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RISE AND SHINE: IMPROVING RETIREMENT AND ENHANCING SAVINGS

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING IMPROVING RETIREMENT AND ENHANCING SAVINGS

MARCH 29, 2022

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C O N T E N T S

STATEMENTS

TUESDAY, MARCH 29, 2022

RISE AND SHINE: IMPROVING RETIREMENT AND ENHANCING SAVINGS

Tuesday, March 29, 2022

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

The Committee met, pursuant to notice, at 10:02 a.m., in room 106, Dirksen Senate Office Building, Hon. Patty Murray, Chair of the Committee, presiding.

Present: Senators Murray [presiding], Casey, Baldwin, Murphy, Smith, Rosen, Hickenlooper, Burr, and Braun.

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 how we can strengthen people's finances and improve their retirement security. I will have an opening statement and then we will introduce our witnesses. After the witnesses give their testimony, Senators will each have 5 minutes for a round of questions.

We are again unable to have the hearing fully opened to the public or media for in-person attendance today. Live video is available on our Committee website at *help.senate.gov*. And if anyone is in need of accommodations, including closed captioning, reach out to the Committee or the Office of Congressional Accessibility Services. The COVID–19 pandemic upended our economy, and with it, the financial security of people across the country.

I have heard from families in Washington State who are forced to raid savings meant for their futures just to make ends meet, savings for their kids' college fund, a down payment on a house, or for their retirement. And that is not even the half of it. Many people across the country have never even had to access—had never even had access to a retirement plan and never even been paid enough to make ends meet, let alone save for their future. COVID–19 was exactly the kind of crisis millions of families simply could not afford.

That is why we worked in a bipartisan way in the CARES Act to give people more flexibility in managing their retirement resources and making ends meet during this crisis. It is why I worked in the American Rescue Plan to save workers and retirees from having the benefits they rely on slashed.

It is why Ranking Member Burr, and I are now working to pull together bipartisan ideas in this space and move a retirement legislative package later this spring. I hope our discussion today will inform and improve these efforts, and our Democratic and Republican colleagues will continue to bring forward ideas over the next few weeks so we can build a good bipartisan package that helps workers, retirees, and families because it is painfully clear we need to do more to strengthen people's emergency savings and retirement security.

When it comes to emergencies, financial experts say families with low incomes really need enough emergency savings to get through 6 weeks. Before this pandemic started, almost two in five Americans would struggle to get $400 in an emergency. We need to give workers and businesses tools that make it easier for families to put money away for a rainy day so that sudden expenses don't upend their lives in ways that undermine their finances for years to come.

When it comes to our retirement system, it is clear retirement plans right now just aren't working for most Americans, when too many workers don't have access to one, when one in nine of those who do have access to a retirement plan do not participate in it, when one in six don't think their retirement savings will even last a decade, and when people often inadvertently lose retirement benefits when changing jobs.

TIAA estimates 30 percent of Americans left their retirement account at their previous employer, and according to the Government Accountability Office, millions more have left two accounts behind, all to the tune of billions of dollars workers earned, saved for their future, and simply aren't able to use. We need to fix that, and I know Senator Warren and Senator Daines have a bipartisan bill to address this issue of lost and found retirement accounts.

There are also ideas for how we can better increase participation in employer sponsored retirement plans through auto enrollment—auto re-enrollment, as well as bipartisan ideas for how we can get more people retirement options in the first place by building on the steps we took in the SECURE Act to make it easier for small businesses to offer quality retirement plans to their employees and expand which employees are eligible to participate in them. I pressed hard in our work on the bipartisan SECURE Act to make millions of part time workers eligible for their works' retirement plans, and I have continued pressing to make even more people eligible in my Women's Retirement Protection Act.

I know Senator Casey and Senator Scott have a bipartisan bill on that as well. Of course, we also need to make sure that when people have retirement plans, they are given the tools they need to make the most of them as well. For example, tools to help people manage spending down their nest egg so they can make retirement resources last for the rest of their lives. And clear and complete information they need to make decisions that will affect their financial security for years to come.

Unfortunately, a GAO report I requested found that fee disclosures currently provided by 401K plans simply are not cutting it. Looking at current fee disclosures, 4 in 10 people in a plan incorrectly believed they were not paying any fees, and the stakes are even higher for retirees when they are forced to consider whether to take a lump sum and trade a lifelong pension for a one time payout.

GAO found financial disclosures people were given to consider these huge financial decisions often skipped details like how the value of the lump sum compared to their existing benefit, or the fact that accepting a lump sum would mean losing Federal protections. I have previously introduced legislation to change this. I hope we can get that done soon. Speaking of Federal protections, 401ks by far are the most common type of retirement plan, currently are not required to have spousal protections like defined benefit pension plans are required to have.

These protections make sure a spouse cannot make decisions with huge financial consequences, like raiding a couple's retirement resources without their partner's knowledge and consent. I have called to strengthen these protections before and last week Senator Burr joined me in asking GAO to look at how steps like this could help people.

When it comes to the issues we are talking about today, it is clear there is a lot of bipartisan interest in enhancing Americans' savings, improving their retirement planning options, and strengthening their financial security.

I am hopeful today's hearing will help me, Senator Burr, and our colleagues on both sides of the aisle to put together a package that builds on the bipartisan SECURE Act we all worked to passed in 2019, and the bipartisan legislation the House has been developing with even more common sense steps to make our retirement systems work better for families in Washington State and across the Country.

Of course, we all know emergency savings in retirement are just the tip of the iceberg when it comes to issues that can undermine people's financial security. There are big challenges throughout our economy, like low wages, pay discrimination, high costs for childcare, health care, burdensome student loan debt, and more, costs that, like investments, compound over time and set workers back by hundreds of thousands of dollars, in some cases millions by the time they reach retirement.

In addition to steps to strengthen our retirement system and help families save lives, like we are talking about today, I am also going to continue pushing to bring down costs, make our economy work for working families. I would like to ask unanimous consent to enter three letters into the record from the insured retirement institute, the Spark Institute, and the Arisa Industry Committee. So ordered.

[The above information was not submitted:]

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

OPENING STATEMENT OF SENATOR BURR

Senator BURR. Thank you, Madam Chair. And I apologize to the Committee Members for my tardiness this morning. Madam Chair, I want to thank you for scheduling this hearing to highlight the need for Congress to consider legislation to encourage Americans to save more for their futures.

