those it currently leaves behind.

In 2016, BPC convened a bipartisan commission on retirement security and personal savings, co-chaired by former Senator Kent Conrad and Jim Lockhart, a senior Bush administration official. The commission spent 2 years studying the status of retirement security in the U.S. and made recommendations in six key areas. They were:

One, improving access to and the design of workplace retirement savings plans.

Two, promoting personal savings for short-term needs and preserving retirement savings for older age.

Three, facilitating lifetime income options to reduce the risk of outliving savings.

Four, facilitating the use of home equity for retirement consumption.

Five, improving financial capability among all Americans.

Six, strengthening Social Security's finances and modernizing the program.

I know it is outside this Committee's jurisdiction, but looming over the retirement landscape is the impending depletion of the Social Security Retirement Trust Fund. While policymakers can debate the best way to restore the program to financial sustainability, I want to emphasize that the longer Congress waits to make changes, the less palatable and the more drastic they will be. And the delay is incredibly unfair to Americans trying to plan for retirement. Social Security's financial challenges are solvable, but they will be easiest to address if we start now.

There is no silver bullet to America's retirement security challenge, and different solutions will help different groups of savers. We need an all-of-the-above approach to maximize the reach and effectiveness of our current retirement system.

I am going to briefly propose three good bipartisan places to start.

One, in the private sector, only two-thirds of workers have access to a workplace retirement plan, and only half actually participate. Employees of small-and medium-sized businesses are especially unlikely to have access to an employer-sponsored plan.

When you ask these businesses why they do not offer plans, the No. 1 reason cited is often cost or administrative burden. The emerging PEPs authorized by the SECURE Act could help in this regard, but there is another part of the equation. Most employers wishing to offer a retirement plan today also must accept the fiduciary responsibility that goes along with it. For businesses with small or non-existent H.R. departments, this task is daunting or simply impossible without paying for external support.

To help these businesses offer plans while ensuring that their employees are protected, Congress should further relax fiduciary obligations for small businesses while making sure to transfer that responsibility to other private sector entities and regulators who are better equipped to handle them.

Meanwhile, several states have enacted laws requiring all employers over a certain size to automatically enroll their workers in some form of retirement savings plan. More states are following suit. But, workers in states without these requirements are getting left behind, while the emerging patchwork of different requirements in different states is a headache for businesses that operate across state lines.

Congress can extend coverage to Americans everywhere and streamline regulations by creating a national minimum coverage standard that preempts the multitude of mandates at the state level. One study found that this approach could increase average retirement savings for middle income earners by roughly 50 percent.

No. 2, without emergency savings, a sudden loss of income or a surprise expense can upend a worker's financial life. It can also lead them to raid retirement savings. Unfortunately, an alarming share of Americans have very little emergency savings, or even none whatsoever.

A promising way to help workers build emergency savings is to take a tool from the retirement world and apply it to retirement savings for emergencies—excuse me, apply it to building savings for emergencies. Automatic enrollment has proven to be an extremely powerful way to increase participation and boost retirement savings.

Employers that want to should be able to similarly default their workers into an emergency savings plan that deposits a portion of each paycheck into an emergency savings account. Unfortunately, the law is unclear for employers that want to adopt automatic enrollment for these accounts. Providing regulatory clarity, along with reasonable consumer protections, will open the door to this promising tool, and with it, better savings outcomes.

No. 3, several pieces of pending bipartisan legislation would build on the success of automatic features, incorporating them into more retirement plans. I have touched on that in my written testimony and will be glad to discuss it further in the Q and A.

Finally, retirement security has been a standout area for bipartisan cooperation in Congress, in no small part thanks to the leadership of many Members of this Committee. We at BPC have seen the power that a broad coalition can bring to an issue like retirement security. We launched the Funding Our Future initiative in 2018, and our coalition now unites more than 50 organizations from the academic, non-profit, trade association, and corporate sectors. I can attest that its strength comes from its bipartisan makeup.

Funding Our Future's three goals are to make savings easier for Americans at all ages, to help them transform nest eggs into retirement income, and to ensure that Social Security is financially stable both for current and future retirees. We at BPC and Funding Our Future are eager to continue working toward those goals with all of you.

Thank you for your time, and I look forward to your questions.

[The prepared statement of Mr. Akabas follows:]

PREPARED STATEMENT OF SHAI AKABAS

Bipartisan Policy Center

Written Testimony of Shai Akabas

Before the U.S. Senate Health, Education, Labor, and Pensions Committee Hearing entitled: Retirement Security: Building a Better Future

May 13, 2021

Good morning, Chair Murray, Ranking Member Burr, and distinguished members of the committee. Thank you for inviting me to testify today about the state of retirement security in America and where we go from here. It's terrific to see the committee focusing on this important issue in a bipartisan fashion.

My name is Shai Akabas, and I am the director of the Economic Policy Project at the Bipartisan Policy Center, a non-profit organization that combines the best ideas from both parties to promote health, security, and opportunity for all Americans.[i] BPC drives principled and politically viable policy solutions through the power of rigorous analysis, painstaking negotiation, and aggressive advocacy.

The United States has a retirement system that is working well for many people—particularly those with stable employment, sufficient income, and opportunities to save throughout their life. While the structures in place have room for improvement, they result in positive, financially stable outcomes for millions of households.

The primary focus for policymakers should be on Americans falling through the proverbial cracks. "Cracks" is an understatement when describing America's piecemeal retirement system—in reality, it has gaping holes crying out for reform. To bring the true promise of stability and security in retirement to all Americans, Congress needs to carefully look at the existing challenges and enact meaningful solutions.

My testimony will briefly summarize the current state of retirement preparedness, outline six broad areas where policy can improve today's retirement system, and then focus on several key solutions supported by BPC that primarily fall within this committee's jurisdiction. I'll conclude by discussing how retirement security has been a bipartisan issue in the past and can be moving forward.

I hope this discussion leaves you with the following takeaways:

1. Too many workers lack the ability to save in a workplace retirement plan—especially workers who are disadvantaged or employed at small businesses. Lawmakers can most effectively increase access by relaxing regulatory burdens that prevent small- and medium-sized businesses from starting retirement plans and by creating a nationwide

minimum-coverage standard to harmonize the patchwork of rules being created at the state level.

2. Workers need emergency savings for short-term financial stability and to protect retirement savings from current spending needs. Congress can help Americans build emergency savings by clearing the way for firms to automatically enroll their employees in workplace emergency savings plans.
3. Automatic enrollment and automatic escalation of employee contributions are critical features for retirement plans to incorporate. Widespread adoption will mean more savers and greater savings. Legislation that would increase the use of these features could significantly boost retirement outcomes.
4. Retirement security has been a standout area of working across party lines. This issue can and should remain bipartisan to most effectively help Americans meet their retirement goals.

The Retirement Security Challenge

A majority of Americans worry about running out of money in retirement, making it the nation's top financial concern.[ii] Recent trends have made building a secure retirement both more important and more challenging. In the past year, the COVID-19 pandemic and recession have caused millions of Americans to lose their jobs or suffer lower earnings, leading them to save less for retirement or to raid savings they had previously built. Even before COVID-19, rising health care costs have been eroding retirees' savings.[iii] The general trend of increasing life expectancy for most Americans is wonderful, but it creates a greater risk of outliving one's assets. With defined benefit pensions now a rare breed, most workers have been left to build retirement savings on their own. While some have done so successfully, many are falling behind.

A plurality of Americans say that their retirement savings are not on track, and the Employee Benefit Research Institute projects that 41% of working-age households will run short of money in retirement.[iv] Separately, Boston College's Center for Retirement Research estimates that three-quarters of low-income households are at risk of not being able to maintain their standard of living in retirement.[v] The United States has an elderly poverty rate nearly double the Organisation for Economic Co-operation and Development (OECD) average.[vi] Looming over this landscape is the impending insolvency of Social Security, which would trigger a roughly 25% cut in retirement benefits—a shortfall that many would struggle to bridge.[vii]

Although the challenges above affect all Americans, the ability to meet them varies significantly. The dominant tool for retirement savings—a tax-advantaged account through one's employer—works well for people who earn enough to put money away, whose employer offers them a retirement plan, and whose employment is stable enough that they seldom need to transfer their savings to a new account with a new employer.

The path to retirement security, however, is harder to reach for workers with low incomes, those without college degrees, people of color, and single women.[viii] These Americans are more likely to live paycheck to paycheck and struggle to find excess income that they can devote to long-term saving. Even when these workers can and want to save, they frequently do not have access to a workplace retirement plan. For instance, a recent BPC survey found that while nearly 90% of households making at least $100,000 report having access to a workplace retirement plan, the same is true for only half of households making less than $50,000.[ix] I hope this committee will appreciate how the current retirement system often works well for people like us in this room and focus on how to make it work just as well for those it currently leaves behind.

Six Areas for Policy Focus

In 2016, BPC convened a bipartisan Commission on Retirement Security and Personal Savings, co-chaired by former Senator Kent Conrad and Jim Lockhart, the former principal deputy commissioner and chief operating officer of the Social Security Administration. The commission spent two years studying the status of retirement security in the U.S. and highlighted six key areas. You can think of these areas as challenges, but they also represent six opportunities that policymakers have to help millions of workers retire with security and dignity. I will discuss them in turn, with more focus on the areas within this committee's jurisdiction.

Improve Access to and the Design of Workplace Retirement Savings Plans

Far and away the most common tool Americans use to save for retirement is a plan offered through an employer. Only two-thirds of workers in private businesses, however, have access to a workplace retirement plan, and among those with access, only three-quarters participate.[x] These two statistics mean only about half of private-sector workers are participating in an employer-sponsored retirement plan.[xi]

Underneath these averages, however, are significant differences by income, education, race, and employer size. For example, workers in the top income quartile are more than twice as likely (88% vs. 42%) as workers in the bottom quartile to be offered a workplace retirement plan.[xii] Meanwhile, small businesses often find that setting up retirement plans for their workers would cost too much and require navigating too much red tape. For example, nearly 60% of small- and medium-sized business that do not offer retirement plans attribute that decision to the expense of setting one up or the lack of resources to administer a plan.[xiii] Largely as a result, only 53% of workers at firms with fewer than 100 employees have access to a plan, compared to 83% of workers at firms with at least 100 employees.[xiv]

In general, people with low incomes, people without college degrees, people of color, workers at small businesses, and—especially—part-time, temporary, and seasonal workers are far less likely to have access to this crucial way to save for retirement. For example, among middle-

aged families, 65% of white households own at least one retirement account compared to 44% of Black and 28% of Hispanic households.[xv]

Even among workers with access to workplace retirement plans, many do not contribute enough or at all. The median balance in a 401(k)-type account is just $22,000.[xvi] Many of these workers simply do not earn enough to have extra income left over for saving. Others, however, could participate and save more if they had access to savings tools and the wherewithal to use them effectively.

Alternatives to workplace defined contribution plans are far less common. Defined benefit pensions are dwindling, and although anyone can open an individual retirement account (IRA), few people save regularly into them. Only 28% of workers without current access to a workplace retirement plan report using other means to save for retirement, like an IRA or a 401(k) from a previous employer.[xvii]

Policymakers should focus on how to reform the dominant form of retirement saving in America—a defined contribution plan through one's employer—so that more workers can access it and those with access will be more likely to contribute to it.

It is worth briefly acknowledging two promising recent developments in coverage options:

1. Over the past few years, several states have begun rolling out so-called secure choice programs—state-facilitated retirement savings plans—that include a requirement for all employers above a certain size to provide their workers with the opportunity to save for retirement.[1] Employers can sign up for the state plan or comply by adopting a private-sector alternative (such as a 401(k)). These state programs take the form of an auto-IRA, where businesses sign up and automatically enroll their employees (who can opt out at any time). More than 300,000 workers currently have an account, and that number is expected to grow significantly as existing rollouts continue and new states hop on the wagon.[xviii]

2. Legislation passed in 2019 opened the door to pooled employer plans (PEPs). These private-sector offerings pool assets from many different employers, thereby simplifying administration and potentially reducing per-participant costs for plan sponsors and employees alike. PEPs are in a nascent stage, and it will take some time to see how they are working, whether they are reducing costs, and how much new coverage they are creating versus replacing existing employer plans.

[1] California, Illinois, and Oregon were the first states to establish plans, but many more have enacted legislation and are in the development stage. For a full overview by state, see: https://cri.georgetown.edu/states/.

Closing the coverage gap warrants an all-of-the-above approach to reach different segments of the market. With state plans, PEPs, and innovative providers using turnkey approaches to reach small businesses all progressing, each can play a role. But while these developments are steps in the right direction, much work remains.

Promote Personal Savings for Short-Term Needs and Preserve Retirement Savings for Older Age

Saving for retirement requires excess income and enough financial security to lock that income away in a long-term account for years or decades. Workers' ability to do this depends on their overall financial health. If someone lives paycheck to paycheck, is in credit-card or student-loan debt, has little job security, or has low financial literacy, that person will struggle to save. For instance, 58% of millennials say that debt is hindering their saving.[xix] Retirement security is one piece of the larger puzzle of financial security, which workers experience as a holistic challenge.

An essential part of that challenge—both in the present and the long term—is emergency savings. In the short term, emergency savings create a buffer that can prevent a sudden loss of income or unexpected expense from upending the rest of a household's financial life. Without liquid short-term savings, financial emergencies can force workers to suffer hardship like food insecurity, falling behind on rent or credit-card payments, or turning to expensive alternative financial services like payday loans.

Emergency savings also shield retirement savings from immediate spending demands.[xx] When workers without liquid savings face an urgent financial need, they often raid their retirement accounts. Retirement leakage is widespread: The limited data available show that for every $1 that people under age 55 contribute to retirement accounts, roughly 40 cents leak out through early distributions.[xxi] It is also costly. Early withdrawals trigger fees and penalties and cause workers to lose out on decades of compound growth. Emergency savings insulate retirement accounts from day-to-day financial needs so that retirement savings can grow over the long term.

While emergency savings can protect against retirement leakage due to borrowing or withdrawals, two-thirds of all early distributions from retirement accounts happen when a worker changes jobs and cashes out their plan.[xxii] Indeed, somewhere between 10% and 20% of workers who otherwise save enough to maintain their standard of living in retirement end up with insufficient savings because of plan cash-outs when they changed jobs.[xxiii] Some workers may cash out their retirement accounts because they find it too burdensome to roll their plan over to a new job, and policymakers should focus on reforms to make plans easier to move from one employer to the next. Others, however, may cash out because they need to finance a gap in employment. Greater emergency savings would help in these cases.

Unfortunately, Americans are struggling to save for emergencies. Depending on the survey, 25-40% of Americans say they have no emergency savings.[xxiv] Even those with savings often have very little: More than 40% of families have less than $750 of non-retirement savings.[xxv] The lack

of emergency preparedness is especially pronounced among workers with low incomes and people of color. For instance, the median Black household has one-sixth as much liquid wealth as the median white household, and a majority of Black and Hispanic households have no emergency savings whatsoever.[xxvi] This disparity is especially troubling because these Americans have more volatile income and more tenuous job security, leaving them particularly exposed to negative shocks, for which they are unable to save.[xxvii] In other words, Americans who most need emergency savings find building them most difficult. A lack of liquid savings is, indeed, especially common at the bottom of the income distribution, but the problem extends into the middle class. Forty-one percent of families in the bottom third of income have no emergency savings, but neither do 20% of families in the middle third.[xxviii]

The COVID-19 pandemic and recession harshly spotlighted that emergency savings matter—and that they are alarmingly scarce. As 2020 began, Americans had enjoyed the longest economic expansion in the nation's history, featuring a record-low unemployment rate and several years of solid wage growth. But even with the advantage of such a uniquely favorable period to build savings, a sudden loss of income pushed millions into immediate hardship. While COVID-19 was a once-in-a-century national shock, similar financial emergencies—from losing a job to needing uninsured medical care—hit Americans every day. With smart policies, Congress can help workers build protection against the next crisis—whether national or personal—when it inevitably comes.

Facilitate Lifetime-Income Options to Reduce the Risk of Outliving Savings

Americans, on average, are living longer than ever before (despite recent minor setbacks). This trend is simultaneously an achievement to celebrate and a source of strain for the nation's retirement system. The average lifespan has increased much faster than the average retirement age, leaving older Americans with more years in retirement to finance.[xxix] Planning for a long retirement is challenging; uncertainty makes it even harder. No one knows how long they will live or what financial return their assets will earn. Moreover, some retirees will need long-term support services that can consume their savings: 17% of retirees will spend more than $100,000 of their own or their family's money on these services.[xxx]

These risks mean that policy must look beyond the accumulation of retirement assets toward the decumulation phase. Giving people a pot of money at retirement and then expecting them to figure out how to make it last is not the right answer. Aging Americans need guidance on how to distribute their assets to protect against the financial risk of an unexpectedly long life or unexpectedly high costs in retirement. And they also need the tools to do so. Plan sponsors are increasingly including options that help their participants handle their retirement assets. Policymakers have similarly sought ways to help retirees convert their savings from a fixed sum that can run out to a lifetime stream of income. Reforms in the Setting Every Community Up for Retirement Enhancement (SECURE) Act commendably removed some regulatory uncertainty

that had been hovering over the annuitization of retirement savings.[xxxi] Policymakers can and should do more to facilitate a variety of retirement income options.