It is not often we have hearings on the pension part of the HELP Committee, but as I look at my remaining 9 months in the Senate, I am very aware of the importance of working and saving toward a secure retirement. Our labor committee hook into retirement issues is ERISA, the Employment Retirement Income Security Act.

ERISA set standards for retirement and health plans in private industry to protect individuals in these plans. The Finance Committee handles the Internal Revenue Code portion. Retirement bills require our Committee to work in concert so that ERISA and the tax code properly work together to help Americans save for their own retirement. As a Member of both HELP and Finance, I consider my office a one stop shop on retirement matters.

Not only will I help shepherd of ERISA matters through this Committee, I will also shape the work of the Finance Committee. At our last hearing last year, we focused on defined contribution plans, the reliable superstar of the retirement world. Today, we will examine how we can make further improvements to these plans.

At our last hearing—and the question before so simple, what is working well and what needs improvement? The answer is that the first question seems easy at the surface level. The system works great when you participate. The two most important words for secure retirement are compound interest. If you put a little money aside every paycheck and let it grow, your future retirement will be a lot better off.

But the system doesn't work great when individuals don't or can't participate. What we need to do is help Americans and their employers offer, operate, and fund individual retirement plans. One option we will learn about from TIAA, which has a great North Carolina presence is as all smart companies should, is multiple employer plans.

TIAA has picked up the mantle as an administrator and an advocate for the enhancement of these plans. Under these plans, employers pull together to gain efficiencies to reduce cost of an administration of plans. Less money spent on administration means more money being saved. Congress has been working to reinvigorate these pooled employer plans to get retirement plans out to the more and more worksites and employees, especially small business employees.

The wonderful thing about defined contribution plans is that Americans who participate in them can pick a piece of paper and see at least two things, their name and an account balance. It is their money, and it is there. It is not a concept, it is not an accounting notation, doesn't require a bailout. It requires personal contributions, maybe an employer match, some basic financial knowledge, and then compound interest does the work. Here is the truth. Americans need to save more.

The gap between the retirement savings that Americans have and the savings they need is already in the trillions of dollars and likely to grow. Not only are many Americans struggling to keep track of their savings needs, even more alarming is how many people have no savings at all outside of Social Security. The data we have seen says that the over one-quarter of non-retirees have nothing in their retirement piggy banks, many of whom are already nearing traditional retirement age.

While the long term impact of the pandemic and economic lockdowns and the great resignation remain to be seen, we know that many Americans choose to tap into their retirement savings, draining assets from their intended retirement purposes. The bright side is that we have learned some good lessons.

According to AARP, workers are 15 times more likely to save for retirement if they can make a payroll deduction to a savings plan at work. You don't spend what you don't see. We have also seen the success of automatic enrollment and employer matching to defined contribution plans. So the challenge to this Congress is finding ways to help employees and employers take advantage of the savings programs that already work.

I look forward to hearing from today's panel about how to overcome the barriers individuals face in their own retirement planning, and the barriers employers face in offering retirement plans to workers. I hope throughout the process, Congress remembers that we shouldn't be trying to take our opinions—take our opinions of how to plan for the future and take the choices of retirement options away from individuals.

The American people didn't send us here to be maternalistic or paternalistic and make their investment decisions for them or limit their choices. If we were all that good with planning ahead, we probably wouldn't have had a $30 trillion debt today.

What I want the most is for Americans to control their own money, have safe options on how to invest and save, and live with a few Government and industry middlemen or middle women as possible. Madam Chair, I thank you. I look forward to our discussion.

The CHAIR. Thank you very much, Senator Burr. Again, I want to welcome all of our witnesses today. We really appreciate all of you coming here. I will now introduce all of our witnesses, and I am pleased to welcome our first witness who has traveled here all the way from my home State of Washington.

Petros Koumantaros is the managing Director and CEO of Spectrum Pension Consultants, the Co-Founder and Chairperson of Group IRA, and a Financial Consultant with Intellicents in Seattle. In these roles, he has experience working with investment advisors focused on retirement issues, employer sponsored retirement plans needing support with administration, record keeping and more, and people looking to better manage their retirement savings.

Thank you for joining us today, Mr. Koumantaros. I am always delighted to have folks come out here from Washington State. Our next witness is Ms. Rademacher. She is Vice President of the Aspen Institute and Executive Director of the Aspen Financial Security Program in Washington, DC. Ms. Rademacher has led the program's efforts to consider how steps to address challenges, like growing wealth inequality and household financial insecurity, can support economic growth.

Under her leadership, Aspen has developed important initiatives focused on looking at the forces that shape families' finances like work opportunities, retirement security, wealth inequality, and more. Ms. Rademacher, appreciate you joining us today to share your time and expertise. We will also be hearing from Cindy Hounsell, the President and Founder of the Women's Institute for a Secure Retirement.

Founded in 1996, WISER works to improve opportunities for women to secure retirement income and educate the public about the inequities that disadvantage women in retirement.

Ms. Hounsell also serves as Director of the National Resources Center on Women and Retirement, which WISER operates in partnership with the U.S. Administration on Aging. Ms. Hounsell, glad you could join us today. I look forward to your testimony. And our final witness will be introduced by Senator Burr.

Senator BURR. Thank you. Thank you, Chair Murray, for the opportunity to introduce our North Carolina witness today. Doug Chittenden is head of TIAA's Client Relationship Team, which serves more than 15,000 retirement plan sponsors in the academic research, medical, and cultural fields. Doug has more than 30 years' experience at TIAA in a variety of positions.

As head of client relations, he oversees sales strategy, service management, and guidance for institutional clients. His team is also responsible for managing relationships with key industry and advocacy organizations. TIAA has been in business for a long time, and they have a major presence in North Carolina.

Last I heard, there were about 5,000 North Carolinians working for the company. Business would really be roaring if they moved all of their operations to North Carolina, but they are making good—they are making a good start. TIAA is most famous for providing retirement packages that serve the institutional community, historically teachers, but that is not all they do.

What makes them a good witness for today's hearing is their support for pension research and their work with pooled and multiemployer employer plans. TIAA knows trends and they know principles of sound retirement. As all of our witnesses know, helping diverse employers provide retirement to employees is complex and important business, from recordkeeping to fiduciary duties to regulatory compliance.