Facilitate the Use of Home Equity for Retirement Consumption

Americans own $21 trillion in home equity, a sum that could significantly supplement the nation's $35 trillion of retirement assets.[xxxii] For many retirees, home equity represents a significant portion of their wealth: Half of homeowners aged 62 or older hold most of their net worth in home equity. Notably, a majority of individuals aged 62 or older with no retirement savings or pension are homeowners, meaning that many of these older Americans can—and will have to—rely on home equity to supplement their Social Security benefits.[xxxiii]

Although the most obvious way that homeowners can convert this large stock of net worth into retirement income is to downsize to a less-expensive home, they can also borrow against the value of their home through a second mortgage, a home equity line of credit, or a reverse mortgage. Reverse mortgages, especially, offer a potentially useful tool to convert illiquid housing wealth into money to live on during retirement, but the market for them is currently quite small.[xxxiv] Policymakers could work to improve this market and make it a simpler, more useful, and a more cost-effective tool for older, "cash poor" Americans to utilize their home equity.

The most important barrier to financing retirement with housing wealth, however, is housing debt. Over the past three decades, the share of households headed by someone aged 65 or older that have housing debt has doubled, from 15% to 32%.[xxxv] The debt burden has grown even faster: In inflation-adjusted dollars, the average housing debt of older households more than quadrupled from 1989 to 2016.[xxxvi] Mortgage debt is thus a growing obstacle to older Americans' ability to tap their home equity in retirement. The Tax Cuts and Jobs Act of 2017 eliminated the tax deduction for interest on home equity loans.[xxxvii] This change may help, and Congress should explore other ways to reduce the use of home equity to fund pre-retirement consumption.

Improve Financial Capability Among All Americans

The transition from defined benefit pensions to defined contribution retirement plans has forced workers to be largely responsible for their own retirement savings. Thus, understanding the basics of personal finance and knowing how to act on that information has become an essential tool for successful retirement planning. Workers not only need to decide how much to contribute to and how to manage their retirement plans, but also how to build healthy finances that support retirement savings—avoiding debt, building emergency savings, and claiming Social Security at an optimal age.

It is therefore concerning that Americans demonstrate alarmingly low financial capability. The National Financial Capability Study asks respondents five basic but important questions to measure financial literacy—for example, testing understanding of compound interest, inflation, and portfolio diversification. The study finds that two-thirds of Americans fail to answer more than three of the five questions correctly and that this number has worsened over time.[xxxviii] Meanwhile, 401(k)-type plans require workers to decide how much to save for retirement, but fewer than one-third of workers have tried in the past two years to figure out how much retirement income will be needed.[xxxix] Perhaps the most effective way to help Americans make better financial decisions is to deliver just-in-time interventions that give workers clear and visible information or behavioral "nudges" when it is most helpful—at the moment they make an important decision. Opportunities include when a worker has the option to enroll in a retirement plan or when the option arises to convert savings to an annuity. For example, requiring workers to actively choose among several options for their retirement income would likely produce better outcomes than defaulting them into taking a lump sum of cash.[xl]

Social Security claiming perhaps offers the best example of how public policy could have a huge impact on retirement security simply by providing better information at better times. For instance, lawmakers could help private retirement savings and Social Security complement one another by creating a safe harbor for retirement plan sponsors that help participants make informed decisions about when to claim Social Security benefits or use their private retirement savings to bridge to a later claiming age. BPC is currently providing technical assistance to a bipartisan group of Senate offices with legislation that would help people make better decisions about when to claim Social Security. I would be happy to discuss this promising area further in the Q&A.

Strengthen Social Security's Finances and Modernize the Program

For decades, Social Security has been the foundation of retirement security in America. And for decades, it has been clear that the program is financially imbalanced. Demographic and economic trends, especially an aging population, have raised the program's costs and depressed its revenues. Early last year, Social Security's trustees projected that the program would be unable to pay all promised benefits starting in 2034, and the COVID-19 recession may have brought that date even closer.[xli]

This challenge is solvable. BPC's commission on retirement security proposed a series of bipartisan reforms that would extend Social Security's solvency while modernizing the program and actually increasing benefits for the most vulnerable. Unsurprisingly, I like BPC's proposal, but its details are negotiable. Instead, the most important point is that lawmakers must act to address Social Security's challenges now. Further delay would mean that any solution maintaining the traditional financing structure of the program would have to be more drastic and unpalatable: Tax increases would be sharper, benefit cuts would be more severe, and the

workers who bear these changes would have less time to plan their finances accordingly. Social Security can be preserved for our kids and grandkids, but the least painful path is by facing up to the program's challenges now.

Righting Social Security's finances will require some combination of increasing program revenue and constraining the growth of benefits. The latter will be easier for older Americans to bear if they are retiring with more of their own savings; thus, the reforms we're discussing today are a valuable complement to restoring Social Security's financial balance.

Key Policy Solutions

There is no silver bullet to America's retirement security challenge. The BPC Commission report and current legislative proposals contain a host of reforms that could improve the picture. For today's purposes, I will focus on three key areas—fully or partially within this committee's jurisdiction—where near-term bipartisan progress seems possible.

Reducing burdens on plan sponsors and advancing a national minimum coverage standard

Many of the reforms recently enacted into law or under current consideration would be steps in the right direction for access and participation. Implementing these changes alone, however, is unlikely to achieve near-universal access to workplace retirement savings accounts. All workers should be able to easily save for retirement with every paycheck. To close the access gaps that are especially pervasive for workers from disadvantaged communities, a more aggressive approach is needed—both to minimize burdens on small and medium-sized plan sponsors and to require that the vast majority of employers are offering some type of retirement savings option to their workforce.

Most employers wishing to adopt a retirement plan today must accept the fiduciary responsibility that goes along with it. This means that they are legally required to act in the best interest of plan participants, prudently selecting and monitoring the provider of the plan to ensure that fees are reasonable, investments are appropriate, and contributions are being handled responsibly. For businesses with small or non-existent HR departments, this is a daunting task and one for which they are ill-equipped. External advisors can help, but they, of course, come with a cost.

Instead of pretending that smaller employers can effectively execute these obligations—and having them bear the cost of doing so—policymakers should rethink this equation. It would be naïve to suggest that a simple solution exists; this is a thorny issue. Nonetheless, some combination of increased fiduciary responsibility from other private-sector entities and additional regulation and oversight from the Department of Labor ought to be able to relieve smaller employers from these inappropriate duties.

Several states have now enacted laws to require that employers automatically enroll workers in some form of retirement savings account, with more expected to follow.[xlii] Because each state has slightly different requirements, these state actions could frustrate efforts to implement a consistent employee-benefit policy for retirement across the country—one that provides workers with strong consumer protections while offering uniform regulation to employers, many of which conduct business in multiple states.

A nationwide minimum-coverage standard for all employers over a certain size would expand access to workplace retirement savings in a manner that would be less burdensome for businesses. The standard could take effect a few years down the road, once fiduciary responsibilities have been relaxed for some employers, and easy-to-adopt plan structures—such as PEPs, state auto IRAs, and other simplified offerings—have permeated the system. Workers who are automatically enrolled would always retain the ability to opt out. To eliminate overlapping regulations, this new standard should pre-empt the multitude of mandates emanating from the states.

Employers that prefer not to select a plan for their employees could simply forward contributions along with their payroll taxes. Those contributions would be separated and directed into one of several default plans. Providers could apply to serve as a default, either nationwide or in a particular region.

Modeling from the Urban Institute shows that such a system, once fully phased in, would increase average retirement savings for middle-income earners by roughly 50%.[xliii] These results show why this nuanced approach could be the most important reform policymakers could undertake to improve outcomes in the public-private retirement savings system.

Facilitating automatic enrollment into emergency savings accounts

Given the strong link between emergency preparedness and retirement security, what can we do to help people accumulate savings for short-term needs? There are strong lessons from the field of retirement savings. The first is to connect any solution to payroll deduction. When individuals are left to their own devices to proactively open their own IRA, few do so.[xliv] Moreover, saving requires the willpower to forgo spending for the present moment. This discipline is nearly impossible to summon with every paycheck, but automatic payroll deduction allows a worker to decide to save only once and then automate their desired behavior in the future. Thus, the second lesson is to erect an opt-out approach. When an employer facilitates a 401(k)-type plan and automatically enrolls employees, participation rates for new hires can rise above 90%.[xlv]

Interest in workplace emergency savings is accelerating. So is action.[2] In 2019, the BlackRock Foundation announced a $50 million commitment to advance the issue.[xlvi] As part of that initiative, the non-profit organization Commonwealth has been working with employers to set up these accounts, with UPS making a big announcement last fall that it would offer this benefit to 90,000 non-union employees.[xlvii] Employers are increasingly recognizing that employee financial wellness is not just a warmhearted gesture but rather an investment that can add to the bottom line of the business. Financially stable employees are more productive and less likely to miss work.[xlviii]

Largely due to inertia, however, participation among workers in these emergency savings plans remains low, and further progress is tangled up in regulatory barriers.[xlix] Specifically, the law is unclear for employers that want to adopt automatic enrollment for these accounts. Employers need regulatory clarity with regard to the application of state wage garnishment laws and know your customer rules and permissible default investments.[l] Providing that clarity, as well as reasonable consumer protections, will open the doors to employer innovation, and with it, better savings outcomes.

Changes along these lines were last introduced as legislation during the 116th Congress by Senators Cory Booker (D-NJ), Todd Young (R-IN), and Tom Cotton (R-AR) along with former Senator Doug Jones.[li] The bill is currently being adjusted to distinguish emergency savings accounts that are linked to a workplace retirement account from those that are standalone accounts to ensure that the appropriate regulatory framework is applied to each. We expect the bill to be reintroduced this year with strong support from a diverse group of external stakeholders, including retirement industry leaders, financial security experts, and anti-poverty advocates.

The purpose of the legislation is to let employers experiment and refine their offerings—within reasonable regulatory guardrails—to figure out the best design for this relatively new tool. With emergency savings accounts just recently becoming more prevalent and the power of automatic enrollment potentially on the way, we should not presume to know what works best for employees or what employers will be inclined to offer. This flexibility, combined with a GAO study and outside researchers eager to measure impact, will help reveal the answers.

Perhaps most importantly, workers are saying they want to be offered this benefit. One survey found that 71% of respondents would likely contribute to an emergency savings account if offered.[lii] Another survey that BPC conducted with several partner organizations found that 42% of workers want to be automatically enrolled, including 57% of millennials and a majority

---

[2] The U.K. is also active in this policy space. Their national retirement saving program, NEST, has rolled out an emergency savings companion account in a scheme called "jars." See how that works here: https://nestviews.org.uk/2019/11/07/nest-insights-sidecar-savings-trial-2/.

of workers of color.[3] These figures are significantly larger than the 22% who say they have access to an account through their employer today—none with automatic enrollment.[4,liii]

Emergency savings accounts are a critical tool in the evolution of retirement security policy. People do not view their financial challenges in discrete silos—their situation is often dynamic and must be confronted holistically. For example, a recent study found that having emergency savings entering the COVID-19 pandemic not only improved people's ability to maintain their financial health, but also significantly reduced their likelihood of withdrawing from their retirement savings.[liv] A committed effort to dramatically boost emergency savings accounts could preserve retirement assets for the long term while also providing a cash buffer for those struggling to get by.[5]

Expanding automatic features in workplace retirement plans

As I mentioned earlier, automatic features have generally raised employee participation and saving levels at employers offering retirement plans. It is time to build on that success. Pending bipartisan legislation (discussed in the final section of this testimony) would require that most new workplace defined contribution retirement plans incorporate automatic enrollment and automatic escalation of employee contributions.[lv] This important reform could further boost participation and saving rates, particularly among workers in disadvantaged communities.

When combined with current law, however, the new policy would mean that most employers introducing 401(k)-type plans would either have to conduct complex nondiscrimination and top-heavy testing or make employer matching or non-elective contributions utilizing the current law safe harbor, thereby adding costs.[lvi] These rules may deter some—particularly small- and medium-sized—businesses from adopting a plan.

In order to draw more of them in, as well as incentivize existing employers to incorporate automatic features, a companion reform deserves serious consideration: The Retirement Security Flexibility Act, which was introduced in the last Congress by the aforementioned four bipartisan senators.[lvii] In exchange for adopting best practices when it comes to automatic features—including, for example, auto re-enrollment, which would make sure that employees opting out when hired are not left on the retirement savings sidelines indefinitely—the bill

---

[3] Another 14% of the total say they are unsure about whether they would want to be automatically enrolled. What we know about auto-enroll is that many of those who are unsure will end up staying in the account. Any who do not want their savings in the account can always opt-out or transfer the funds.

[4] Anecdotal evidence suggests the true share is lower. Emergency savings accounts are new and haven't been adopted widely, suggesting that respondents may not have learned to distinguish them from direct deposits into their checking accounts.

[5] Field research shows that this "mental accounting" can make a significant difference in people's saving and spending habits: https://www.jstor.org/stable/23033462?seq=1.

would offer key flexibility to plan sponsors seeking to avoid testing requirements.[lviii] Most notably, it would allow small- and medium-sized business owners to decide how much (if any) they could afford in employer contributions and then set annual contribution limits commensurate with that decision. Such an approach would retain the incentive for employers to help fund their workers' accounts but also acknowledge that some are unable to do so.

The primary focus of policy in this area should be on making workplace retirement plans more available to workers and maximizing participation and adequate savings within those plans. These two reforms, paired together, would increase access to and participation in well-designed retirement savings plans at the workplace.

Need for Bipartisan Action

Translating innovative policy ideas to real-world impact requires the sustained attention of members of Congress and the political will to legislate. After our BPC commission report was released in 2016, we recognized the challenge of elevating retirement security amidst all the other issues grabbing headlines and sitting atop Congress' agenda. We also saw that dozens—if not hundreds—of other organizations were pushing for improvements to retirement and savings policy with only limited coordination among them. Yet, there was so much common ground to leverage: Everyone wants to give more people in this country the opportunity to save and invest in their future; no one is satisfied with the status quo of elderly poverty and households depleting their savings in retirement.

Out of that reality, we launched the Funding Our Future initiative in 2018, in partnership with Ric Edelman of Edelman Financial Engines, to showcase the broad and collaborative base of support that retirement security has and requires.[lix] The U.S. retirement system's shortcomings are significant and will not disappear overnight. Our coalition's strength is directly tied to the bipartisan nature of this issue, allowing many voices to come together with the shared goal of making long-term financial security a reality for households across the country. Because of this broad tent, we now have more than 50 organizations involved in this effort, spanning the academic, nonprofit, trade association, and corporate sectors. Our work also recognizes that retirement security cannot be viewed in a vacuum—preparing for retirement is a lifelong pursuit that can get knocked off course by all sorts of financial pressures.

Although the coalition does not take a stance on legislation, the effort strives to elevate the solutions available—at both the federal and state levels and within the private sector—to tackle these challenges. Three key goals representing the financial lifecycle are shared by all our partners: (1) make saving easier for Americans at all ages; (2) help them transform nest eggs into retirement income; and (3) ensure that Social Security continues to be financially stable, both for current and future retirees.

The function of our coalition is to highlight the gaps in our existing system, encourage more people to save, advance financial literacy, and promote solutions that ultimately improve financial security for all Americans as they age. We have been honored to collaborate with several members of Congress from both parties in our work, and we welcome the opportunity to engage further with any of you who are looking to advance this issue.

Indeed, in just the past few years, Congress has already rolled up its sleeves. Retirement security has seen big policy wins, which have been the result of strong bipartisan cooperation. The SECURE Act was a long time in the making, finally passing in 2019 with overwhelming support and countless congressional champions.[lx] It could not have happened without the hard work of many on this committee. The SECURE Act increased workplace retirement savings by reducing barriers for small businesses to offer retirement plans, expanded 401(k) coverage to more part-time workers, made lifetime income options easier to include in retirement plans, and paid for these changes by closing a tax loophole that benefitted those with large inheritances.

More progress came just last week, as under the leadership of Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX), the House Ways & Means Committee reported out the Securing a Strong Retirement Act of 2021, commonly known as SECURE 2.0, by voice vote.[lxi] This bill has many important provisions, including:

- Requiring automatic enrollment for most new workplace retirement plans,
- Increasing plan access for some long-term, part-time workers,
- Exempting many retirement savers from required minimum distributions, and
- Further facilitating lifetime income tools in retirement plans.

BPC hopes this promising bill will continue to be refined and improved as it advances toward passage. The prospect of legislation along these lines is strong in the Senate, as well, partially due to the legwork done by Senators Ben Cardin (D-MD) and Rob Portman (R-OH), who are working to reintroduce their Retirement Security and Savings Act, which shares many similarities with SECURE 2.0.[lxii] Their bill further helps Americans struggling to save by making the saver's credit refundable (and thereby available) to many more low- and moderate-income savers who do not benefit from the current tax deduction for retirement contributions.

To make the retirement savings system more progressive and offset the cost of this change, a limit could be imposed on the tax preference for retirement savings once an individual has amassed a certain large sum in their account(s). Millionaires should be able to save as much of their income as they want, but at some point, other taxpayers need not continue subsidizing their wealth accumulation.

I want to conclude by thanking the Committee once again for convening this hearing. Retirement security is a critical topic that is often overlooked, but with your continued

leadership and bipartisan collaboration, further progress is possible this year. I look forward to your questions.