Congress needs the inside of the retirement industry so that we can continue to close the access and savings gaps. We are pleased to have you here today and we look forward to your testimony, Doug. Thank you. Thank you, Madam Chair.

The CHAIR. Thank you. Welcome. And we will now begin our testimony. Our first witness will be Mr. Koumantaros. You may begin.

STATEMENT OF PETROS KOUMANTAROS, MANAGING DIRECTOR AND CEO, SPECTRUM PENSION CONSULTANTS; CO-FOUNDER AND CHAIRPERSON, GROUPIRA; FINANCIAL CONSULTANT, INTELLICENTS, SEATTLE, WA

Mr. KOUMANTAROS. Thank you, Chair Murray, Ranking Member Burr, and all Members of this Committee for the opportunity to provide testimony in support of retirement security in America. My name is Petros Koumantaros, and I am a principal and shareholder in seven closely held financial services businesses.

Collectively, these businesses work with 2,200 retirement plans, representing $9.2 billion in retirement plan assets, and support the needs of 97,000 retirement plan participants, the majority of whom work for small employers. My testimony today focuses on financial emergency savings, worksite financial planning and education, and views on how best to expand retirement plan coverage.

The COVID–19 pandemic illustrated how ill-equipped many Americans were to manage financial emergencies. Among our clients, the incidence of financial hardship withdrawals in 2020 increased by 280 percent when compared with 2019. We encourage Congress to consider financial emergency savings legislation with three key principles in mind.

First, provide workers with penalty free access to financial emergency savings withdrawal from a retirement plan. Second, limit financial emergency savings to mitigate leakage from retirement plan accounts. And third, enable participants to repay financial emergency savings withdrawals when their financial circumstances improve. Another way to assist workers in saving for financial emergencies is to provide more resources for worksite financial planning.

This Committee should consider a separate hearing on financial literacy. The fact is children can get a credit card before they learn how to manage debt. Children learn to consume and spend before they learn how to save and invest. Our children become adults, adults who enter the workforce ill-equipped to budget, invest, manage debt, and to save. That lack of knowledge contributes to the financial stress that plagues millions of Americans.

The cost of financial stress and lost worker productivity and increased staff turnover is estimated at $500 billion annually. Indeed, my experience engaging with hundreds of employers and thousands of their employees confirmed worksite financial planning enhances both worker financial and emotional security.

In support of those measures, we applaud proposed legislation that would allow incidental expenses related to retirement plan design to be treated as planned expenses, and we recommend that Congress act to pass legislation clarifying this status, and in the process, expand access to financial planning and education for working Americans.

Among employers with more than 100 employees, 87 percent of workers had access to workplace retirement benefits. In contrast, among employers with fewer than 100 employees, only 50 percent—58 percent of workers had access to workplace retirement benefits. And yet, there are 32.5 million small businesses in the United States, which represents nearly 50 percent of the American workforce. Why this disparity?

The greatest barriers to retirement planning adoption among small employers are first, the costs of workplace retirement plans, and second, the administrative complexities placed upon small employers. Legislation should address both of these barriers. For example, employers must provide several documents to retirement plan participants.

We were pleased when the Labor Department permitted a shift in default delivery from paper to electronic mediums. One study found retirement plan participants costs could be reduced by $500 million annually by converting to electronic delivery.

Unfortunately, some continue to press for an erosion in these efficiencies, not just for the employer, but for participant accessibility of this information, which in electronic form can be readily translated to languages other than English, as well as enhanced for those who are visually impaired.

The reduction in cost and complexity of delivery, as well as the enhancements in participant accessibility, will encourage more small employers to establish workplace retirement plans, thereby expanding retirement plan coverage. In addition to lowering participant plan costs, Congress should also focus on increased retirement plan coverage.

There are 25.8 million part time workers in America, nearly two-thirds of whom are female. Many not covered by current workplace retirement plan designs. The SECURE Act of 2019 positively changed eligibility rules to require employers to provide access to retirement plans for long time—long term part time employees. In Senator Murray's Women's Retirement Protection Act, the legislation would enhance upon the SECURE Act provisions to provide access to an even greater number of part time workers.

I believe it is important for even more workers to have access to a retirement plan, including those who do not work 500 hours, and I would like the opportunity to discuss with the Committee how best to accomplish that.

Beyond the ideas shared in my remarks, we support other legislative proposals discussed further in my written testimony. We look forward to continued collaboration with the Members of this Committee to preserve, protect, and expand the U.S. retirement system so that everyone can plan and save for a dignified financial future. Thank you.

[The prepared statement of Mr. Koumantaros follows:]

PREPARED STATEMENT OF PETROS KOUMANTAROS

Testimony to the United States Senate

Committee on Health, Education, Labor, and Pensions

Hearing On "Rise and Shine: Improving Retirement and Enhancing Savings"

Tuesday, March 29

Introduction

Thank you, Chair Murray, Ranking Member Burr, and all Committee Members for the opportunity to provide testimony in support of retirement security in America.

My name is Petros Koumantaros, and I am the Managing Director and Chief Executive Officer of Spectrum Pension Consultants, Inc. ("Spectrum"), a retirement plan administration firm and retirement plan platform provider; a Co-Founder and the Chairperson of GROUPIRA, Inc., a financial technology company focused on individual retirement accounts; and a Financial Consultant with intellicents investment solutions, Inc. ("intellicents"), an SEC Registered Investment Adviser.

I am a principal and shareholder in seven closely held financial service and retirement plan consulting, administration, and technology businesses. Collectively, these businesses work with 2,200 retirement plans, representing $9.2 billion in retirement plan assets, and support over 97,000 retirement plan participants. I have consulted with employers on the design, administration, compliance, governance, and investments of their retirement plans for over 16 years, with principal focus on small employers having 100 or fewer workers.

My testimony today focuses on:

1. the impact of the COVID-19 pandemic on defined contribution plans and the need for participants to have access to emergency savings,
2. the need for worksite financial planning and increased financial education, and
3. views on how best to expand defined contribution retirement plan coverage.

Emergency Savings

The COVID-19 Pandemic illustrated how ill equipped many Americans were to manage financial emergencies. Among Spectrum's retirement platform clients during the first year of the COVID-19 pandemic the incidence of financial hardship withdrawals increased by 280%, and the total dollar amount of financial hardship withdrawals increased by 490% when compared with 2019.[1]

Financial emergencies can impact all Americans, but they disproportionately harm those with little savings. A 2021 report from the U.S. Federal Reserve found that 36% of Americans could

[1] Authors calculations. Source data extracted from Spectrum's retirement platform management system.

not afford a $400 emergency expense.[2] The same report also found that while 55% of respondents had set aside money specifically as emergency savings or "rainy day" funds, those who experienced a layoff may have dipped into those funds or not had them in the first place.[3]

Financial emergencies can take many forms, but catastrophic events and loss of income, are among the most disruptive. When providing financial consultation services to individuals, we recommend people save between three to six months of income for financial emergencies. The U.S. Census Bureau reported 2019 median U.S. Household Income at over $68,000.[4] Accordingly, based on our financial planning recommendations, the median U.S. Household should try to save $17,000 to $34,000 for emergencies. We recognize this emergency savings target is high, particularly for the working Americans who live paycheck to paycheck, but it is important that people start somewhere. Emergency savings should be highly liquid and separate from funds intended for day-to-day needs.

While current legislation allows certain retirement plans to offer financial hardship withdrawals and participant loans, such options are not always suitable for true financial emergencies. Financial hardship withdrawals are limited in scope and bring with them a 10% excise tax penalty on participants who are below age 59½, in addition to regular income taxes on the distribution itself. Meanwhile, participant loans require repayments to commence soon after loan origination – deferring, rather than resolving, the financial emergency, and in a way incredibly challenging for those facing financial emergencies.

To ameliorate these challenges, we encourage Congress to consider Financial Emergency Savings legislation. The principles behind Financial Emergency Savings should be to:

- provide workers with ready penalty-free access to a Financial Emergency Savings Withdrawal in the event of financial emergencies,
- limit the amount of Financial Emergency Savings Withdrawals to mitigate excessive retirement plan leakage and ensure participants do not significantly and prematurely deplete their retirement savings, and
- enable participants to repay Financial Emergency Savings Withdrawals without penalty when their financial circumstances improve.

Administratively, Financial Emergency Savings could be part of participants' retirement plan accounts or separately tracked "sidecars" to participant retirement plan accounts. In all instances, since emergency financial circumstances can occur with little warning, participants should be able to self-certify financial emergencies and have ready and timely access to

[2] United States Federal Reserve. "Report on the Economic Well-Being of U.S. Households in 2020 - May 2021, https://www.federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-dealing-with-unexpected-expenses.htm." Accessed March 21, 2022.
[3] Id.
[4] United States Census Bureau. "Income and Poverty in the United States: 2019, https://www.census.gov/library/publications/2020/demo/p60-270.html." Accessed March 23, 2022.

withdrawal transactions. To address leakage concerns, we suggest limiting Financial Emergency Withdrawals to $2,000 per year.

Although Financial Emergency Withdrawals could result in increased retirement plan leakage, Financial Emergency Withdrawals would likely mitigate the need for retirement plan participants to turn to financial hardship withdrawals or participant loans. Moreover, any leakage that might result could be offset by increased participant savings rates. A 2010 study on "The Impact of 401(k) Loans on Saving," found that retirement plan participants who have access to participant loans are more likely to participate and may contribute more to their retirement plans.[5] We infer that people are likely to set aside more towards retirement if they know that funds are accessible should financial emergencies arise. With the introduction of Financial Emergency Withdrawals, new individuals might well start to save for retirement, who would have never saved previously.

Worksite Financial Planning and Education

This Committee could dedicate a separate hearing to financial literacy, and why it remains largely absent in primary and secondary education, but that is a conversation for another day. The fact is -- children do not learn about money in school. Yet, money is something everyone uses -- every day. Those children become adults, who enter the workforce ill equipped to budget, invest, manage debt, and save.

That lack of knowledge contributes to the financial stress that plagues millions of Americans, particularly those less likely to learn about good money habits at home. According to a 2019 survey commissioned by Salary Finance, employees with financial worries are:

- 8.1 times more likely to have sleepless nights,
- 5.8 times more likely not to finish daily tasks,
- 4.3 times more likely to have troubled relationships with work colleagues, and
- 2.2 times more likely to be looking for a new job.[6]

The costs of financial stress in terms of lost worker productivity and increased staff turnover equates to 11% to 14% of total salary costs for employers -- almost $500 billion annually.[7]

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[5] National Bureau of Economic Research. "The Impact of 401(k) Loans on Saving, https://www.nber.org/sites/default/files/2020-08/orrc09-05.pdf." Accessed March 22, 2022.
[6] Salary Finance. "The Employer's Guide to Financial Wellness 2019, https://resources.salaryfinance.com/hubfs/Campaigns/USGuide19/Employers_Guide_to_Financial_Wellness_2019_Salary_Finance.pdf." Accessed March 24, 2022.
[7] Id.

tomorrow's money...

the American worker is not prepared for retirement

- **1-in-3** Americans has $0 saved for retirement
- **28%** of people over the age 55 have no retirement savings
- **50%** of workers age 60+ plan to work until age 70 or later
- **>50%** of Gen Xers have less than $10,000 saved for retirement

today's money...

Americans can't save for retirement tomorrow because they aren't financially fit today.

- **54%** of Americans are stressed out about their finances
- **37%** of employees can't meet monthly expenses
- **49%** carry a credit card balance, with **41%** of those finding it difficult to make the minimum payments
- **25%** of workers say financial stress impacts their job performance, with **43%** of those spending at least 3 hours a week at work worrying about finances

Figure 1 - Summary of retirement planning and financial wellness analytics compiled by intellicents

American workers struggle to focus on tomorrow's money if today's money is a mess. Indeed, our experience engaging with hundreds of employers and thousands of their employees confirm worksite financial planning enhances both worker financial and emotional security.

In one specific case study, a leading Midwest manufacturing company engaged our firm, intellicents, to deliver comprehensive retirement planning services to its workforce of 3,000 employees. This heavy manufacturing company adopted an education policy that emphasized employee retirement readiness through plan design, high-touch communication, and advice services to educate and empower retirement plan participants. It also mandates an annual benchmarking of retirement readiness scores at both the aggregate retirement plan level and individual participant level.