---

[i] www.bipartisanpolicy.org.
[ii] V. Lance Tarrance, "Despite U.S. Economic Success, Financial Anxiety Remains," Gallup, July 12, 2019.
[iii] Juliette Cubanski, Wyatt Koma, Anthony Damico, and Tricia Neuman, "How Much Do Medicare Beneficiaries Spend Out of Pocket on Health Care?" Kaiser Family Foundation, November 4, 2019.
[iv] For shares believing their retirement savings are or are not on track, see: Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2019," May 2020. For share of households projected to run short of money, see: Jack VanDerhei, "Retirement Savings Shortfalls: Evidence from EBRI's 2019 Retirement Security Projection Model," March 7, 2019.
[v] Alicia H. Munnell, Anqi Chen, and Robert L. Siliciano, "The National Retirement Risk Index: An Update from the 2019 SCF," Center for Retirement Research at Boston College, January 2021.
[vi] Organization for Economic Cooperation and Development, "Old-Age Income Poverty," 2019.
[vii] Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, "The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," April 22, 2020.
[viii] Nicko Gladstone, Shai Akabas, and Kara Watkins, "New BPC Survey Shows Americans Need Better Ways to Save for Emergencies," Bipartisan Policy Center, February 25, 2021.
[ix] Nicko Gladstone, Shai Akabas, and Kara Watkins, "New BPC Survey Shows Americans Need Better Ways to Save for Emergencies," Bipartisan Policy Center, February 25, 2021.
[x] Bureau of Labor Statistics, "Higher paid workers more likely to have access to retirement benefits than lower paid workers," June 23, 2017.
[xi] Bureau of Labor Statistics, "Higher paid workers more likely to have access to retirement benefits than lower paid workers," June 23, 2017.
[xii] Bureau of Labor Statistics, "67 percent of private industry workers had access to retirement plans in 2020," March 1, 2021.
[xiii] John Scott, "Small Business Views on Retirement Savings Plans," the Pew Charitable Trusts, January 11, 2017.
[xiv] Bureau of Labor Statistics, "67 percent of private industry workers had access to retirement plans in 2020," March 1, 2021.
[xv] Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," FEDS Notes, September 28, 2020.
[xvi] Susan K. Urahn, Travis Plunkett, John Scott, Andrew Blevins, Sarah Spell, and Theron Guzoto, "Employer-Sponsored Retirement Plan Access, Uptake, and Savings: Workers Report Barriers and Opportunities," the Pew Charitable Trusts, September 2016.
[xvii] John Scott, "Survey Highlights Worker Perspectives on Barriers to Retirement Saving," the Pew Charitable Trusts, September 20, 2017.
[xviii] Georgetown University Center for Retirement Initiatives, "Monthly State Program Performance Data & Trends," 2021.
[xix] Employee Benefit Research Institute, "2019 Retirement Confidence Survey: Generation X Report," April 30, 2019.
[xx] Stan Treger and Steve Wendel, "The COVID-19 Pandemic, Retirement Savings, and the Financial Security of American Households," Morningstar, April 12, 2021.
[xxi] Roert Argento, Victoria L. Bryant, and John Sabelhaus, "Early Withdrawals from Retirement Accounts During the Great Recession," *Contemporary Economic Policy*, 33(1): 1-16, 2015.
[xxii] Employee Benefit Research Institute, "The Largest Leakage Culprit: Job Change Cashouts," July 17, 2014.
[xxiii] Employee Benefit Research Institute, "The Largest Leakage Culprit: Job Change Cashouts," July 17, 2014.
[xxiv] For 25%, see: Signe-Mary McKernan, Caroline Ratcliffe, Breno Braga, and Emma Kalish, "Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities," the Urban Institute, April 2016. For more than 40%,

see: Peter Ganong, Damon Jones, Pascal Noel, Diana Farrell, Fiona Greig, and Chris Wheat, "Wealth, Race, and Consumption Smoothing of Typical Income Shocks," working paper, April 21, 2020.

[xxv] Signe-Mary McKernan, Caroline Ratcliffe, Breno Braga, and Emma Kalish, "Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities," the Urban Institute, April 2016.

[xxvi] For one-sixth statistic, see: Peter Ganong, Damon Jones, Pascal Noel, Diana Farrell, Fiona Greig, and Chris Wheat, "Wealth, Race, and Consumption Smoothing of Typical Income Shocks," working paper, April 21, 2020. For majority of Black and Hispanic households with no emergency savings, see: Prosperity Now, "Vulnerability in the Face of Economic Uncertainty: Key Findings from the 2019 Prosperity Now Scorecard," January 2019.

[xxvii] Hilary Hoynes, "The Employment, Earnings, and Income of Less Skilled Workers Over the Business Cycle," NBER Working Paper No. 7188, June 1999.

[xxviii] Signe-Mary McKernan, Caroline Ratcliffe, Breno Braga, and Emma Kalish, "Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities," the Urban Institute, April 2016.

[xxix] Alicia H. Munnell, "The Average Retirement Age: An Update," Center for Retirement Research at Boston College, March 2015.

[xxx] American Academy of Actuaries, "Risky Business: Living Longer Without Income for Life, Legislative and Regulatory Issues," October 2015.

[xxxi] Office of Richard Neal, "Neal Praises House Passage of Landmark Retirement Legislation, the SECURE Act," May 23, 2019.

[xxxii] For total home equity, see: Board of Governors of the Federal Reserve System, "Financial Accounts of the United States," April 1, 2021. For total retirement assets, see: Investment Company Institute, "Retirement Assets Total $34.9 Trillion in Fourth Quarter 2020," March 18, 2021.

[xxxiii] Government Accountability Office, "Most Households Approaching Retirement Have Low Savings," May 2015.

[xxxiv] Kent Conrad and James B. Lockhart III, Co-Chairmen, "Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings," Bipartisan Policy Center, June 2016.

[xxxv] Kent Conrad and James B. Lockhart III, Co-Chairmen, "Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings," Bipartisan Policy Center, June 2016.

[xxxvi] Zhe Li, "Household Debt Among Older Americans, 1989-2016," Congressional Research Service, September 11, 2019.

[xxxvii] Rene Schaefer, "Do the New Mortgage Interest Rules Affect You?" Clark Nuber, August 24, 2020.

[xxxviii] National Financial Capability Study, "U.S. Survey Data at a Glance," FINRA Investor Education Foundation, 2021.

[xxxix] John Scott, "Survey Highlights Worker Perspectives on Barriers to Retirement Saving," the Pew Charitable Trusts, September 20, 2017.

[xl] John Beshears, James J. Choi, David Laibson, and Brigitte C. Madrian, "Active Choice, Implicit Defaults, and the Incentive to Choose," NBER Working Paper No. 25473, January 2019.

[xli] Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, "The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," April 22, 2020.

[xlii] Stephen Miller, "State-Run Auto-IRAs Are Spreading While Critics Note Shortcomings," Society for Human Resources Management, June 6, 2019.

[xliii] Kent Conrad and James B. Lockhart III, Co-Chairmen, "Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings," Bipartisan Policy Center, June 2016.

[xliv] John Scott, "Survey Highlights Worker Perspectives on Barriers to Retirement Saving," the Pew Charitable Trusts, September 20, 2017.

[xlv] Jeffrey W. Clark and Jean A. Young, "Automatic Enrollment: The Power of the Default," Vanguard, February 2021.

[xlvi] BlackRock, "UPS, Mastercard, Etsy, Brightside, Arizona State University, and Acorns Join BlackRock's Emergency Savings Initiative," October 3, 2019.

[xlvii] Catherine Wright and Dupe Fasawen, "Behind the Scenes: How Commonwealth Partnered with UPS and Voya to Achieve an Emergency Savings Milestone," BlackRock's Emergency Savings Initiative, November 12, 2020.

[xlviii] For health, see: Heather N. Odle-Dusseau, Russell A. Matthews, and Julie H. Wayne, "Employees' Financial Insecurity and Health: The Underlying Role of Stress and Work–Family Conflict Appraisals," *Journal of Occupational and Organizational Psychology*, 91(3): 546-568, 2018. For productivity, see: Stephen Miller, "Employees' Financial Issues Affect Their Job Performance," Society for Human Resource Management, April 29, 2016.
[xlix] Jamie Kalamarides, "Making It Easier for People to Save for Emergencies," Prudential, December 20, 2019.
[l] John Beshears, James J. Choi, Mark Iwry, David John, David Laibson, and Brigitte C. Madrian, "Building Emergency Savings Through Employer-Sponsored Rainy-day Savings Accounts," NBER Working Paper No. 26498, November 2019.
[li] Retirement Security Flexibility Act of 2019, S. 1020, 116h Cong. (2019-2020).
[lii] S. Kathi Brown, "Saving at Work for a Rainy Day: Results from a National Survey of Employees," AARP Public Policy Institute, 2018.
[liii] Nicko Gladstone, Shai Akabas, and Kara Watkins, "New BPC Survey Shows Americans Need Better Ways to Save for Emergencies," Bipartisan Policy Center, February 25, 2021.
[liv] Stan Treger and Steve Wendel, "The COVID-19 Pandemic, Retirement Savings, and the Financial Security of American Households," Morningstar, April 12, 2021.
[lv] Securing a Strong Retirement Act of 2021, H.R. 2954, 117th Congress (2021-2022).
[lvi] Nicolle Willson, "401(k) Nondiscrimination Tests: How to Stay Compliant," April 2, 2020.
[lvii] Retirement Security Flexibility Act of 2019, S. 1020, 116th Cong. (2019-2020).
[lviii] Kent Conrad and James B. Lockhart III, Co-Chairmen, "Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings," Bipartisan Policy Center, June 2016.
[lix] www.fundingourfuture.us.
[lx] Office of Richard Neal, "Neal Praises House Passage of Landmark Retirement Legislation, the SECURE Act," May 23, 2019.
[lxi] John Manganaro, "SECURE Act 2.0 Passed Unanimously by Ways and Means Committee," PlanSponsor, May 5, 2021.
[lxii] Office of Rob Portman, "Portman Priorities to Help Americans Save for Retirement Included in New Brady, Neal Bipartisan Legislation," October 27, 2020.

[SUMMARY STATEMENT OF SHAI AKABAS]

1. Too many workers lack the ability to save in a workplace retirement plan—especially workers who are disadvantaged or employed at small businesses. Lawmakers can most effectively increase access by relaxing regulatory burdens that prevent small-and medium-sized businesses from starting retirement plans and by creating a nationwide minimum-coverage standard to harmonize the patchwork of rules being created at the state level.

2. Workers need emergency savings for short-term financial stability and to protect retirement savings from current spending needs. Congress can help Americans build emergency savings by clearing the way for firms to automatically enroll their employees in workplace emergency savings plans.

3. Automatic enrollment and automatic escalation of employee contributions are critical features for retirement plans to incorporate. Widespread adoption will mean more savers and greater savings. Legislation that would increase the use of these features could significantly boost retirement outcomes.

4. Retirement security has been a standout area of working across party lines. This issue can and should remain bipartisan to most effectively help Americans meet their retirement goals.

The CHAIR. Thank you.
We will turn to Ms. Kyle.

STATEMENT OF DEVA KYLE, COUNSEL, BREDHOFF & KAISER, WASHINGTON, DC

Ms. KYLE. Chair Murray, Ranking Member Burr, and Members of the Committee, thank you for the opportunity to testify today about disparities in retirement savings.

My name is Deva Kyle, and I am of counsel with the law firm of Bredhoff & Kaiser. Since joining the firm in 2019, I have represented pension plans and labor organizations in the public and private sector in a range of industries, including food service, education, manufacturing, cleaning services, and construction. I work principally as benefits counsel, providing advice on Federal and state compliance as it relates to 401(k) and other defined contribution, defined benefit, and health and welfare plans.

Before joining Bredhoff & Kaiser, I spent 15 years in government. I worked at the Pension Benefit Guaranty Corporation on detail with the Treasury Department, and the House of Representatives Ways and Means Committee, where I advised on a range of tax and retirement issues. I have dedicated the better part of the last two decades to supporting the retirement systems so many rely on in this Country.

In my testimony today, I will be discussing retirement savings with a focus on class disparities, racial disparities, and gender disparities. While the numbers are different in each of these groups, the story is the same. Retirement policy that relies on the ability of individuals to save will only exacerbate the income inequality already present in this Country.

In 2019, high-income families were 14 times more likely to have retirement savings accounts than low-income families. Those with incomes in the bottom 20 percent of earners have zero savings, and those in the second bottom 20 percent of earners have only $860 in savings.

When you look at the median working family that actually does have retirement savings, they have, on average, only $11,700 saved in their retirement accounts.

Part-time workers, whose jobs are the most insecure, not only do not save for retirement, but do not see retirement as an option. Over half of part-time workers in a recent survey said they will keep working past normal retirement age, and over one in five said that they will never retire.

When we look at retirement disparities among race and ethnic lines, the picture is even worse. By and large, White people have substantially more retirement savings and retirement plan participation than people of color. In 2016, the average White family had almost $160,000 in liquid retirement savings, compared to only about $25,000 for Black families and $29,000 for Hispanic families. Most Black and Hispanic households have no retirement savings at all.

Many of the disparities we see by gender come from the fact that women are disproportionately low-wage workers and work in industries that do not provide access to employer-sponsored retirement plans. Disparities in retirement savings between men and women also are a result of the persistent gender wage gap.

Because labor unions fight and achieve improved wages and benefits for working people, it is not surprising that union membership substantially improves access to the participation in retirement benefits that are provided through employment, especially for blue collar jobs. The U.S. Bureau of Labor Statistics reported that in 2019, over 90 percent of union workers had access to private retirement benefits, compared to less than two-thirds of non-union workers.

Women and people of color have faced increased difficulties in saving for retirement as a result of the COVID–19 pandemic, and many no longer have jobs to provide income that allow them to save for retirement. In total, over 2.3 million women left the labor workforce from February 2020 to February 2021, a disproportionate number as compared to their percentage in the overall workforce. When women and people of color cannot pay for their day-to-day needs, they cannot save for retirement.

As these disparities make clear, retirement insecurity is highly correlated to whether workers have the disposable income to afford to save for retirement, but this does not have to be the case. Policies that improve worker wages, expand access, and require employer contributions—not just matching contributions—to defined contribution plans and provide workers with funds to cover emergencies so that they can save for retirement all will bolster retirement savings for working people.

Proposals that are targeted to retirement disparities will also help. The Women's Retirement Protection Act, for example, extends spousal consent requirements into defined contribution plans so women do not unknowingly lose their retirement at divorce, and allows more long-term, part-time workers, who are disproportionately women, to participate in company plans.

I testify today about the disparities in retirement, but I am not a sociologist and I am not an economist. I am an attorney who sees these disparities in my work with working people every day. I see

it when plans review the impact of robust stock markets on plan investments and then turn to consider appeals for members with limited means who have been denied benefits. I see it when corporations decide to work from home and their janitors lose their jobs and their retirement savings all at once.

I ask as you consider retirement policy that you remember these workers and three things:

Defined contribution plans are an important source of retirement income for many Americans, but right now they are insufficient to provide lifetime income for most.

Unions help the most vulnerable workers advocate for better, more secure retirement, and public policy should reflect that.

Last, adequately funding Social Security will have the biggest impact on retirement security for most workers in this Country because these workers simply do not make enough money in their working years to cover decades of retirement.

I would like to thank the Committee for their time and attention today and for their commitment to closing disparities in retirement savings in this Country.

[The prepared statement of Ms. Kyle follows:]

PREPARED STATEMENT OF DEVA KYLE

Chair Murray, Ranking Member Burr, and Members of the Committee, I want to thank you for the opportunity to testify today about disparities in retirement savings in furtherance of your efforts to ensure all Americans have the means to enjoy a secure retirement.

My name is Deva Kyle, and I am Of Counsel with the law firm of Bredhoff & Kaiser, P.L.L.C. Since joining the firm in 2019, I have represented pension plans and labor organizations that represent workers in the public and private sectors in a range of industries including: food service, education, professional sports, home healthcare, manufacturing, cleaning services, and construction. I work principally as benefits counsel providing advice on Federal and state compliance as it relates to 401(k) and other defined-contribution, defined-benefit, and health and welfare plans.

Before joining Bredhoff & Kaiser, I spent 15 years in government. After graduating from Georgetown University Law Center in 2004, I worked at the Pension Benefit Guaranty Corporation serving first as a staff attorney and Assistant Chief Counsel before moving into retirement policy in the role of Staff Director of Policy and External Affairs. In 2015, I went on detail to assist the Treasury Department with what was then a new pension program under the Multiemployer Pension Reform Act of 2014 and served on detail in the House of Representatives as Tax Counsel with the Ways and Means Committee, advising on a broad range of tax and retirement issues. I have dedicated the better part of the last two decades to supporting the public and private retirement systems so many rely on in this country.

In my testimony today, I will be discussing retirement savings with a focus on class disparities, racial disparities, and gender disparities. While the numbers differ for each of these groups, the story is the same—retirement policy that relies solely on the ability of individuals to save will only exacerbate the income inequality already present in this country.

Retirement Security Still Unavailable to Many

Many Americans have begun contemplating retiring years earlier than planned.[1] 2.7million Americans over 55 years old are considering early retirement, and "[t]he number of people expecting to work beyond age 67 fell to a record low of 32.9 percent last month."[2] Some of these individuals are choosing to retire early because

[1] Michael Sasso and Alexandre Tanzi, *Affluent Americans Rush to Retire in New 'Life-Is-Short' Mindset*, Daily Lab. Rep. (BL) (Apr. 30, 2021), *available at https://www.bloomberg.com/news/articles/20210430/more-americans-are-considering-retirement-because-of-covid* (last visited May 10, 2021).