Critical success metrics were defined and monitored to evaluate the program's success. The results were significant:

- retirement plan participation rose from 75% to 98%,
- employee retirement plan contributions nearly doubled -- from 4.7% to 8.8%, and
- the number of employees on track for adequate retirement income rose from 19% to 58%.

	on track for retirement	needed income being replaced	average income gap	participation rate	average deferral rate	contributing 6% or more	contributing 10% or more
2011	19%	63%	37%	75%	4.7%	42.3%	9.8%
2015	43%	78%	22%	95%	7.7%	63.4%	12.9%
2019	58%	83%	17%	98%	8.8%	84.6%	34.5%

Figure 2 - Summary Results of Midwest Manufacturing Company Adopting Comprehensive Worksite Retirement Planning Benefits from intellicents

Congress could expand access to similar financial literacy, retirement readiness programs, and worksite financial planning through a couple of methods.

Logically, expenses related to financial literacy, retirement readiness programs, and worksite financial planning, should be payable, if the employer elects, from retirement plan assets that benefit from these measures. However, in the current regulatory environment, as these programs are not legally required, they are considered discretionary. Accordingly, expenses arising from financial literacy, retirement readiness programs, and worksite financial planning are not payable from retirement plan assets, causing employers, especially small employers, to forego them entirely, even though such services create tremendous benefits for workers.

We recommend that Congress act and clarify that expenses arising from financial literacy, retirement readiness programs, and worksite financial planning can be paid from retirement plan assets, at the option of the employer. Naturally, to the extent such expenses are paid from retirement plan assets, employers would be accountable to prudently monitor the service providers to ensure the fees are reasonable.

In support of those measures, we applaud recent proposed legislation that would allow incidental expenses related to plan design to be treated as a plan expense. While this proposed legislation does not include financial literacy, retirement readiness programs, and worksite financial planning to be paid directly from plan assets, it would at least eliminate the burden imposed on an employer under current rules in discussing with the retirement plan's financial advisor or consultant whether such programs should be implemented.

As a related concern, while some employers can afford to underwrite the costs of financial literacy, retirement readiness programs, and worksite financial planning, under current law such benefits are taxable to employees unless the benefit is de minimis. Another method of expanding access to these programs is to enact legislation making such programs tax-deductible expenses for employers and tax-free benefits to workers.

Coverage Expansion and Other Retirement Plan Enhancements

Tens of millions of Americans save for retirement through workplace retirement plans. When retirement planning is decoupled from the workplace, Americans are much less likely to save. In fact, U.S. Workers are 12 times more likely to save in a workplace retirement plan than to save on their own.[8] Workplace retirement plans offer convenience by facilitating savings through payroll deduction. This, coupled with employer matching incentives and automatic enrollment features, make workplace retirement plans the retirement savings vehicle of choice in America. Therefore, public policies to broaden retirement plan coverage should focus on expanding workplace retirement plans.

However, the current coverage gap is almost exclusively found among small business workers. According to March 2021 data from the Bureau of Labor Statistics, among employers with more than 100 employees, 87% of workers had access to retirement benefits.[9] In contrast, among employers with fewer than 100 employees, only 58% of workers had access to retirement benefits.[10] And yet, there are 32.5 million small businesses in the United States which employ 61.2 million people or 46.8% of the U.S. workforce.[11]

A Pew Survey of Small Businesses in 2017 found the greatest barriers to retirement plan adoption are first, the costs of workplace retirement plans and second, the lack of organizational resources.[12] Accordingly, two guiding principles to expand small employer retirement plan coverage should be to reduce the costs and administrative complexity of workplace retirement plans.

A. *Universal Coverage Automatic Safe Harbor*

There are 25.8 million part-time workers in America, nearly two-thirds (63%) of whom are female.[13] Under current law, employers can permissibly exclude certain part-time workers from retirement plan coverage, putting part-time workers at a disadvantage for retirement security. We applaud the efforts of this Committee to extend coverage to part-time workers through the

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[8] Employee Benefit Research Institute IRS tabulations and Vanguard. "How America Saves" (2018).
[9] U.S. Bureau of Labor Statistics. "Employee Benefits in the United States - March 2021, https://www.bls.gov/news.release/pdf/ebs2.pdf." Accessed March 21, 2022.
[10] Id.
[11] U.S. Small Business Administration, Office of Advocacy. "2021 Small Business Profile, https://cdn.advocacy.sba.gov/wp-content/uploads/2021/08/30143723/Small-Business-Economic-Profile-US.pdf." Accessed March 24, 2022.
[12] The Pew Charitable Trusts. "Employer Barriers to and Motivations for Offering Retirement Benefits, https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/06/employer-barriers-to-and-motivations-for-offering-retirement-benefits." Accessed March 24, 2022.
[13] U.S. Department of Labor. "Full-Time / Part-Time Employment, https://www.dol.gov/agencies/wb/data/latest-annual-data/full-and-part-time-employment." Accessed March 21, 2022.

long-term part-time employee rules. Such efforts have gone a long way towards coverage expansion, but more can be done.

We suggest broadening retirement plan coverage by creating a Universal Coverage Automatic Safe Harbor ("UCASH"). A UCASH would be a single employer 401(k) plan targeted to small employers, with the goal of broadening coverage and providing meaningful retirement benefits, while preserving administrative simplicity.

As its name suggests, a UCASH would require universal coverage of all workers -- including all part-time workers. A UCASH should also require immediate retirement plan participation without any waiting periods, commencing with an employee's start date. Employers would automatically enroll employees in a UCASH at 6% of their pay, but employees would retain opt-out rights. Every three years, we suggest requiring employers to automatically re-enroll employees who opt out, to help encourage future participation.

Employers sponsoring a UCASH 401(k) Plan would commit to a required fully vested employer contribution, which would ladder into effect over the first four plan years:

- 0% of eligible compensation in the first year,
- 1% of eligible compensation in the second year,
- 2% of eligible compensation in the third year, and
- 3% of eligible compensation in the fourth year.

Laddering the required employer contributions over a 4-year implementation period makes UCASH 401(k) Plans more approachable to budget sensitive small employers.

UCASH 401(k) Plans would be deemed to satisfy the average deferral percentage and top-heavy compliance tests, making UCASH 401(k) Plans easier for small employers to administer. Reasonable UCASH successor plan rules should mitigate the risk of potential abuses.

We recognize our UCASH proposal also has Senate Finance Committee implications. Accordingly, whether it is our specific UCASH proposal or others, we hope the principles of:

- broadening part time worker coverage,
- encouraging small employers to adopt retirement plans,
- minimizing small employer retirement plan startup costs, and
- reducing small employer retirement plan administrative complexity are all achieved in a largescale retirement plan package.

B. Enhance Automatic Individual Retirement Account ("IRA") Rollovers

Inactive retirement plan participants who keep their accounts in a former employer's retirement plan can drive up the administrative costs for those employers. While employers can allocate expenses to the accounts of inactive participants, doing so in small employer retirement plans can be administratively challenging. Thankfully, Automatic IRA Rollovers are alternative solutions to this issue.

Retirement plan participants who are eligible to receive a distribution of their account, and who do not respond to a distribution notice within 30 days, may have their accounts automatically rolled over to an IRA. Such Automatic IRA Rollovers are applicable only to retirement plan account balances less than $5,000 or in the case of retirement plan terminations.

Under current law, Automatic IRA Rollovers must be invested to preserve capital and provide a reasonable rate of return. However, over long time periods, investors in Automatic IRA Rollovers are harmed, because investments designed to preserve capital do not offer the upside investment return potential as do well-diversified equity and fixed income portfolios.

We suggest Automatic IRA Rollovers follow similar investment standards to a Qualified Default Investment Alternative ("QDIA") inside participant directed defined contribution plans, which are currently defined as:

- A product with a mix of investments that takes into account the individual's age or retirement date (an example of such a product could be a life-cycle or targeted-retirement-date fund),
- An investment service that allocates contributions among existing plan options to provide an asset mix that takes into account the individual's age or retirement date (an example of such a service could be a professionally-managed account),
- A product with a mix of investments that takes into account the characteristics of the group of employees as a whole, rather than each individual (an example of such a product could be a balanced fund), and
- A capital preservation product for only the first 120 days of participation (an option for plan sponsors wishing to simplify administration if workers opt-out of participation before incurring an additional tax).

We note our recommendation is consistent with a 2014 U.S. GAO Report which identified issues for long-term investors in Automatic IRA Rollovers.[14] Specifically, the report identified a $1,000 Automatic IRA Rollover would be depleted over 30 years if invested conservatively, consistent with current law, but would grow to over $2,500 if invested in a target retirement date fund.[15]

[14] U.S. Government Accountability Office. "401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts, https://www.gao.gov/assets/gao-15-73.pdf." Accessed March 25, 2022.
[15] Id.

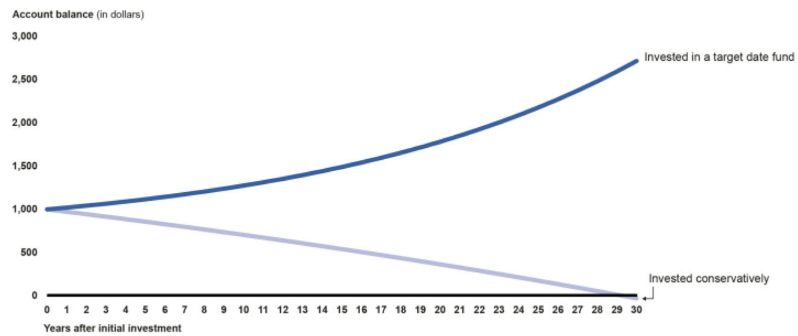

Figure 3 – A $1,00 Forced-Transfer Balance Invested in a Target Date Fund Could Grow Over 30 Years but Declines When Invested Conservatively[16]

C. *Locating Missing Participants*

Automatic IRA Rollovers can be effective tools for retirement plan accounts of less than $5,000 or in the case of retirement plan terminations, but they do not help employers in other circumstances.

For retirement plan participant accounts greater than $5,000, employers and their retirement plan service providers must try to contact former employees and remind them of their retirement plan distribution options. Existing rules require employers to, at a minimum, use certified mail, check related plan and employer records, check with designated plan beneficiaries, and use free electronic search tools. Additional search methods may include the use of internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases and analogous services that may involve charges.

Employers with whom we consult remain committed to ensuring retirement plan participants are distributed the benefits to which they are entitled. However, despite an employer's best efforts, locating missing participants is not always possible, and current guidance leaves employers with few options.

We recommend providing employers with a safe harbor where they could utilize Automatic IRA Rollovers for retirement plan participant accounts greater than $5,000, after satisfying the safe harbor requirements. However, any such safe harbors should be paired with enhancements to Automatic IRA Rollover investments, as expressed previously.

[16] Id.

D. Expand Electronic Delivery and Disclosure of Retirement Plan Documents

Reducing retirement plan administrative costs are one of the best ways to encourage small employer retirement plan adoption. To this end, electronic delivery and disclosure should be a default method of communication with retirement plan participants and beneficiaries. However, and consistent with current U.S. Department of Labor regulations, we believe retirement plan participants and beneficiaries should always have access to paper documents upon request and at no additional cost.

ERISA and the Tax Code requires retirement plans to provide several documents to retirement plan participants and beneficiaries. Delivering this information electronically has significantly lower costs than sending them through the mail – with cost savings from printing, processing, and postage. One report estimated that retirement plan participants could save more than $500 million per year by converting to electronic delivery.[17] These administrative cost reductions will help encourage more small employers to establish workplace retirement plans, thereby expanding retirement plan coverage.

Electronic delivery is also better for the environment, as the process of manufacturing paper contributes to pollutions, paper waste, and deforestation.

One of the least recognized benefits of electronic delivery and disclosure is accessibility. Electronic documents can be easily translated into languages other than English, helping the millions of retirement plan participants who do not speak English or where English is not their principal language. Moreover, the text of electronic documents is easy to enlarge on computer screens or mobile devices, helping those Americans who are visually impaired, or who would otherwise struggle to read the same content in static form on sheets of paper.

Our experience confirms retirement plan participants are also more likely to engage through electronic means, as dynamic content with links can be launched from within electronic documents. Moreover, electronic delivery facilitates a feedback loop to service providers and employers, since participant engagement of electronic documents can be monitored and tracked. This feedback loop will enhance the quality and readability of documents over time, as service providers and employers learn best which communication strategies yield the greatest participant engagement. Such feedback loops are not feasible with static content delivered on paper.

E. Simplify the Safe Harbor 401(k) Basic Match Formula

Small employers often adopt Safe Harbor 401(k) Plans because of easier plan administration with fewer compliance requirements.