[2] *Id*.

of fatigue from the global pandemic.[3] Those with the luxury to even contemplate early retirement can do so because they have savings sufficient to last them their whole lives. These potential early retirees are disproportionately white with high salaries and large amounts of accumulated wealth.[4] Many working-class people, people of color, and women, however, cannot retire early or at all because their savings are not and will never be sufficient to last them into old age.

i. Socioeconomic Status

In 2013, the median income for individuals with retirement savings was three times that of individuals without retirement savings.[5] Broadly speaking, the societal shift from pension plans to defined contribution plans has amplified disparities in retirement savings along class lines. In 2019, 72 percent of families below retirement age in the top quintile participated in defined-contribution plans, as compared to only 5 percent of families in the bottom quintile—to put it another way, high-income families were 14 times more likely to have retirement savings accounts than low-income families.[6]

Participation in defined-contribution plans is highly correlated to relative socioeconomic status, even among those who are considered middle class. Almost two-thirds (58 percent) of families in the upper-middle class participate in defined-contribution plans.[7] That number drops to four in ten (40 percent) families in the middle class, and only one fourth (25 percent) of families in the lower-middle class.[8] This disparity in actual participation may, in part, be explained by the fact that 401(k) plans require workers to contribute, which is a greater hurdle for lower-income workers with less disposable income, lower investment risk tolerance, and lesser tax breaks.[9]

Of households with savings, the amount of savings varies widely based on economic class. While median households with savings only have $11,700 saved, families in the 90th percentile have $568,030 saved.[10]

Many households have no savings at all. Those with incomes in the bottom 20 percent of earners have zero savings and those in the second-bottom 20 percent of earnings have only $860 in savings.[11] Significantly, studies have shown that savings-based retirement plans not only reflect income inequality, but also amplify it. Sixty percent of working-age families receive 17 percent of total income but hold only 8 percent of retirement savings, while the top 20 percent of earners receive 64 percent of income but hold 79 percent of retirement account balances in 2019.[12]

Part-time workers, whose jobs are most insecure, not only do not save for retirement but do not see retirement as an option.[13] Over half of part-time workers in a recent survey said they also will keep working past normal retirement age and over one in five said that they will never retire.[14] Only 15 percent of full-time workers said the same.[15]

---

[3] *Id.*
[4] *Id.*
[5] Jennifer Erin Brown, Joelle Saad-Lessler & Diane Oakley, *Retirement in America: Out of Reach for Working Americans?*, Nat'l Inst. on Ret. Sec. (Sept. 2018), at 8, *available at https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis-Final.pdf* (last visited May 10, 2021).
[6] Monique Morrissey, *The State of American Retirement Savings, How the shift to 401(k)'s has increased gaps in retirement preparedness based on income, race, ethnicity, education, and marital status*, Econ. Pol'y Inst. (Dec. 10, 2019), at 9, 13, *available at https://files.epi.org/pdf/136219.pdf* (last visited May 10, 2021), updated by the author.
[7] *Id.* at 9.
[8] *Id.*
[9] Monique Morrissey and Natalie Sabadish, *Retirement Inequality Chartbook, How the 401(k) revolution created a few big winners and many losers*, Econ. Pol'y Inst. (Sept. 6, 2013), at 3, 5, *available at https://files.epi.org/2013/epi-retirement-inequality-chartbook.pdf* (last visited May 10, 2021).
[10] Kathleen Elkins, *Here's How Much Money Americans Have in Savings at Every Income Level*, Make It, CNBC (September 27, 2018) *available at https://www.cnbc.com/2018/09/27/heres-how-much-money-americans-have-in-savings-at-every-income-level.html* (last visited May 11, 2021).
[11] *Id.*
[12] Morrissey, *supra* note 9, at 23, updated by the author.
[13] Transamerica Center for Retirement Studies, *Retirement Security: A Compendium of Findings About U.S. Workers: 20th Annual Transamerica Retirement Survey* (December 2020), *available at https://transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2020-sr-20th-annual-compendium-of-workers-report.pdf* (last visited May 10, 2021).
[14] *Id.*
[15] *Id.*

These numbers underscore the importance of Social Security. Social Security is the greatest source of household wealth for half of workers nearing retirement. Social Security represents 58 percent of net wealth for near retirees in the bottom half or the wealth distribution; 27 percent for the middle class; and 7 percent for the top 10 percent.[16]

ii. Race/Ethnicity

When we look at retirement disparities along race and ethnic lines, the picture is worse. By and large, White people have substantially more retirement savings and retirement plan participation than people of color.[17]

Most Black and Hispanic households have no retirement savings at all.[18] Fully 61 percent of Hispanic Americans and 54 percent of Black Americans are at risk for having inadequate income in retirement, compared to 48 percent of White Americans.[19] But significantly, Black and Hispanic participation in retirement savings plans has gotten worse over time, particularly since the Great Recession. From 2007 to 2019, the percentage of Hispanic families with retirement savings dropped from 38 percent to 32 percent; for Black families, the percentage dropped from 47 percent to 44 percent.[20] Meanwhile, in 2019, 65 percent of White families had retirement savings, only slightly less than in 2007 (67 percent).[21] The disparities in participation in 401(k) plans are similar, with 50 percent of White families participating in such plans in 2019, compared to 37 percent of Black families and 26 percent of Hispanic families.[22]

When looking at the amount of retirement savings Americans have in their retirement plans, disparities along racial lines are even more stark. In 2016, the average White family had almost $160,000 in liquid retirement savings (including 401(k), 403(b), and IRAs), compared to only about $25,000 for Black families and $29,000 for Hispanic families.[23] As with participation rates, the amount of retirement savings held by Black and Hispanic families declined after the Great Recession and took over 10 years to recover, in contrast to White families whose savings recovered more quickly. In 2016, the median account balance for Black families with retirement savings was about $31,000, down from nearly $36,000 in 2007; the median amount for Hispanic families with savings in 2016 was $24,000, down from $30,000 in 2007.[24] The median amount for White families with savings, on the other hand, increased from $77,000 in 2007 to over $85,000 in 2016. The median account balance for White families with savings in 2019 ($83,000) remains over twice as high as the median account balance for Black families with savings ($40,000) or Hispanic families with savings ($38,000).over twice as high as the median account balance for Black families with savings ($40,000) or Hispanic families with savings ($38,000).over twice as high as the median account balance for Black families with savings ($40,000) or Hispanic families with savings ($38,000).[25]

A significant reason for these disparities in savings can be traced to racial wage gaps. A 2019 study by the Economic Policy Institute found that college-educated White workers earned an average of $35.90 per hour, compared to $30.35 for Hispanic workers and $27.81 for Black workers with the same level of education.[26] Yet the race-based gaps in retirement wealth cannot be attributed to income differences

[16] Does Wall Street Always Win? GameStop, Robinhood, and Retail Investors: Hearing Before the U.S. Senate Committee on Banking, Housing, And Urban Affairs, 117th Cong. (2021). (Oral Testimony of Teresa Ghilarducci).

[17] Mark Miller, *America's Retirement Race Gap, and Ideas for Closing It*, N.Y. TIMES (Aug. 14, 2020), *available at https://www.nytimes.com/2020/08/14/business/retirement-inequality-racism.html* (last visited May 10, 2021).

[18] Morrissey, *supra* note 6, at 14, updated by the author.

[19] Margarida Correia, *Plans Tackle Problem of Racial Disparity in Savings*, Pensions & Investments (Nov. 16, 2020), *available at https://www.pionline.com/defined-contribution/plans-tackle-problem-racial-disparity-savings* (last visited May 10, 2021).

[20] Morrissey, *supra* note 6, at 14, updated by the author.

[21] *Id.*

[22] *Id.* at 9.

[23] Urban Inst., *Nine Charts About Wealth Inequality in America (Updated)*, (*last updated* Oct. 5, 2017), *available at https://apps.urban.org/features/wealth-inequality-charts/* [hereinafter *Nine Charts About Wealth Inequality*] (last visited May 10, 2021).

[24] Morrissey, *supra* note 6, at 15, updated by the author. Amounts are adjusted for inflation to 2019 dollars.

[25] *Id.*

[26] Elise Gould, *State of Working America Wages 2019*, A story of slow, uneven, and unequal wage growth over the last 40 years, Econ. Pol'y Inst. (Feb. 20, 2020), *available at https://files.epi.org/pdf/183498.pdf* (last visited May 10, 2021).

alone, as at the same income levels, gaps in retirement wealth along racial lines remain.[27]

iii. Sex/Gender

Many of the disparities we see by gender result from women being disproportionately low-wage workers[28] who work in industries that do not provide access to employer-sponsored retirement plans.[29] Disparities in retirement savings between men and women also are a result of the persistent gender wage gap. On average, a woman is still paid 82 cents for every dollar a man is paid.[30] Similarly, as of 2016, the median household income for retirement-aged women was just over $47,000—83 percent of the median household income for men of the same age ($57,144).[31]

The gender wage gap, however, does not tell the whole story. At each generational level, women are contributing a lower percentage of their income to their 401(k) plans than men.[32] Recent data show larger gaps between annual income and 401(k) balances for women than for men. A T. Rowe Price Retirement Savings and Spending study found that women's median annual income in 2019 was $57,900 while their median 401(k) balance was $48,300, whereas for men, their 2019 median annual income was $85,500 compared to a median 401(k) balance of $84,600.[33] The disparity between men and women in median 401(k) balances grew in 2020, with the median balance for women growing to $52,300 while the median balance for men grew to $90,800.[34]

Disparities in retirement savings between men and women are exacerbated by the fact that women. on average, live longer than men, meaning women generally must stretch to make less money sustain them for longer periods.[35]

iv. Effects of Union Membership

Because labor unions fight in large part to improve wages and benefits for working people, it is not surprising that union membership substantially improves access to and participation in retirement benefits that are provided through employment, especially for those in blue collar jobs. The U.S. Bureau of Labor Statistics reported that, in 2019, 91 percent of union workers had access to private sector retirement benefits, compared to 65 percent of nonunion workers.[36] This difference is attributable in substantial part to union members' access to defined-benefit plans in lieu of defined-contribution plans. The same set of statistics demonstrated that 79 percent of union members had access to defined-benefit plans as compared to 17 percent of nonunion workers.[37]

Union membership improves retirement outcomes beyond providing workers access to retirement plans. One study found that union membership also has a posi-

---

[27] *Nine Charts About Wealth Inequality*, *supra* note 21; *see also* Morrissey & Sabadish, *supra* note 8, at 38 (describing data "suggest[ing] that the growing disparity in retirement savings is not simply a function of income inequality, but that our retirement system exacerbates inequality between racial and ethnic groups").

[28] National Women's Law Center, *Women and the Minimum Wage, State by State* (January 12, 2021) *available at https://nwlc.org/resources/women-and-minimum-wage-state-state/* (last visited May 11, 2021).

[29] Annie Nova, Carmer Reinicke, *Why the 401(k) Won't Fix the U.S. Retirement Crisis*, CNBC (February 12, 2021) *available at https://www.cnbc.com/2021/02/14/why-401k-wont-fix-us-retirement-crisis.html* (last visited May 11, 2021).

[30] Catherine Tymkiw, *Retirement Savings by Gender, Learn what's behind the retirement savings gap*, Investopedia (last updated Apr. 7, 2021), *available at https://www.investopedia.com/retirement-savings-by-gender5100948* (last visited May 10, 2021).

[31] Tyler Bond, Joelle Saad-Lessler, Ph.D., and Christian E. Weller, Ph.D., *Still Shortchanged, An Update on Women's Retirement Preparedness*, Nat'l Inst. on Ret. Sec. (May. 2020), at 1, *available at https://www.nirsonline.org/wp-content/uploads/2020/04/Still-Shortchanged-Final.pdf* (last visited May 10, 2021).

[32] Judith Ward, CFP, *Retirement Savings by Gender: What You Need to Know*, T. Rowe Price (May 10, 2021), *available at https://www.troweprice.com/content/dam/iinvestor/resources/insights/pdfs/retirement-savings-gender-gap-what-you-need-to-know.pdf*.

[33] *Id*.

[34] *Id*.

[35] Benjamin Curry and E. Napoletano, *How the Gender Gap Impacts Women's Retirement* Forbes Advisor (May 10, 2021), *available at https://www.forbes.com/advisor/retirement/retirement-gender-income-gap/*.

[36] U.S. Bureau of Labor Statistics, *67 percent of private industry workers had access to retirement plans in 2020*, TED: The Economics Daily, (March 1, 2021), *available at https://www.bls.gov/opub/ted/2021/67-percent-of-private-industry-workers-had-access-to-retirement-plans-in-2020.htm* (last visited May 11, 2021).

[37] *Id*.

tive effect on retirement *satisfaction* by, for example, reducing incidences of forced retirement.[38]

Covid–19 Exacerbated Inequality in Retirement in America

Women and people of color have faced increased difficulties in saving for retirement due to the Covid–19 pandemic, not the least of which is that many no longer have jobs that provide the income that allows them to save for retirement.[39] Jobs that are held disproportionately by women were hit the hardest: 83 percent of waitresses, 72 percent of cleaners, and 58 percent of cooks lost their jobs in the first 6 weeks of the pandemic.[40] The National Women's Law Center found that by the beginning of 2021, four out of five adults in the US who stopped working or stopped looking for work were women.[41] In total, over 2.3 million women left the labor force from February 2020 to February 2021, a disproportionate number as compared to their percentage of the overall workforce.[42] When women and people of color cannot pay for their day-to-day needs, they cannot save for retirement.

I started this testimony describing a recent news article that states that, due to the pandemic, wealthy people are retiring early.[43] Their retirement plans, funded through employer contributions and ample excess income put into savings, have fared well in the stock market. Social and personal hardships brought on by the pandemic have also led them to take stock in their lives. The impact of the pandemic for working people has been very different. Almost a third of Americans withdrew or borrowed money from their retirement plans in the last year.[44] Over 60 percent of people who withdrew their retirement savings during the pandemic did so to cover basic living expenses.[45] Provisions in the CARES Act and the American Rescue Plan understandably allowed additional withdrawals from retirement savings because many people had no other source of income to cover expenses while jobs were shuttered. These workers that were able to make it through difficult times with the help of savings were then left with an even larger retirement income deficit to fill.

Conclusion

As these disparities make clear, retirement insecurity is highly correlated to whether workers have the disposable income to afford to save for retirement. This does not have to be the case, however. Policies that improve worker wages, require employer contributions (not just matching contributions) to defined-contribution plans, and provide workers with funds to cover emergencies so that they can save for retirement without having to draw down on their retirement savings will help to bolster retirement savings for working people.

Proposals that are targeted to reduce retirement income disparities will also help. The Women's Retirement Protection Act, for example, extends spousal consent requirements to defined contribution plans so women do not unknowingly lose retirement income at divorce.[46] The bill also allows more long-term part-time workers to participate in company retirement plans.

I testify today about disparities in retirement, but I am not a sociologist or economist. I am an attorney who sees these disparities in my work every day. I see it when pension plans review the impact of a robust stock market on plan investments

[38] Kevin Neuman, *Is There Another Union Premium? The Effect of Union Membership on Retirement Satisfaction*, 64 Indus. & Lab. Rel. Rev., no. 5, 2011, at 981, 982, 998 (2011).

[39] Heather Long, Andrew Van Dam, Alyssa Fowers, and Leslie Shapiro, *The covid–19 recession is the most unequal in modern U.S. history*, Wash. Post (September 30, 2020), *available at https://www.washingtonpost.com/graphics/2020/business/coronavirus-recession-equality/* (last visited May 10, 2021).

[40] Tim Henderson, Stateline, Pew Charitable Trusts, *Single Mothers Hit Hard by Job Losses* (May 26, 2020), *available at https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2020/05/26/single-mothers-hit-hard-by-job-losses* (last visited May 10, 2021).

[41] Claire Ewing-Nelson and Jasmine Tucker, Nat'l Women's Law Ctr., *A Year Into the Pandemic, Women Are Still Short Nearly 5.1 Million Jobs*, (March 2021), *available at https://nwlc.org/wp-content/uploads/2021/03/Feb-Jobs-Day-v2.pdf* (last visited May 9, 2021).

[42] *Id.*

[43] *See, e.g.*, Michael Sasso and Alexandre Tanzi, *supra* note 1.

[44] Teresa Ghilarducci, *30 percent Of Workers Dipped into Retirement Funds During 2020*, Forbes (January 6, 2021), *available at https://www.forbes.com/sites/teresaghilarducci/2021/01/06/60-of-workers-dipped-into-retirement-funds-during–2020/?sh=5409dbfc7a64 (last visited May 11, 2021).*

[45] *Id.*

[46] Women's Retirement Protection Act, S. 975, 116th Cong. (2019).

and then turn to consider appeals from members with limited means who have been denied benefits. I see it when corporations decide to work-from-home endangering their janitors' jobs and retirement savings all at once. I ask, as you consider retirement policy, that you remember these workers and three things: defined-contribution plans are an important source of retirement income for many Americans but right now they are insufficient to provide lifetime income for most. Requiring employer contributions and otherwise increasing the value of these plans, will improve people's lives. Unions can and do help the most vulnerable workers advocate for a better more secure retirement, including lifetime income through defined benefit plans. Public policy should reflect that reality through support for legislation like the PRO Act.[47] Most importantly, expanding Social Security with legislation like the Social Security Expansion Act,[48] will have the biggest impact on retirement security for most workers in this country because these workers simply do not make enough money in their working years to cover decades of retirement. Indeed, in the latest study of U.S. workers by Transamerica Center for Retirement Studies, almost half of workers surveyed said that the No. 1 retirement priority for Congress should be addressing Social Security's funding shortfall.[49]

I would like to thank the Committee for its time and attention today, and for its commitment to closing the gaping disparities in retirement savings in this country. These gaps must be closed to ensure retirement security for all Americans.