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[17] Peter Swire, De Brae Kennedy-Mayo, "2018 Update to Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time has come to Prefer Electronic Delivery," April 2018.

A Safe Harbor 401(k) Match provides additional incentives for employees to save at work by requiring a minimum employer matching contribution. However, under current law, the 401(k) Safe Harbor Basic Match has a complicated multi-tier contribution formula, "100% employer match on the first three percent of each employee's contribution, plus 50% employer match on the next two percent of each employee's contribution."

Deloitte's 2019 Defined Contribution Benchmarking Survey Report found company contributions were the second most confusing feature of defined contribution plans, behind only "Where to invest/which funds to use."[18] This study confirms our experiences interacting with defined contribution retirement plan participants -- simplicity of contributions and investments is paramount for retirement plan participants to understand their benefits and engage productively in their retirement plans.

While small employers could offer a 401(k) Safe Harbor Enhanced Match, which features a single-tier contribution formula, few employers choose to do so, electing instead for the 401(k) Safe Harbor Basic Match.

We encourage Congress to simplify the Safe Harbor 401(k) Basic Match to a single-tier contribution formula, "100% employer match on the first 4% of each employee's contribution." This simplification will help workers to better understand and to maximize their benefits under Safe Harbor 401(k) Match Plans.

F. Startup Retirement Plan Tax Credit Expansion

Congress should expand the tax credits and incentives to encourage new retirement plan adoption. Startup retirement plan tax credits expanded under the SECURE Act have helped, but more can be done. Through our experience consulting with employers, we know the costs to adopt a 401(k) or other workplace retirement plan can be significant, often thousands of dollars. Retirement plans need to be designed, documented, and implemented. Workers need to be notified, educated, and enrolled in the new benefit plan. To assist employers, startup retirement plan tax credits should be increased to 100% of the eligible costs incurred, and eligible costs should include employer retirement plan contributions.

Conclusion

Thank you again for the opportunity to provide testimony on Improving Retirement and Enhancing Savings in America. We appreciate your continued commitment to addressing the major financial challenges that our clients and all working Americans face. We look forward to continued collaboration with the members of this Committee to preserve, protect, and expand the U.S. retirement system so everyone can plan and save towards a dignified financial future.

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[18] Deloitte. "2019 Defined Contribution Benchmarking Survey, https://www2.deloitte.com/us/en/pages/human-capital/articles/annual-defined-contribution-benchmarking-survey.html." Accessed March 24, 2022.

Acknowledgements

I thank all my colleagues for the collaboration and support in preparing this testimony, but especially for the efforts of:

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- Chriselle Tancioco, Corporate Services Manager, Spectrum Pension Consultants

[SUMMARY STATEMENT OF PETROS KOUMANTAROS]

Introduction

Shares witness's professional background; summarizes the testimony's focal points.

Emergency Savings

Highlights the problem of financial emergencies facing Americans; offers 3 principles of emergency savings legislation: penalty-free access, leakage mitigation, and repayment options; shares how to accomplish these principles administratively.

Worksite Financial Planning and Education

Highlights how children do not learn about financial literacy; highlights how adults enter the workforce ill-equipped to budget, invest, manage debt, and save; highlights the problem and costs of financial stress; shares case study of how worksite financial planning is effective to enhance worker financial security; shares ideas to expand access to financial literacy, retirement readiness programs, and worksite financial planning.

Coverage Expansion and Other Retirement Plan Enhancements

Highlights the retirement plan coverage gap; identifies financial security challenges for part-time workers, particularly women; offers 2 principles of coverage expansion legislation for small employers: reduce costs and administrative burdens; introduces the concept of a Universal Coverage Automatic Safe Harbor to expand coverage to part-time workers in exchange for simplified plan administration; offers suggestion to enhance Automatic IRA Rollovers by following Participant Directed Defined Contribution Plan Qualified Default Investment Alternative rules; offers suggestions to help locate missing participants and expand account portability through an employer safe harbor; shares the benefits of electronic delivery and disclosure of retirement plan documents and notices, including accessibility for non-English speaking Americans; suggests simplification of the 401(k) Basic Safe Harbor Match formula to make benefits easier for participants to understand; offers suggestions to expand tax credits for small employer retirement plan adoption.

Conclusion

Offers thanks to the Committee for its work on retirement security; offers to collaborate further.

The CHAIR. Thank you very much.
Ms. Rademacher.

STATEMENT OF IDA RADEMACHER, VICE PRESIDENT, ASPEN INSTITUTE & EXECUTIVE DIRECTOR, FINANCIAL SECURITY PROGRAM, WASHINGTON, DC

Ms. RADEMACHER. Thank you, Chair Murray, Ranking Member Burr, and Members of the Committee. Thank you for holding this hearing today. Retirement savings and savers have long been a bipartisan bright spot in Congress, and I am grateful to you for carrying that tradition forward. I am Ida Rademacher. I am a Vice President at the Aspen Institute and I lead our financial security program.

Our goal is to make financial security a top national priority. And since our inception, retirement savings has been a pillar of that work toward building a more inclusive economy with reduced wealth inequality and more deeply shared prosperity. My written remarks include a broad list of the challenges and opportunities facing our Country's retirement savings system, including issues like portability and lifetime income.

But I will focus my remarks today on the foundational role that retirement savings play in wealth creation, the importance of closing gaps in access to retirement savings, and the potential for boosting emergency savings through the retirement system. Retirement savings are one of the largest sources of household wealth in the United States, second only to home equity for most households in America.

The wealth building potential is important not just for the rich. Everyone needs wealth to thrive. And our research team has found that wealth functions in a variety of ways in a person's life to provide resilience, choice, mobility, physical and mental well-being, dignity, and legacy. Too often conversations about retirement savings carry an implicit or an explicit assumption that low and moderate income households don't need savings because Social Security replaces much of their income.

But given the critical role of wealth in the quality of life and the goals that we all have, the claim is false. It is essential that we build a retirement savings system that works for everyone. We still face a number of challenges, and far too many workers lack access to this powerful system. Account ownership and balances are distributed unevenly across socioeconomic groups, racial groups, generations, and gender.