[SUMMARY STATEMENT OF DEVA KYLE]

Participation in defined-contribution plans is highly correlated to relative socioeconomic status. Of households with savings, the amount of savings varies widely based on economic class. While median household with savings only have $11,700 saved, families in the 90th percentile have $568,030 saved. Many households have no savings at all.

Part-time workers, whose jobs are most insecure, not only do not save for retirement but do not see retirement as an option. Over half of part-time workers in a recent survey said they will keep working past normal retirement age and over one in five said that they will never retire.

When we look at retirement disparities along race and ethnic lines, the picture is worse. By and large, White people have substantially more retirement savings and retirement plan participation than people of color. The median account balance for White families with savings in 2019 ($83,000) remains over twice as high as the median account balance for Black families with savings ($40,000) or Hispanic families with savings ($38,000).

Many of the disparities by gender result from the fact that women are disproportionately low-wage workers and work in industries that do not provide access to employer-sponsored retirement plans. Disparities in retirement savings between men and women also are a result of the persistent gender wage gap.

Because labor unions improve wages and benefits for working people union membership substantially improves access to and participation in retirement benefits that are provided through employment, especially for those in blue collar jobs.

The Covid–19 pandemic only exacerbated inequality in retirement in America. In total, over 2.3 million women left the labor force from February 2020 to February 2021, a disproportionate number as compared to their percentage of the overall workforce. When women and people of color cannot pay for their day-to-day needs, they cannot save for retirement.

As these disparities make clear, retirement insecurity is highly correlated to whether workers have the disposable income to afford to save for retirement. This does not have to be the case. Policies that expand Social Security, improve worker wages, require employer contributions (not just matching contributions) to defined-contribution plans, and provide workers with funds to cover emergencies so that they can save for retirement without having to draw down on their retirement savings will help to bolster retirement savings for working people.

---

[47] Protecting the Right to Organize Act of 2021, S. 420, 117th Cong. (2021).
[48] Social Security Expansion Act, S. 478, 116th Cong. (2019).
[49] Transamerica Center for Retirement Studies, *Retirement Security: A Compendium of Findings About U.S. Workers: 20th Annual Transamerica Retirement Survey*, (December 2020), *available at https://transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2020-sr-20th-annual-compendium-of-workers-report.pdf* (last visited May, 10, 2021).

The CHAIR. Thank you.
Mr. Gray.

STATEMENT OF DAVE GRAY, HEAD OF WORKPLACE RETIREMENT PRODUCTS, FIDELITY INVESTMENTS, BOSTON, MA

Mr. GRAY. Chair Murray, Ranking Member Burr, and Members of the Committee, thank you for the opportunity to testify today. I am even more honored, given Fidelity's significant presence in many of the states represented by the Committee.

My name is Dave Gray, and I am the Head of Workplace Retirement Product at Fidelity Investments. Fidelity is the Nation's largest provider of workplace savings plans and individual retirement accounts. In our workplace-investing business, we have the privilege of serving more than 22,000 employers with over 33 million workplace participant accounts.

Today, I would like to share what is working in the retirement system, but mostly focus my time on steps that Congress can take to enhance it. We believe that workplace retirement plans have proven to be an indispensible foundation to the retirement system, assisting tens of millions of families. And the system is working well for those that can access and those that can optimize its features, like employer match and auto escalating contributions.

However, nearly 50 percent of private sector workers have lacked access to a workplace plan, so we applaud Congress for creating the Pooled Employer Plan, or PEPs, as part of the SECURE Act of 2019. PEPs are an excellent step forward toward addressing the retirement coverage gap by making it easier for small businesses to access a plan.

In response, Fidelity has created a PEP called the Fidelity Advantage 401(k), and our initial offer is deliberately focused on the needs of small businesses who do not yet offer a retirement plan. We are very proud to have enrolled a small grocery store, a women-owned publisher of children's books, and a securities services firm founded by two disabled veterans, just to name a few.

Fidelity, along with the other 60 or so entities that have registered with the Department of Labor to serve as a pooled plan provider, could go a long way together to help address the coverage gap.

Now, there are many areas in which working together, we believe we can enhance and strengthen the retirement security system. Over the past year, the COVID–19 pandemic has highlighted the challenges many American workers and their families face every day to cover immediate costs while still trying to save for the future.

Last year alone, 1.6 million Fidelity customers took distributions from their retirement accounts under the CARES Act due to the financial impact of the pandemic. The substantial number of withdrawals demonstrates the need for emergency savings. Employers can play a key role in helping workers accumulate short-term savings. And I will tell you, this is top of mind to many of the employers that we serve. Congress can support the adoption of emergency savings programs by enacting legislative change, such as allowing participants to earn a match to their retirement plan by means of contributing to an emergency savings account.

Additionally, employees are increasingly turning to their employers for help with tackling student debt. Seventy-nine percent of those with student debt tell us that it impacts their ability to save for retirement. Now, we applaud the extension of the CARES Act provision that allows employers to contribute up to $5,250 annually toward an employee's student loans, tax-free, through 2025.

However, we believe Congress can do more by passing legislation that would permit an employer to make matching contributions in the workplace retirement plan with respect to student loan payments. Our research shows that this legislation could have the effect of doubling retirement security for those that are struggling with student debt, and we are seeing significant pent-up demand from employers that are interested in offering such a solution.

Last, saving for retirement plans means factoring in healthcare costs. Fidelity estimates that a couple, age 65, retiring today will need about $300,000 to cover medical expenses throughout retirement, not including long-term costs. The long-term value of a health savings account can position a family for greater financial security, and we support legislation that would expand access to these savings vehicles and allow for additional contributions.

As a leading HSA provider, our data shows that the benefits of an HSA also extend to low-income levels and workers as they tend to accumulate a balance in their HSA accounts as years go by. And the vast majority of Fidelity's clients precede the HSA account with a specific amount, meaning that HSA holders, who may not be able to contribute much, will still benefit from the employer contribution.

In conclusion, Fidelity supports a number of bills that are being considered by the Senate and the House that address many of these issues. On behalf of Fidelity and the millions of Americans we serve, we appreciate the invitation to share our views, and we look forward to continuing to work with the Committee.

Thank you.

[The prepared statement of Dave Gray follows:]

PREPARED STATEMENT OF DAVE GRAY

Introduction

Chair Murray, Ranking Member Burr, and Members of the Committee, thank you for the opportunity to speak with you today on retirement security and how we can work together to build a better future for working Americans. I am even more honored to testify today given Fidelity's significant presence in many of the states represented by the Committee here, including major campuses in North Carolina, Colorado, Kentucky, New Hampshire, and New Mexico. My name is Dave Gray, and I am Head of Workplace Retirement Product and Platforms for Fidelity Investments.

Fidelity is the Nation's largest provider of workplace savings plans, including defined contribution (DC), defined benefit (DB), health and welfare and stock plan services to 22,000+ employers with 33.5 million workplace participant accounts. Fidelity provides recordkeeping, investment management, brokerage and custodial/trustee services to thousands of Code section 401(k), 403(b) and other retirement plans.

Employer-sponsored DC and DB retirement plans are an indispensable foundation to the U.S. retirement system. Retirement plans, like those Fidelity sponsors and administers, successfully assist tens of millions of families in accumulating retirement savings and will provide trillions of dollars in retirement income, helping our Nation's workers achieve a more financially secure retirement.

Congress has enacted legislation in recent years to build upon and expand the private retirement system, including encouraging more employers to voluntarily offer

a DC retirement plan, facilitating higher participation and savings rates with auto-enrollment and other auto-solutions, promoting prudent investing, streamlining plan administration and expense, and safeguarding participant interests. Fidelity supported the landmark legislation, Setting Every Community Up for Retirement Enhancement (SECURE) Act, that became law in late 2019 and brought meaningful enhancements to the private retirement system, such as modernizing the age at which retirees must begin taking required minimum distributions (RMDs), providing employers new tax credits as incentives to begin offering their employees a retirement plan, and creating open multiple employer plans (open MEPs)—a move that is allowing small businesses a simpler, more affordable way to offer their workers a retirement savings plan for the first time and ultimately helping reduce the retirement savings plan coverage gap.

Today, I plan to cover the ways in which Fidelity helps families and individuals navigate the road to retirement. We believe in a holistic approach to help workers achieve success, including the importance of starting financial education early, saving for emergencies and healthcare, balancing student loan payments with long-term savings goals, and reducing burdens on both employers and employees. Notably, the retirement system in the United States is already helping tens of millions of savers prepare for retirement and I will also address what is working and how we can build upon those successes.

Building a Better Future

Workplace retirement plans play a vital role in ensuring workers have access to easy and affordable savings vehicles throughout their careers. After decades of education and experience, the system is working well for those who have access and can optimize its features—such as maximizing an employer match, defaulting into investment options with appropriate asset allocation, and auto-escalating contributions. Along with Social Security, which serves as the foundation of retirement income for most Americans, private retirement savings help families successfully plan and prepare for their long-term financial needs.

For many families however, the road to retirement security can be rocky. At Fidelity, our customers constantly remind us that healthcare expenses, unforeseen emergencies, caregiving, and paying down student loan debt are among the more immediate needs that drive their financial decisions and prevent them from consistently saving for retirement. To address these challenges, workplace savings plans have proven to be one of the most effective means of providing financial help, through 1-on–1 assistance, workshops, online tools, and methods to support financial literacy. We take that responsibility seriously understanding that financial education, starting much earlier, is the gateway to higher financial confidence and decision making.

Financial Literacy

Research shows that only 27 percent of young adults know basic financial concepts such as interest rates, inflation and risk diversification. Simultaneously, households or individuals who are less financially literate have been found to be more likely to take "payday" loans, pay only the minimum balance on a credit card, take on high-cost mortgages, and have higher debt levels. Having a low level of financial literacy can make young adults less financially secure, less able to make financial decisions, and more vulnerable to financial issues. Financial tools and institutions can help, but access to these resources has historically been unequal. The lack of access for certain communities, especially low-income communities and communities of color, can prevent people from building wealth and achieving a number of financial goals including saving for retirement.

Additionally, research shows that children begin developing attitudes and behaviors about money as young as age six or seven, and according to additional research by the FINRA Foundation, more rigorous financial instruction leads to positive behavioral formation and better outcomes such as improved credit scores and lower credit delinquency.[1] Fidelity collaborates with a wide variety of both national and community partners to provide access to these resources for under-represented students in under-served communities.

Just as we provide our customers with guidance and financial tools to navigate through their life stages and decisions to reach their financial goals, we use a simi-

[1] FINRA, "State Financial Education Mandates: It's All in the Implementation," 2015. Found at: *https://www.finra.org/media-center/news-releases/2015/finra-foundation-funded-study-documents-effectiveness-state-financial*.

lar approach for the communities where our employees work and live. We connect our Fidelity associates with our partners to create and deliver financial education programs and experiences, both for school-age children to teach financial concepts and teachers to ensure they have the resources available to educate their classes. Through our programs, we have reached over 400,000 students and 3,500 teachers to date.

Emergency Savings

Over the past year, the COVID–19 pandemic has highlighted the challenges many American workers and their families face every day to cover immediate costs, while saving for the future. We saw millions of workers have taken an early withdrawal from their plan for an unexpected expense, and 58 percent of participants do not have enough short-term savings to cover a financial emergency.[2] The current pandemic has caused 1 in 5 people to consider taking a loan or withdrawal from their retirement savings plan.[3] During the pandemic, withdrawals increased as participants took advantage of expanded distribution options and favorable tax treatment for up to $100,000 of coronavirus-related distributions under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. From March 2020 to the end of the year, 1.6 million Fidelity customers had taken a CARES Act distribution from their retirement account, which represents 6.3 percent of eligible employees on our workplace savings platform. The majority of individuals (59 percent) took one withdrawal in 2020 and the overall average amount per withdrawal was $9,400 (the median amount per withdrawal was $2,500). The substantial number of withdrawals last year demonstrates the need for an emergency savings accounts.

While the pandemic has put a spotlight on this problem, families have been struggling with savings for emergencies well before last year. Families need emergency savings accounts to be more prepared for addressing the unplanned, but unavoidable challenges of life, not only during a pandemic. Fidelity believes that employers can play a key role in helping workers accumulate short-term savings, and we have seen compelling innovation in this space across employers and financial services providers.

Today, Fidelity enables thousands of employees to save for short-term goals including emergencies. Our "Goal Booster" program provides savers with a path to a liquid savings option, tracking tools and motivational insights to help them stay on track. While this is a good start to getting participants on track to cover immediate and short-term needs, we are exploring additional innovations that can be offered through the workplace and complement retirement plans—many of these ideas require legislative changes. For example, some employers are seeking an option where a participant can earn a "match" to their retirement plan by way of contributing to an emergency savings account, therefore facilitating long-term savings for individuals who may otherwise be unable to do so.

Student Debt

Additionally, employees are increasingly turning to their employers to help with all areas of financial wellness, including tackling student loan debt and managing healthcare expenses now and in retirement. Student loan debt is a serious problem in the country, with over 44 million Americans owing a combined total of $1.67 trillion in outstanding student debt.[4] Student loan debt can impact individuals many years after they graduate college. Though typically associated with only millennials, student debt impacts all age groups. In fact, 34 percent of Gen-Xers and 29 percent of baby boomers currently hold student debt and interest rates are actually highest among Boomers.[5]

At Fidelity, we see how student debt manifests as both a financial and emotional burden on savers. Our data shows that it is a barrier to moving forward with momentous life events, such as buying a home, getting married, or helping to pay for a child's higher education. We know that 79 percent of those with student debt say

---

[2] Based on 384.6k completed response of the Financial Wellness Assessment from 04/01/2019–03/31/2020.

[3] Fidelity Investments Market Uncertainty Study, April 2020, a nationwide survey of 1.6k adults 18 years of age or older with at least one investment account. This analysis is based on 716 working adults with a workplace retirement savings plan. The study was fielded from April 1–8, 2020 by ENGINE INSIGHTS, an independent research firm not affiliated with Fidelity Investments. The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study.

[4] Nerd Wallet, 2021 Student Loan Debt Statistics.

[5] Fidelity Investments Student Debt Tool as of December 30, 2020.

that student debt impacts their ability to save for retirement, and 69 percent report that they reduced their retirement deferrals by stopping contributions entirely or took loans or hardship withdrawals. On average, participants with student debt contribute 6 percent less to their retirement accounts than individuals without student debt.[6]

Fidelity applauds the steps Congress has recently taken to reduce the burden of paying down student debt. In particular, we supported a provision in the CARES Act that temporarily allowed employers to contribute up to $5,250 annually toward an employee's student loans tax free (for both the employer and employee). Last December, Congress authorized an extension of this provision through 2025, which gives employers the certainty they need to offer student debt assistance as an employee benefit for years to come.

We have also advocated rule changes to allow for an employee repaying student loans, in lieu of saving for retirement, to also benefit from an employer contribution to their workplace retirement plan. In essence, an employer "match" on their student loan payment. This allows employees to take responsibility in reducing debt while resting assured that they are able to get started saving for retirement. A provision to enable this feature is currently being considered as part of the next round of retirement reform legislation and we would strongly encourage you to include it in any final legislative package.

Complexity

Finally, complexity remains a persistent barrier to plan formation and participation. There are a few areas where simplification for both employers maintaining a plan, and employees saving for retirement, could improve the process. Currently, there is a patchwork of different rules relating to 401(k), 403(b), and 457 plans, which all have different rules for contributions, hardship withdrawals, loans, and distributions. Complexity discourages participation, and harmonization could help ease the burden on employers and employees. Congress should also simplify the process by making permanent the provision in the CARES Act that allows participants to self-certify when applying for hardships and loans. Absent participant self-certification, the administrative burden and liability falls on the plan sponsors and service providers, adding another barrier and layer of complexity to the retirement system.

What's Working

Automatic Features

Even with the challenges facing Americans today, the retirement system in the United States is working for tens of millions of savers. Together with Social Security, workplace plans and individual accounts, families have a wide range of savings plans and planning tools to meet their needs. Many employers offer automatic enrollment and automatic escalation, tax deferred payroll deductions, and matching contributions. In fact, automatic features are a proven method of increasing participation and savings rates. At Fidelity, plans that utilize automatic enrollment have an 87.2 percent participation rate, versus a 51.9 percent participation rate among those employees at plans without the feature.[7] These automatic features and tax incentives to save are critical to ensuring Americans are prepared for retirement.

Retirement Income

The benefits of saving in a workplace plan are also recognized into retirement years. There is a growing population of individuals who choose to keep their savings in a previous employer's retirement plan, and 55 percent of retirees on Fidelity's platform keep their savings in a plan past the first year of retirement.[8] This shift has created the need for in-plan retirement solutions to help retirees draw down their savings. Employers are increasingly comfortable having workers keep their savings within the company's savings plan when they retire and are interested in offering a comprehensive in-plan retirement income solution for those individuals.

---

[6] Workplace Investing Plan Participant Student Loan 2016 Study, responses from 496 members (10/27/16—11/7/16).

[7] Based on Fidelity analysis of 23,300 corporate DC plans (including advisor-sold DC) and 19 million participants as of 12/31/2020.

[8] Fidelity Investments; stay-in-plan rates as of December 2018.

Flexibility

Furthermore, there is no one-size-fits-all solution for every saver, and the private marketplace has evolved to meet the needs of every individual. In addition to the traditional 401(k) plan, employers may offer a 403(b) plan, Roth options, SEP or SIMPLE plans, and now, open MEPs. This wide variety of workplace savings plans allows employers large and small to find a plan that fits their needs and the needs of their employees. The flexibility in the current system along with innovation for the future will allow companies like Fidelity to continue to provide services for every saver.

Open MEPs, also called Pooled Employer Plans (PEPs), are an excellent step toward filling the retirement coverage gap by making it easier for small businesses and independent workers to access retirement savings plans. Nearly 50 percent of private sector workers in the U.S. lack access to a workplace retirement plan.[9] Many small businesses do not have the resources to offer their employees a workplace plan due to the costs and complexity involved in administering a plan. The SECURE Act of 2019 permitted the formation of PEPs, eliminating barriers for smaller employers to band together in a multiple employer plan. The PEP structure allows small business owners to focus on running their business, rather than the complexity that comes with administering a plan. According to the Department of Labor, 63 entities have registered to act as Pooled Plan Providers in the PEP space as of today. This growing interest could go a long way to closing the retirement coverage gap.

Fidelity has created a PEP, the Fidelity Advantage 401(k), to help close the coverage gap and help those small employers who are looking to start a plan for the first time. While we know there are others in the industry that are choosing to offer PEPs to employers who already offer a plan, Fidelity's initial offering is deliberately focused on helping address the coverage gap by crafting a solution built for the needs of small businesses who do not yet offer a retirement savings plan today. The plan is targeted toward employers with between 5–50 employees. We have seen significant organic demand since its launch earlier this year. For example, we are proud to have enrolled a small grocery store in California, a women-owned publisher of children's books in Spanish and English, and a managed security services provider founded by two disabled veterans. We believe entering a PEP can allow businesses to capitalize on the economies of scale of a larger plan, simplify administration, and provide their employees the coverage they need.

Digitization

Critical to the continued success of the retirement system is innovation and preparing for the future of savings. Fidelity supports recent regulatory efforts to expand electronic delivery (e-delivery) as the primary distribution method for retirement plan disclosures. According to a 2015 study, 84 percent of retirement plan participants find it acceptable to make e-delivery the default option (with the option to request paper at no cost to the participant).[10] Preference for digital disclosures is clear; in fact, less than 1 percent of participants change their delivery preference to paper where plan sponsors use workplace emails for e-delivery under the current regulations. E-delivery also encourages participants to engage with their investments, which results in better outcomes, including higher deferral rates and improved retirement preparedness. The SPARK Institute's data indicates that savers with e-delivery contribute 72 percent more and are three times as likely to be saving a sufficient amount for retirement than savers who receive paper disclosures.[11]

In addition to investor preference, e-delivery is more environmentally conscious and less costly. Reducing our use of paper reduces our carbon footprint.[12] In addition, the process of manufacturing paper contributes to pollution, paper waste, and

---

[9] "Small Business Profile," U.S. Small Business Administration Office of Advocacy, 2017.

[10] See the full report at *https://www.sparkinstitute.org/contentfiles/improving-outcomes-with-electronic-delivery-of-retirement-plan-documents.pdf*.

[11] *Improving Outcomes with Electronic Delivery of Retirement Plan Documents*, SPARK Institute (2015).

[12] See U.S. Environmental Protection Agency, Paper Products (Oct. 28, 2010), available at http://*www.epa.gov/climatechange/wycd/waste/downloads/paper-products10-28-10.pdf*.

deforestation.[13],[14] Default e-delivery for retirement plan documents is supported by a number of leading union pension funds who noted specific costs savings for their participants, as well as being supported by the U.S. Chamber of Commerce and countless other groups. Further, e-delivery is more accessible than paper, allowing retirement savers with disabilities to access information in a format that meets their unique needs. Nearly 70 percent of disabilities are related to age; those experiencing vision loss later in life now have the assistance of new technological advances such as screen readers (e.g., Voice Over on iPhones, Talk Back on Android phones, and Narrator on Windows 7 machines) to audibly receive the same information contained in a written disclosure.

Moreover, because 85 percent of special requests for disclosures are for large print, having an electronic format for disclosure delivery allows participants with moderate vision impairment to easily enlarge the font on a computer or smart phone screen. Delivering plan information electronically is a faster, more efficient and effective way for participants to get the plan information they need. Electronic accessibility enables participants to receive communications in the digital manner they now expect. Communications can be sent and received instantly, without delay, and without the risk of getting lost or misplaced in the daily shuffle of paper mailings. With a digital-first approach, Fidelity supports the delivery of plan related materials in a manner requested by plan participants.

Similarly, with the shift toward digitization and online access, Fidelity supports efforts to make permanent the ability for plan participants to obtain spousal consent through remote notarization and the modernization of processes related to retirement plan administration. Temporary relief is due to expire on June 30, 2021, although the experience of the past year has shown that remote notarization has broad acceptance across much of the Nation, and has proven to be a commonsense method of authentication while maintaining important protections and reliability. In fact, 33 states have enacted laws and dozens of other states' Governors have issued executive orders permitting remote notarization. Remote notarization has been successful and beneficial for plan participants and plan sponsors during the continuing pandemic. It has proven to be more secure and convenient, particularly given that executing interactions and transactions digitally is consistent with the way plan sponsors and plan participants prefer to conduct business. Plan participants have found that it provides an expedient and secure alternative to conventional notarization in the presence of a notary. Moreover, Fidelity is aware of no incidents of fraud related to remote notarizations obtained by participants in the thousands of plans that Fidelity services.

Healthcare in Retirement

Last, savers are looking for ways to prepare for retirement expenses beyond the every day, and for millions of Americans that means preparing for increased healthcare expenses. It is estimated that a couple retiring today will need $300,000 to cover medical expenses throughout retirement, an 88 percent increase since 2002, based on the annual Fidelity Retiree Health Care Cost Estimate. As one of the leading service providers for Health Savings Accounts (HSAs), Fidelity is committed to helping workers and their families save for current and future health care expenses. As health care costs continue to rise, both American families and their employers agree health care is a top concern, particularly during retirement. Almost 90 percent of employers consider the rising cost of health care to be a critical concern, and 26 percent of working Americans actually rank health care as the most critical issue facing us today.[15] Employers are moving toward HSA-eligible health plans and today, 90 percent of large employers offer at least one consumer directed health plan, which helps reduce employers' costs, but these plans also offer individuals and families the benefit of an HSA.

Saving through an HSA allows individuals and families to set aside money on a tax-advantaged basis to pay for current and future health expenses in retirement. HSAs are also becoming more popular for U.S. workers across all income levels. More than 50 percent of HSA holders with household incomes between $20,000 and

[13] See U.S. Environmental Protection Agency, National Emission Standards for Hazardous Air Pollutants for Source Category: Pulp and Paper Production; Effluent Limitations Guidelines, Pretreatment Standards, and New Source Performance Standards: Pulp, Paper, and Paperboard Category, 63 Fed. Reg. Vol. 18504 (Apr. 15, 1998), available at *https://www.gpo.gov/fdsys/pkg/FR-1998-04-15/pdf/98-9613.pdf* ("EPA Guidelines").

[14] U.S. Environmental Protection Agency, Causes of Climate Change, available at *http://www.epa.gov/climatechange/science/causes.html*.

[15] The 2018 EBRI/Greenwald & Associates Health and Workplace Benefits Survey.

$50,000 per year are enrolled in an HSA-eligible health plan and enrolled in an HSA.[16] HSA holders in the lower income bracket benefit disproportionately by participating in an HSA through the employer contribution. While the employer contribution funding amount varies by plan, the vast majority of Fidelity's plan sponsor clients pre-seed the HSA account with a specific amount rather than matching on a 1:1 basis. This means that HSA holders who may not be able to contribute much to their account, will still reap the full benefits of the employer contribution. The long-term value of an HSA can position a family for greater financial security, and Fidelity supports legislation that would expand access to these savings vehicles and allow for additional contributions so that families can save for the long-term.

Conclusion

Finally, I would like to express Fidelity's support for the latest retirement legislation under consideration, the Securing a Strong Retirement Act, or SECURE 2.0 as it has been dubbed. Several of the reforms are also included in the comprehensive bipartisan legislation from Senators Cardin and Portman, the Retirement Security and Savings Act, and we look forward to working with Members of Congress to advance these important initiatives. These bills build upon the strong foundation of their predecessor legislation and include many provisions that would address the challenges raised above.

Notably, SECURE 2.0 takes an important step to help individuals who are paying down student debt by allowing employers to make matching contributions to a 401(k) plan while their employees make student loan repayments. The legislation also includes a meaningful enhancement to open MEPs and would allow 403(b) plans to participate in MEPs and pooled employer plans (PEPs). We believe open MEPs and PEPs will go a long way to closing the coverage gap for millions of Americans who do not yet have access to a workplace retirement plan.

We also support the provisions to modernize retirement plan disclosures, including directing the Department of Labor, Treasury, and Pension Benefits Guarantee Corporation to study ways to consolidate, simplify and standardize the disclosures. Eliminating the requirement to send unnecessary plan disclosures to employees who are not enrolled in the plan is a helpful step in this direction. While we do have concerns about certain aspects of the electronic delivery provision, we look forward to working further with policymakers so that we can ensure participant demand for electronic delivery is met, and individuals are receiving up-to-date information conveniently in a cost-effective and environmentally conscious manner.

On behalf of Fidelity and the millions of Americans we serve, we appreciate the invitation to share our views and contribute to this important dialog to build a better future through retirement security. We forward to continuing to work with the Committee to further American workers' retirement security now and for the future.

The CHAIR. Thank you very much to all of our witnesses this morning.

We will now begin a round of 5-minute questions of our witnesses, and I, again, ask my colleagues to keep track of the clock and stay within those 5 minutes.

Data released earlier this year by the Bureau of Labor Statistics found that only 39 percent of part-time, private sector workers have access to retirement benefits, and according to the BLS, nearly two-thirds of part-time workers are women.

We took a big first step in the SECURE Act by increasing access to retirement plans for long-term, part-time workers, but I think we can do a lot better. That is why I am pushing for legislation, like the Women's Retirement Protection Act, which would further expand access to retirement plans for part-time workers and address other challenges that undermine women's financial security.

I want to hear from each of you this morning. How can we improve access to retirement benefits for part-time workers, many of

[16] Based on Fidelity record kept health and welfare data for 21 workplace investing clients as of May 2018.

whom are women, and encourage participation when those benefits are offered? Ms. Lucas, let's start with you.

Ms. LUCAS. Thank you, Senator Murray. We looked at the recently passed legislation for making or requiring coverage of part-time employees at the Employee Benefit Research Institute and, while we found that it was beneficial in increasing the amount of people that will have enough savings for retirement, we really—when we looked at it in combination with other initiatives, we saw a much more robust picture. We looked at it when—we looked at people that were in open MEPs, were automatically enrolled, and required coverage of part-time employees with auto portability.

Looking at this more holistic picture of not only getting people into the plans, including part-time employees, but keeping that money in the system, we saw a much greater increase in the amount of people that would have retirement security. In fact, we found that for people age 35 to 39, who work for small employers, their reduction in savings shortfall was 26 percent if you combine these features.

We believe that it is not just getting people into the plans that is at issue here, but more holistically, keeping that money in the system because part-time employees are likely to have low balances, and those are the balances that are likely to be cashed out, even once they are in the system, when they change jobs.

The CHAIR. Mr. Akabas.

Mr. AKABAS. Senator, we talked about the coverage gap a lot today, and I think the most effective, and perhaps the only solution that can really get all or most of these part-time workers covered, is a national standard, and I think that has two steps.

The first is that private businesses are unlikely to voluntarily cover these workers because of the administrative costs of maintaining many small accounts, including for former employees. But, on the other hand, simply mandating all of them would put undue burden on many of these small businesses and lack consumer protections.

I think that there is two steps here. The first is to make it as seamless and costless as possible for small businesses to offer these plans. Steps were taken to do that in the SECURE Act. There are additional provisions that could make that even stronger and remove further responsibility from them, including on the fiduciary side, and transfer that to other entities.

Then, the second is that once that is done and we have options like PEPs and state plans out there, we can have a national standard that requires all employers above a certain size to enroll their workers. And, when we have that in place, it could preempt all the different requirements that are occurring at the state level and just have one consistent national standard.

The CHAIR. Okay. Ms. Kyle.

Ms. KYLE. I agree with the other witnesses here. I also think it is important to recognize that Social Security is the best and most equal retirement system our Country has. Improving Social Security will go a long way to improving retirement security for women and part-time workers.

Second, I think solutions that focus on providing money to individuals to save for retirement security in portable plans are much

more important than solutions that provide other kinds of incentives, like tax deductions, which mostly benefit, as we know, the wealthiest people in more secure employment.

I would encourage Congress to enact legislation that mandates employer contributions to retirement savings plans and that provide employees with funds so that they can save more.

The CHAIR. Thank you. Mr. Gray.

Mr. GRAY. Madam Chair, thank you for the question. We are very supportive of accelerating the participation requirements, like we have seen in the SECURE Act and SECURE Act 2.0, that would ensure that workers that are part-time workers get covered by workplace retirement plans. I think that is foundational to creating retirement security.

I would also emphasize, PEPs, pooled employer plans, I think this is—we are very early in this. This is new. But, from what we are seeing, we are seeing tremendous interest. And I think one of the keys to addressing the question you raised is to ensure that when those individuals go to work, their employer can offer them a plan. And, what we see in PEPs is the ability for small business owners to have the economies of scale that large plans have, and to offload the administrative work to reduce the barrier to offering a plan, allow them to focus on their business, and allow us to focus on delivering a retirement solution to their employees.

Beyond that, I certainly would agree, as well, that it certainly goes beyond the workplace retirement plans. We should look at things, such as emergency savings and the like, which I know we will probably discuss in a few of the questions.

The CHAIR. Thank you.

Senator Burr.

Senator BURR. Thank you, Madam Chair.

I want to thank all four of you because all four of you have actually presented solutions to real problems. And I will not speak for the Chair, but sometimes we get testimony and we are sitting there searching for the value out of it, other than an opportunity to spend 5 minutes in front of a Congressional Committee. And I think all four of you have done a wonderful job at pointing us in directions.

Mr. Gray, Fidelity has a product that allows small business to take advantage of the economies of scale and pool together. You alluded to it, and you talked about the interest. Can you gauge that interest? Can you convey to us how much interest is out there?

Mr. GRAY. Yes. I would say that we are seeing extremely strong or significantly strong organic demand without really any marketing or promotion on our part. Just small businesses reaching out to us, calling us, asking for a solution.

I will tell you that, in the past, many of these small businesses were businesses that we really could not serve in a cost-effective way for them and their employees. Instead, now, with the PEP, we are able to provide that solution for them. We expect this to grow very significantly, and we are very committed to making this solution work to get after the coverage gap.

Senator BURR. Are there other barriers or red tape that government should look at reducing or streamlining to encourage more employers to adopt a retirement plan for their employees?

Mr. GRAY. Yes. I think there is a couple potential solutions to that. I think one, which we have seen in some of the pending legislation, which is an extension of tax credits to small employers to incent them to establish the plan.

I think, as well, making clear the fiduciary responsibilities, as other testimony has provided. In a solution that Fidelity is providing, we are taking fiduciary responsibility for that retirement plan, trying to make it as easy as possible for the employers. They simply need to make the selection, fund the payroll, and we will take the fiduciary responsibility from there. And I think that is really the gold standard approach for a pooled employer plan.

Senator BURR. Ms. Lucas, you talked about in your testimony financial literacy, and financial literacy is something that, while we aim to advance it and to bring increased access to retirement advice for all Americans, we understand the average American will not attain the level of knowledge and proficiency a retirement expert would have.

I remember in my early days in the House 27 years ago, I used to put out a book. It was called Life 101, and it was given to every high school graduate because many of those high school graduates did not go to college where they got sort of that advanced level. And it had things in it like how to set up a bank account and some information on life insurance. I was told by the Ethics Committee in the House that had to be excluded from the book because that was not the responsibility of a Member of Congress to share with constituents.

I approach this question with you from that aspect, that government is not necessarily the right one to make the decisions. But, what can we do to enhance the financial literacy and the retirement advice that these folks are getting over and above what is available today?

Ms. LUCAS. Well, in our retirement confidence survey we find that people are—there is a bit of a disconnect even in terms of the amount of financial skill people think that they have. The majority of people in the retirement confidence survey are actually pretty confident about retirement. And, then, we look at numbers like we have talked about today, which shows that may be overconfidence.

On the other hand, we—I remember distinctly early in my career when I—and this was decades ago, when I was talking to a plan sponsor who said, we spend millions and millions of dollars educating the same 20 percent of people. The other 80 percent do not—they are not listening to us.

That is why I think things like auto features are so important, not only within the retirement system—and we have demonstrated that they work—but, to Mr. Gray's point, other aspects, as well. Not only perhaps emergency savings, but student loan debt.

Using what works, what we know works, which is the defined contribution system, to help people almost in spite of themselves to harness the things that we know are dominating their behavior, such as inertia, and allowing them to get into an emergency savings vehicle, a student loan debt repayment vehicle, or a 401(k), depending on their circumstances, automatically. Not asking them to become financially literate when they have a day job and other

things that they need to be focusing on, other than becoming a financial professional.

Senator BURR. Thank you. Thank you, Madam Chair.

The CHAIR. Senator Casey.

Senator CASEY. Chair Murray, thank you for this hearing. I want to thank you and the Ranking Member for making it possible for us to focus on such a critically important issue to the American people.

I will start with Ms. Kyle. I know that she has done a lot of work not only in this area generally, but in particular, her work in the House, and I am grateful for the public service she did there.

I think I am stating something that is maybe self-evident, but probably not said enough, that one of the most important elements of any kind of economic security for the middle class is retirement security. But, we do not spend enough time on this issue.

Many Americans will ask, Do I have enough money to save for retirement? Can I retire comfortably? All those questions are on the minds of workers and, for too many of them, the answer to those questions is no.

We are told that in 2018, just a little more than half, 52 percent, of private sector workers participated in a retirement plan.

Ms. Kyle, you said—you noted in your testimony, when it comes to Black Americans and Latino Americans, it is 54 and 61 are at risk of not having, not having enough money in retirement. So, one of my priorities, and I know it is a huge priority for so many of us, is making it easier for working and middle class families to have a secure retirement. By definition, that requires that we work with folks on both sides of the aisle to ensure that Americans can earn a living wage and that they have something left over to put away for retirement.

I especially appreciate, Ms. Kyle, the fact that you made the connection about today and tomorrow, meaning the connection between wages and retirement, which is apparent and evident. But, it also is not an issue—not a connection we make, that people's wages and their income today will determine what they have tomorrow.

I guess I would ask you, can you discuss some of the best tools available today to give working families an opportunity to save? So, that will be question one, the tools available.

Question two would be if you could shed some light on the gaps that exist with respect to access to those tools.

Then, third, how they can be addressed. And I know you have provided some of this in your testimony, but I think repetition is helpful.

Ms. KYLE. Absolutely. And you are exactly right. The retirement crisis in this Country is the flipside of the wage crisis, right? I think that when we think about providing more retirement security to workers, it is essential to ensure fair pay so that people can actually afford to save.

There are a few things that can be done, though, beyond looking solely at ensuring fair pay. You can assure that all employers, large and small, either provide retirement plans directly, or participate in pooled plans with required employer contributions so that it does not rely solely on the wages of an individual worker, and

with automatic enrollment and portability so that plans can follow people as they switch jobs. Because, as we know we are no longer in the 1950's or 1960's where people get a job when they are 20 years old and then retire there. People switch jobs, and a lot of times, if their plans do not go with them, they are a step back in providing retirement security.

Congress can also provide starter tax credits. That will go a long way into providing retirement security by going directly into savers' retirement accounts. Both emergency savings accounts and retirement accounts with direct tax credits would help people who cannot afford to put away money from their wages.

I think the best thing that Congress can do is also to limit efforts that stymie union participation. The evidence is really clear that for working people, benefits provided through unions are the primary way that they can save for their future.

Senator CASEY. Well, it is very helpful. I know we are almost out of time. I will yield back my time, maybe have some questions for the record for other members of the panel.

But, Chair Murray, thank you very much.

The CHAIR. Thank you.

We will go to Senator Moran.

Senator MORAN. Madam Chair, thank you very much. Let me ask a couple of questions. Maybe the first one for Mr. Gray.

Mr. Gray, you are a plan provider. You are aware of the types of temporary relief that regulators took to alleviate burdens during the pandemic, prompted by the shutdown and lockdowns and social distancing. I know the IRS granted temporary relief to the notarization requirements for a spousal consent, for example. Do you think that making these kinds of things permanent, some or all of those temporary things that were provided, or other temporary relief that I may not know about, would that be helpful continuing into the future? Are there ways that doing so would reduce the material costs associated with small businesses offering these kinds of plans, retirement plans?

Mr. GRAY. Senator, thank you for the question. And I will start specifically to your question around e-notarization in the temporary relief. Yes, we at Fidelity, and our clients, would certainly like to see that relief become permanent. We think it has been a very effective way for notarization process to happen in distributions that is both respective of individuals' concerns with the pandemic and health crisis, as well as in many ways far more secure. That e-notarization is videotaped. And, in addition, there are challenge questions presented in order to validate or verify the identity of the individuals for e-notarization. Knowing that we are living in a digital age, we think it makes sense that the relief should continue for e-notarization for purposes of retirement plan withdrawals.

In addition to that, I think great strides have been made by this body and by regulators with regards to electronic delivery of plan notices. We would also want to make sure that continues and is expanded as necessary. We find e-delivering notices to reduce cost burden, and also help individuals that may have disabilities that need accessibility. And, we think it actually better engages with individuals in interacting with their retirement plan.

Thank you, Senator.

Senator MORAN. Thank you, Mr. Gray.

Let me ask any of the witnesses. One of the things with the pandemic that is highlighted is the lack of savings for an emergency. Something happens in one's life or their family's life, and sometimes perhaps retirement accounts become a place that can provide some safety, a safety net, but the consequence of that is diminishing the value of the retirement account upon retirement.

Let me ask if there are things that employers could or should be doing to help individuals save not just for retirement, but for emergencies that may arise from today until their date of retirement in order to better preserve their retirement accounts for purposes of retirement. Anybody have suggestions for me of things that I or me and my colleagues might pursue?

Ms. LUCAS. I can start with that question. We did see that with the CARES Act, the defined contribution system, which, again, is one place where people do tend to have money, was used as a de facto emergency savings vehicle because that was where the money was. And, fortunately, the—not a lot of people did end up taking coronavirus-related distributions, but those that did, they were in areas, industries, where they really were in dire need, and they did need emergency savings. So, thank goodness at least they had the 401(k) plan for that.

But, we need to think about how can we leverage the existing system to help with emergency savings because it is such a robust system. And having something like a sidecar savings account attached to the existing defined contribution system is something that employers have expressed a lot of interest in. They—according to our financial well-being survey of employers, 26 percent said that they would like to offer a sidecar savings account in the next 1 to 2 years. And any policies that could help to facilitate that, and including allowing employers to match to those accounts, I think would be very welcome, especially since, if they are a sidecar savings account, they are not—people are then not taking money from the corpus of their retirement plan. It is a separate account that is attached to the 401(k) plan, but it is specifically for emergencies.

That is important from a mental accounting perspective. Behavioral finance shows that when people think—when they see a big pile of money and they identify that as an emergency—source of emergency savings, they will likely take more money than they need. But, if they are limited to a pool that is actually designated for emergencies as an emergency savings account, they are likely to take—constrain the amount of money they take during emergencies, and that would be the value of the sidecar savings.

Senator MORAN. That makes sense to me, Ms. Lucas. Thank you.

Mr. AKABAS. Senator, if I could just——

Senator MORAN. Anyone else.

Mr. AKABAS. Yes. If I could just quickly add to what Ms. Lucas is saying. I think another barrier that a lot of employers are facing to offering these types of plans is the lack of ability to automatically enroll workers today. And there is legislation from the last Congress that would clear out regulatory barriers that currently make it unclear for employers that want to use this, and that can make a huge difference. Because today we are seeing enrollment in these plans that are offered at fairly low levels, and that is what

we saw in retirement accounts before automatic enrollment became the norm.

If we can have legislation that would clear those barriers. There is legislation being rewritten right now that was introduced in the last Congress by several bipartisan Senators that could have that effect, and I think it could open the doors for employers that want to experiment with these types of accounts, whether it is a sidecar account that is actually attached to the retirement account, or a stand-alone emergency savings account that you could automatically enroll workers into.

Senator MORAN. Thank you very much. Thanks for highlighting that.

The CHAIR. Thank you.

Senator Kaine.

Senator KAINE. Thank you, Chair Murray and Ranking Member Burr, and to our witnesses. Very powerful testimony.

I want to begin with just re-emphasizing Ms. Kyle's testimony about racial disparities that are on page four and five of her written testimony. Just top line, the percentage of Hispanic families with retirement savings in 2019 was 32 percent; Black families, 44 percent; White families, 65 percent.

Then, if you look at the amount of savings, it is even starker. Average White family in 2016 had about $160,000 in liquid retirement savings; Black families, $25,000 in liquid retirement savings; and Hispanic families, $29,000. Ms. Kyle's testimony points out that a good bit of this is because of wage gaps, but you also really have to grapple with the effect of wealth gaps.

We commemorated 400 years of African presence in Virginia in 2019, and as we were doing that commemoration, it sort of made me look at history this way. Divide the 400 years since Africans came to the English colonies into eight half-centuries. For five of the eight half-centuries, Africans were held as property. They could not own and accumulate property. They were held as somebody else's property. Enslaved, and even freed African Americans under the Dred Scott ruling were ruled to be never able to be citizens of the United States. That is five-eighths of the history of African Americans in the United States.

For the next 100 years, two-eighths of the history, slavery was abolished. But, because civil rights laws had not been passed, legally, African Americans were treated different in every area of life, including housing, which is one of the principal ways that people get wealth.

It was only in the 1960's, so only in the last half-century, one-eighth of American history, that African Americans were granted full legal equality, that is not the same as social or economic equality.

Surprise, if African Americans had basically been locked out of the norms of property accumulation, buying a house where they wanted to, passing that house onto other family members, it is really difficult to accumulate wealth like other folks. You can say a very similar thing about Hispanic families.

This is one of the reasons, these statistics, that I have signed on as a cosponsor to Senator Booker's bill to set up a commission to look at the idea of reparations. I think how to do it is very com-

plicated, and I am not smart enough to figure it out. But, I also feel like you cannot look at statistics like these and the history we have had and say, well, there is just nothing we can do about it. Because we did corporately, as a Country, and the institutions and laws, did a whole lot of things to create this and these disparities, and, so, the notion that, well, we just cannot do anything about it, or it is just the way it is, I mean, I—we have to figure out a way to do something about it.

I am really glad, Ms. Kyle, that you made that—you put that data in such a stark way in your testimony.

Auto enrollment. I want to ask some questions about auto—potential for auto re-enrollment. So, one of the things that we have learned over the years is that small tweaks to processes can make a big difference in retirement savings. Some people opt out of retirement early in their careers when they are young, healthy invincibles, and then they do not go back and maybe rethink that.

Do we have any evidence whether or not people who opt out early are likely to reconsider the decision later in employment? And could some potential for auto enrollment every 5 years or so, with the additional element that you can then opt out if you choose to, might that help us get more people to participate in retirement savings? Maybe Ms. Lucas, I will come to you on that.

Ms. LUCAS. Yes. Thank you. There is evidence that obviously inertia is a powerful force. It can be harnessed by automatic enrollment to get people into the plan and they will not opt out, and we see that—to your point about different races, it does not matter whether you are White, Black, Hispanic, woman, man, all incomes—people, when they are automatically enrolled, stay in plans at very high levels.

For those that do opt out, re-enrollment is a very good solution because inertia will remain a factor. I remember I saw a focus group years ago of people that had been automatically enrolled into their plan and they were asked how they liked the experience of being automatically enrolled. One woman said, I have been working here for 10 years and, gee, time really flies. I meant to enroll in my 401(k) plan and then never got around to it.

I think re-enrollment is definitely a consideration because we will continue to see inertia of people that opted out and may ultimately have wanted to come back in but never got around to it.

Senator KAINE. Thank you. I have other questions I will submit for the record, but thank you to the witnesses.

The CHAIR. Senator Tuberville.

Senator TUBERVILLE. Thank you, Madam Chair. Thank you for being here today.

I know you hit a little bit on this a few minutes ago. In 1935, we started Social Security. This is really the only retirement that a lot of people have. And, for some unforeseen reason, in 1983, this group up here decided we would tax social security, and sounds like we are getting ready to do another tax on social security. We cannot find enough money in the Federal Government to run this Hill up here, so we need to take from the people that has paid into retirement.

Any of you want to answer this? How do we make it better? How do we make Social Security better? Because we just—all of you in

your opening statements pretty much said nobody has retirement, just a few; and the ones that have it, the corporations have wasted and the taxpayers are having to pay the money to pay them off.

How do we make Social Security better for everybody?

Mr. AKABAS. Senator, you are absolutely right. The Social Security system is meant to be the foundation of retirement security, the rock of certainty that Americans have in retirement. It has really become a major source of uncertainty that they have because of the status of the trust fund. We are only a little over a decade away from when the trust fund will exhaust its reserves, and I think it is incumbent upon Congress to take action to make sure that outcome does not occur, and the sooner, the better.

We at BPC have a report that we put out with the commission that I mentioned earlier that comprehensively addresses Social Security. It does call for benefit adjustments, especially for folks that can afford it at the higher end. It actually raises benefits for those who are most vulnerable at the bottom end, and then calls for some modest additional revenue increases to make sure that the trust fund is funded over time.

I would certainly encourage you to take a look at the plan, and I would be glad to discuss it further with you and your staff.

Senator TUBERVILLE. Thank you. Thank you. And it looks like we are nearing bankruptcy in Social Security in 10, 12 years down the road. That is my understanding. Hopefully not because people are still paying into it and they are going to be counting on it. I cannot imagine living off that small sum, but it is something.

In retirement, too, is Medicare. People want to have some kind of healthcare, which is most valuable when you get to the point of retirement and you need Medicare. And back in President Obama's days when we started Obamacare, they took $780 billion out of our Medicare and put in Obamacare and it is gone.

Where do you foresee Medicare going? I do not know if that is in your realm, or any of your realms, if you would answer that for me.

Mr. AKABAS. Well, Senator, it is not my main focus, but I do know that the trust fund for the Part A, which covers hospital insurance for that program, as well, is actually in even worse shape at the moment than the Social Security Trust Fund that we just mentioned. It is projected in the last projections——

Senator TUBERVILLE. That makes me feel good.

Mr. AKABAS [continuing]. To deplete in 2026. So, it really is an urgent issue that Congress needs to address. There are lots of proposals out there that would adjust the payment rates or the method of delivering services, as well as potentially the revenues that come into the program. Those are—there are lots of options on the table, but it has not been a priority on Congress' agenda recently. I think it needs to be in the coming years because of how soon that trust fund is also going to deplete.

Senator TUBERVILLE. Yes. A few years ago, we had, I think, some military funds being—getting ready to be invested in the Chinese companies.

Ms. Lucas, did the Trump administration do the right thing by pulling that back, of do not invest in China with retirement funds?

Ms. LUCAS. Well, we see that the typical worker is in a target-date fund when they are automatically enrolled and, the point of the target-date funds are to be well diversified. I think any policy that impedes diversification is a consideration. And, to the extent that we have policies that are interfering with diversification, I would agree that they are an issue.

Senator TUBERVILLE. Yes. Well, thank you.

Just another comment about Millennials. I have two that are—I try to get to put into funds and they will come right back to me, say, Dad, at age 35, you took yours out to buy a new home—and they are right—to make a down payment. And that is what is happening. You will have a lot of these young people that will cash out at an early age, and then 20 years later, they are looking around and going what did I do?

I do not know what we can do about that, but retirement is—with this age group coming up, as we are, the baby boomers, it is—we are in a tough situation. A lot of people are, a lot of my buddies and friends are.

But, thank you for you all being here today. It is very eye-opening. I would like to get with you on the Social Security part, too.

Thank you. Thank you, Madam Chair.

The CHAIR. Thank you.

Senator Smith.

Senator SMITH. Thank you, Madam Chair, and thank you also to Ranking Member Burr and to all of our panelists.

I come at this from the core idea that a safe, secure retirement should be available to every American. And the sort of pillars of that historically in our Country have been Social Security, savings, and pensions. So, I want to dive in a little bit on this. I heard a comment, I think, about sort of bailing out the unions with the pension reform that we did in the American Rescue Plan. I just want to get to that.

Ms. Kyle, I am going to direct my question to you here. So, the first weekend that I was a United States Senator, I went to Duluth, Minnesota and I had a chance to visit with some Teamsters, who were very worried about what was going to happen to their pensions. They were part of the Central States Pension Plan. They paid in. They had done everything right. They had saved. They had negotiated through their union contracts a pension. And, now, come to find, that pension might not be there for them.

Now, gratefully, thankfully, and with a lot of bipartisan work, I and many others focused on this and we were able to get the Butch Lewis Act passed.

Ms. Kyle, could you start just by saying—I mean, I have heard from Minnesotans, but I would like to hear from your perspective what this has meant to protecting the pensions for the workers.

Ms. KYLE. Absolutely. Once fully implemented, the American Rescue Plan Act will be life-changing for generations of workers. I do not think I can overstate the impact it will have on people's lives.

In the last 6 years, I have personally heard from thousands of workers and retirees who were facing 50, 60, 70 percent cuts in their income and retirement due to impending insolvency of their pension plans. And these were essential workers, bakers, truckers,

those who worked their entire career doing difficult jobs, and now were in a place where they could no longer work and were looking to make good on their deferred wages that were in the form of promised benefits, and they were worried that was all going to slip away.

With the American Rescue Plan, those promised participant benefits are now going to be kept, and that is huge. They will no longer miss mortgage payments or roll the dice on missed life-saving medications.

Senator SMITH. Yes. I will never forget Vicky, the woman who I talked to in Duluth, who said to me, Tina, I do not have a plan B. If these pensions are cut that I paid into—I did everything right, and if they are not there, I do not have a plan B.

But, a lot of times, we do not pay enough attention to what this also means for the businesses that also paid in, who did what they had agreed to do through the contracts that they had. Could you just address briefly what this means for those businesses, many of them small, family owned businesses?

Ms. KYLE. Absolutely. In this, the multi-employer funding crisis, there were no bad actors. The contributing employers were giving in what they were supposed to, to their plans, and many of them saw their competitors potentially leave their multi-employer pension plans, and they were going to be left holding the bag. And one asset of—or, excuse me, feature of the multi-employer system is that when employers start to leave, there is a chance for something called mass withdrawal, which can result in the employer having to pay exorbitant amounts in order to cover the liabilities of the plan.

We saw a number of employers who were going to be left with what could be a significant liability for employees across the multi-employer system. And, so, on the most part—for the most part during the process of looking to find a solution for multi-employer pension plans, the employers and the workers and the retirees worked together in the importance of finding a solution here.

Senator SMITH. Just as I spoke with workers who were so concerned about what this was going to mean for their retirement, I spoke to family businesses that were worried about how they were going to be able to pass that business on to the next generation or potentially sell it, because that is how they were going to monetize their life's work, unable to because of this.

I just have a couple seconds left. But, was this in any way a bailout of unions?

Ms. KYLE. No, it was not. These plans are run by a board of trustees that is made up of union representatives and employers, and that board of trustees is a group of fiduciaries who are then responsible for running the plans.

Senator SMITH. Thank you very much. Thank you, Ms. Kyle. Thank you, Madam Chair.

Ms. KYLE. Thank you.

The CHAIR. Thank you.

Senator Braun.

Senator BRAUN. Thank you, Madam Chair.

My question is for Mr. Akabas, and I think Senator Tuberville has already touched on a little bit.

I would like to know—we know actuarially and we have known for a long time what is happening to Social Security. I am just as concerned about Medicare. That is a tougher issue because of the rising costs underlying it. Both drivers of our annual structural deficit.

When it comes to Social Security, I think that the variables are so simple in terms of what we need to choose from—means testing, raising the age of retirement, raising revenues, or maybe even cutting benefits. All of that would be something everyone has to contend with if they are in other areas of government, No. 1. And in any business, there are tough decisions.

Those four, and if you have anything else in mind, what are we going to do and when do we need to do it so we probably do not confront, like we are going to confront with Medicare, a precipice, a cliff, which is now a little over 5 years when we have to do something?

Mr. AKABAS. Senator, you are totally right. We—and when we should do it? We should have done it yesterday. I mean, we are getting close to the point of insolvency of the trust fund where there will be no reserves left, other than the revenue that is coming into the program, which can only fund somewhere between 75 and 80 percent of benefits at that point. That would be unthinkable to get to that point where retirees are seeing a 20 or 25 percent cut in their benefits.

All of the options that you listed I think do need to be on the table. That is what we did in the commission that we hosted at the Bipartisan Policy Center. It was 2 years of serious deliberations that group had because these are tough decisions that impact real lives.

But, we can get to a point where we protect the most vulnerable retirees; in fact, increase their retirement security, and then make modest changes that are phased in gradually over time, like adjusting the retirement age to account for the fact that, on average, Americans are and will continue to live longer lives.

Now, when we do that, I think we need to acknowledge that there are certain groups of Americans who have not seen those increases in life expectancy, particularly people of color. And in order to account for that, we can make companion changes to the program that make sure to offset those reductions in their benefits that would otherwise occur from increasing the retirement age for the whole population.

But, we should not forestall necessary changes for the broad system just because there are some who would be adversely hurt. We should make sure that we target other policies to protect those people so that we can make the system solvent again for everybody.

Senator BRAUN. What about means testing and what about—I think currently it is 7.65 percent shared by the—not shared, each employer and employee, raising revenues? And then what about tailoring reducing benefits or the other three out there, as well? Retirement age, I think, would be the easiest one to tweak.

Mr. AKABAS. Yes, so, on benefits, what this commission did, one of the proposals was to make the benefit formula more progressive, and that means raising benefits modestly at the bottom end, but curbing benefits, curbing the growth of benefits particularly, for

those at the upper end, and including for things like spousal benefits. Because right now, particularly well-off spouses, who did not work a full career, can get 50 percent of their spouse's benefit. So, if we curtail that particularly for spouses at the high end who really do not need those additional benefits, we can make available more resources for the population as a whole.

Then revenues was a modest component of the package, as well. The commission increased that 6.2 percent payroll tax on each side that goes to Social Security right now, gradually up to 6.7 percent on each side. So, not a significant tax increase, but a modest one to help fund the system overall.

Senator BRAUN. Thank you. I yield back the rest of my time.

The CHAIR. Senator Hassan.

Senator HASSAN. Thank you, Madam Chair and Ranking Member Burr. Thank you to all of our witnesses for being here today.

Every worker should be able to save enough to cover their expenses during their retirement years, but we are here today because we know that's not always the case. So, I look forward to working with my colleagues to improve and expand access to retirement savings for all Americans.

Mr. Gray, I want to start with a question to you. Following a request that the Chair and House Education and Labor chair Bobby Scott and I made, the Government Accountability Office released a report highlighting the threat that cybersecurity attacks—cyberattacks pose to retirement plans. The report confirmed that cyber threats put private, defined contribution retirement plans, like 401(k)'s, which are held by more than 100 million Americans, at risk and recommends that the Department of Labor take action to address this issue.

Mr. Gray, can you share how Fidelity works to combat the risks of cybersecurity in its client retirement plans? And what would you recommend that Congress could do to address these risks?

Mr. GRAY. Senator, thank you for the question. Certainly, Fidelity views cybersecurity as one of the most paramount things that we can do, which is really all about protecting our customer data and their trust. I would say Fidelity employs some of the most sophisticated technologies and best practices that is really designed to protect the sensitive information and accounts of our customers. And this is a significant spend for us. We view this as really one of our highest priorities, and our viewpoint is we will do whatever it takes to ensure that security.

To give you a few examples of kind of how we go about doing this, we are cyber—our cybersecurities program is ISO-certified, which is really one of the highest standards that providers can use, or financial services can use, to validate the strength of their cybersecurity program.

We actually employ 800 individuals on our cybersecurity team that come from a range of backgrounds and credentials, including law enforcement and intelligence agencies. We have built strong partnerships, as well, and strategic partnerships with the FBI, Secret Service, and others to help protect our customer accounts.

We employ with our clients a number of active measures to help protect their accounts:

A two-factor authentication, for example.

Voice biometric, so if a Fidelity customer calls, we can authenticate them by their voice.

We also have the ability to track the voice of bad actors who may be calling, trying to get access to retirement accounts.

We use biometric authentication, and we work directly with our customers, as well, to make sure that they are aware of any cyber threats that may be faced by their participants and their plans and to help them strengthen their cyber standards.

This is a proactive approach that we take, and we are very supportive of the recommendations that were made by the Department of Labor recently, and we worked very actively with the Department in the formulation of those recommendations.

Senator HASSAN. Well, thank you for that, and I would look forward to further consultation about other ways Congress can move forward on helping all of our retirement plans be cyber secure.

I want to turn to a different issue for all of the witnesses. As has been discussed here today, women often struggle to save enough for retirement, lagging behind their male counterparts due to a number of factors, including lower earnings, spending time away from the workplace to meet caregiving responsibilities, as well. Many of those issues have been exacerbated by the pandemic, with nearly three million women temporarily leaving the workforce.

To each of you, and I will ask you to be brief, how do you think Congress can help address the retirement gap for women especially as we recover from COVID–19? And I will start with you, Ms. Kyle.

Ms. KYLE. Thank you. We talked about some of the solutions here a little earlier, and I think that a—first, a focus on Social Security is really essential because that is the primary retirement vehicle for most Americans, including most women.

I think a recognition that women are disproportionately in low-wage jobs and often have gaps in employment for childcare is essential. And, so proposals that provide paid childcare and—excuse me, paid family leave are really essential.

I also think it is important to have portable retirement benefits so that when women do leave the workforce, they are able to take their benefits with them.

Senator HASSAN. Yes, thank you. And, Madam Chair, I am almost out of time. Can I ask the others to comment briefly?

The CHAIR. Yes.

Senator HASSAN. Thank you.

Ms. Lucas.

Ms. LUCAS. Thank you. According to the retirement confidence survey, the women that are very affected by having low amounts of assets in retirement actually are divorced or unmarried women. According to the retirement confidence survey, 38 percent of divorced women have less than $1,000 saved for retirement, and 42 percent of never-married women.

To your point about women who have been displaced from the workforce, we have a system already in place called catch-up contributions, and that could be something that could be leveraged for women who need to catch up because they have been displaced from the workforce in their 401(k) plans.

Senator HASSAN. Thank you.

Mr. Akabas.

Mr. AKABAS. Thank you. I would agree with the other witnesses. I think paid family leave is a big factor here, as well as just the access gap that we have been talking about all morning.

Things like automatic enrollment that can make sure to get these workers into plans.

Then, finally, I would mention on Social Security, one other provision of this package that I mentioned from BPC was enhancing the survivor benefit. Because often, women are the ones who are the surviving spouse. Right now, they only get to keep the greater of their benefit or their spouse's benefit. But, unfortunately, we know that household expenses usually do not get cut in half when one spouse passes away. And, so, enhancing that benefit for survivors would be really important.

Senator HASSAN. Great. Thank you.

Mr. Gray.

Mr. GRAY. Yes. I will just share a brief statistic. Of female workers, 75 percent of them told us that they would be likely to enroll in emergency savings accounts if incentives were offered. And I think this Congress can act to make it easy for employers to offer incentives, like in a match, an emergency savings account, I think that would go a long way.

Senator HASSAN. Thank you. And thank you for your indulgence, Madam Chair.

The CHAIR. Thank you.

Senator Rosen.

Senator ROSEN. Thank you, Madam Chair. I appreciate it. Thank you, Ranking Member Burr.

Of course, thank you all the witnesses for being here today, for your work in this area. It is critically important because we do know there are disparities in our retirement system. And we have known that since before the pandemic, of course, retirement savings crisis in communities of color, including for Black and Latino Americans.

There is a number of contributing factors, including lower lifetime earnings, lower rates of investment, lower rates of home ownership, which means that there is not one magic solution, but it is important that we bring this up at front and center when we are examining so many inequities that the pandemic made worse, like healthcare and education.

Ms. Kyle, can you talk about how this past year's economic downturn affected inequities in retirement savings for underrepresented communities? And, is there action that you think we here in Congress could take to address these disparities? How can we help maximize the ability for these groups to catch up?

Ms. KYLE. Yes, absolutely. The pandemic worsened many of the inequalities that we see in retirement savings for people of color and low-wage workers. And, I think that efforts toward emergency savings are really essential in order to ensure that people of color are able to pull money in when they need it and not pull out of their retirement accounts, which they often do not have.

I will also reiterate Senator Kaine brought up the fact that many of the inequalities and disparities we see among Black and Brown people is related to the overall racial wealth gap. And, so, policies

that help close that racial wealth gap, I think, will have a huge impact on retirement savings, as well.

Senator ROSEN. Thank you. I appreciate that. And I want to build on what Senator Hassan said about this, too, catching up, building on inequities. Because one thing that I hope that comes out of this pandemic is a broader understanding of family caregiving. Many workers, disproportionately women, have to leave the workforce mid-career in order to take care of their children or aging relatives.

I actually experienced that myself when I left work to care for my parents and in-laws toward the end of their lives in different health journeys, and far too many people have to really make that impossible decision between staying in the workforce and leaving to care for family members. And, of course, like I said, Senator Hassan talked about that is for—that takes a backseat. Saving for retirement takes a backseat to some of those things. So, women, I just want to reiterate, we know they have to be able to catch up, and we will continue to work with you on that.

Speaking of catching up, so many women, a lot of folks, they work in small businesses. And, so, I know we are here today with some large employers, but small businesses, how can we help them help their employees to save? They do not have large H.R. departments. They may struggle to offer a wide range of products or even give them at all. And just, we need to be able to enable our small businesses to give those resources.

Mr. Gray, could you talk about any possible policy changes that you think Congress might enhance that could help small businesses, those businesses with 500 employees and under, and even our micro businesses with maybe 50, 10 employees. How do they help their employees save for retirement?

Mr. GRAY. Senator, thank you for the question. I think small businesses and making sure that we close the coverage gap, incent those small businesses to offer a plan, and also incent them to offer automatic enrollment is really critical to addressing the points that you have raised.

When you look at automatic enrollment, automatic enrollment is used very heavily among large employers. But, small businesses, like businesses with 50 employees and less, typically only about 10 to 12 percent of those employers will automatically enroll. I look at clients or businesses with 2,500 employees or greater, that number starts to become more like 60 or 70 percent using automatic enrollment.

I think that it is critical that Congress find a way to incent those small businesses to be able to automatically enroll, and part of the challenge has simply been a matter of cost for those businesses; and when, upon automatically enrolling, the employer then, the small business owner, now has the cost of a match. So, if steps can be taken on that, I think that would go a long way.

I will also quickly comment on pooled employer plans again. I think that is an excellent opportunity because it allows those businesses to offload the administrative duties, focus on their business and their employees, and trust Fidelity or others to administer the plan for them.

Mr. AKABAS. Senator, if I could just note, adding on what Mr. Gray——

Senator ROSEN. Yes.

Mr. AKABAS [continuing]. Said on that automatic enrollment piece.

There is legislation that was introduced in the last Congress by Senators Young, Booker, and Jones and Cotton that would address this issue with a safe harbor for automatic enrollment to give small employers more flexibility in terms of how much they can afford to contribute to the retirement plans, and still incentivizing them to make that employer match, but also recognizing that some cannot and still encouraging them to use automatic enrollment. So, I encourage you to take a look at that, and I would be happy to discuss it with you further.

Senator ROSEN. Thank you. I appreciate that. I also think for our small businesses, those administrative costs, having that software, all of those things, they may not have a robust IT department or know how to do that. So, being able to pool and partner with larger groups or companies I think will be key to success.

Thank you, Madam Chair.

The CHAIR. Thank you. Senator Burr, do you have any additional questions?

Senator BURR. Madam Chair, I would just end with how I started. I want to thank all four witnesses for their willingness to be here today, for the knowledge that you have been to bestow in us, and more importantly, for the suggestions that you have provided to us as to ways that we can enhance retirement savings in this Country. I thank all four of you.

Thank you, Madam Chair.

The CHAIR. Thank you.

I do have one additional comment and question. The shift from traditional, defined benefit plans, like pensions, to defined contribution plans, like 401(k) plans, means savings for retirement is more complicated for participants. Workers have to act as their own financial advisor, their own investment manager, their own actuary, which is a daunting task when you are raising children or focused on your own career, or especially when you are struggling to make ends meet at home.

But, even when people are able to plan ahead, we know from the latest retirement confidence survey released by EBRI, only half of workers have tried to calculate what they will need for retirement—that is a number that has essentially not changed since 1999—despite initiatives to improve financial planning. And, even when people do plan ahead, their plans to retire can be upended by forces unseeable, like a pandemic.

Ms. Lucas, I wanted to just ask you to comment. What can we do to help the families trying to chart a path to financial security in retirement?

Ms. LUCAS. I think there's two things that we see about people who are actually living in retirement. There are two groups that are—have almost the identical amount of assets, and it is not that much. But, one is what we call struggling retirees that have unmanageable debt, and their retirement is very constrained and difficult.

The other, again, very similar in all aspects except they do not have the unmanageable debt, we call them the just-getting-by. And that sounds negative, but they actually are able to piece together a pretty secure retirement because they are not struggling with debt.

The other group is what we call the long-term secure retirees, and those are people that have some source of guaranteed income. Whether it is a defined benefit plan, an annuity, retiree medical, they have some greater sense of security because they are not completely relying on their own nest egg, and those people feel less constrained about spending. They feel more confident about spending, and they—the retirement they describe is much more comfortable overall.

The CHAIR. Thank you. Did you want to——

Mr. AKABAS. Senator, I would just add on the financial literacy or capability point that you raised that I think that financial literacy in general is important, but we should not overstate necessarily the ability of teaching a high schooler what they should be doing 7 years down the road to save for their retirement 50 years down the road.

I think a much more effective place to go is what we call just-in-time intervention. So, when those decision points are being made, when people are enrolling in the plans, when they are making decisions about their retirement income, for drawing down their retirement accounts or for annuities, how can we help them with the information that they need and the structure that they need to make those decisions.

Social Security claiming is another really important one where people often make those decisions without a whole lot of knowledge about the benefits, decisions that they are making that will impact them for the rest of their life. If they claim at age 62, they will get a significantly reduced benefit for their entire lifetime. And, so, what types of information and nudges can we provide people at those ages so that they make more informed decisions for their own retirement security.

The CHAIR. I agree that financial literacy is a lifetime issue, but we certainly have a lot of young kids today who have not—do not even have the basics. As my colleague, Senator Burr, referred to, needing to know how to balance a checkbook; or basic things, what happens when you charge a bunch of stuff on your iPhone and have to pay the bill later. Small things. But, again, I do think it is a lifetime learning. Just in time is also of utmost importance.

That will end our hearing today, and I want to thank all of my colleagues, all of our witnesses—Ms. Lucas, Mr. Akabas, Ms. Kyle, Mr. Gray. Thank you for joining us today for this really important discussion about how we can help shore up our Nation's retirement security and make sure our families are prepared for the future.

For any Senators who wish to ask additional questions, questions for the record will be due in 10 business days, on Thursday, May 27, at 5 p.m. The hearing record will also remain open until then for Members who wish to submit additional materials for the record.

The Committee will next meet on Tuesday, May 18 at 10 a.m. in Dirksen 106 for a hearing on paid family leave.

With that, the Committee stands adjourned. Thank you.
[Whereupon, the hearing was adjourned at 11:43 a.m.]