Of particular note, a disproportionate lack of access to workplace retirement savings has deepened the racial wealth gap in this country. In 2016, the typical Black household had 46 percent of the retirement wealth of a typical white household, and Latino households had 49 percent of the retirement wealth of a white household. But there are promising solutions for policymakers to take action to begin to close these gaps.

Further expanding coverage to additional part time workers is one of these solutions. This would help women in particular and women of color in particular, who are more than twice as likely as men to work in voluntary part time jobs. Expanding the market for multiple employer plans to include more workers, such as those that are nonprofit organization could also move the needle by lowering costs and providing economies of scale that are closer to those achieved by large businesses.

Encouraging auto enrollment and retirement savings is another promising solution that would build off the success we have seen with automatic enrollment. And as workers change jobs with increasing frequency over the course of their working life, leaving a variety of small accounts scattered across different financial institutions, solutions like auto portability and a retirement savings lost and found data base are vital to ensure the retirement savings system is designed for the needs of the 21st century workforce.

Finally, I want to raise the key opportunity for this Committee to consider to strengthen the retirement savings system and have it serve the greatest number of Americans successfully, and that is supporting households and saving for emergencies.

A study that was released just last week by the Consumer Financial Protection Bureau deepened our understanding of the critical nature of emergency savings, finding that households with emergency savings were substantially less likely to overdraft, to take on high interest debt, or to withdraw early from their retirement savings.

These findings corroborate recent research we initiated during the pandemic that found that households with at least $1,000 of emergency savings were half as likely to withdraw their workplace retirement savings accounts compared to those that didn't have any liquid savings.

You have a particular opportunity to significantly boost emergency savings by allowing providers to offer automatic enrollment into workplace savings accounts in the same way the tool is used for retirement savings.

When automatic enrollment became the standard feature of 401k plans in the U.S., participation nearly doubled, with 93 percent of new hires contributing. I am happy to answer more questions later and thank you for your time. I want to commend again the Committee for your leadership on this critical issue of retirement savings, and I look forward to the conversation.

[The prepared statement of Ms. Rademacher follows:]

PREPARED STATEMENT OF IDA RADEMACHER

FINANCIAL SECURITY PROGRAM
aspen institute

"Rise and Shine: Improving Retirement and Enhancing Savings"
Senate Committee on Health, Education, Labor, & Pensions
March 29, 2022

Written Testimony of Ida Rademacher
Vice President and Executive Director of the Financial Security Program
The Aspen Institute

Chair Murray, Ranking Member Burr, and members of the committee. Thank you for holding this important hearing today on one of the most critical wealth building systems in our country: our retirement savings system.

I am Ida Rademacher, Vice President at the Aspen Institute. I am also the Executive Director of the Financial Security Program (FSP).[i] Our mission at the Financial Security Program is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. Since our inception, retirement savings has been a pillar of our work on building an inclusive economy with reduced wealth inequality and shared prosperity.

Through our convenings of leaders on retirement savings, we have found that there is convergence on the importance of the retirement savings system for building inclusive wealth. Specifically, we have hosted the Aspen Leadership Forum on Retirement Savings for the past six years, a community that features some of the largest asset managers and recordkeepers in the financial sector, leading advocates from consumers, academic experts in financial security, and even some of your esteemed colleagues in the Senate.[1] While they have different perspectives on solutions, they all agree that the retirement savings system is a critical pillar of an inclusive financial system that facilitates financial security and the wealth building potential of households in America.

Unfortunately, despite the power of the retirement savings system for those who are able to use it, there is also broad agreement that it has not yet lived up to its potential for everyone. Wide gaps exist in the access to effective retirement savings tools for households, in particular households of color, women, and low-income households. In addition, the structures of the system's infrastructure have not kept up with the current financial needs of households or even modern technology.

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[1] For more information, see https://www.aspenretirementforum.org/.

In my testimony today, I will briefly highlight the importance of retirement savings as a generator of wealth, and what that means for financial security at the household level. Second, I will review the gaps that we see in the system and potential solutions available to you and your colleagues to address those gaps, in particular focusing on access, portability, and cash flow in retirement (otherwise known as lifetime income). Finally, I want to highlight the potential you all have right now to boost emergency savings through the retirement system by supporting innovative savings options for employers and households in a way that safeguards retirement funds, helps households weather unexpected emergencies, and can set low- and moderate-income households up to succeed in building wealth in the long term.

The Retirement Savings System is a Pillar of the Future of Wealth

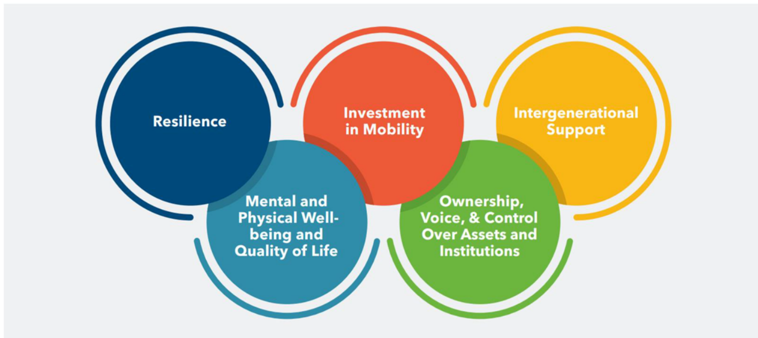
Retirement savings are one of the largest sources of household wealth in the United States, second only to home equity in its overall asset value on an average American household balance sheet.[ii] This wealth building potential is important not just for the rich - everyone needs wealth to thrive. Not having wealth leaves people less able to invest in economic mobility; support family, community, and future generations; care for their health and well-being; and feel a sense of control and dignity in life. For a large share of people and families in America, wealth is out of reach – and without it, financial security is nearly impossible.

Everyone in America deserves to be able to build wealth - that is implicit in the Declaration of Independence’s foundational claim, that all people have unalienable rights to life, liberty, and the pursuit of happiness. That has not, however, been most people’s experience throughout United States history, which is filled with peoples’ struggles to have equal access to both the financial stability that is a prerequisite for wealth building and the financial tools needed to turn resources into durable wealth.

In the United States, having some amount of personal wealth is necessary to thrive, due in part to the “great risk shift” of the past several decades (e.g., the replacement of pensions with 401(k)s), the financialization of private industries and social institutions alike, and public systems’ reliance on private markets to deliver household supports and services. In this context, wealth is often a prerequisite for people to maintain stability in their lives when they inevitably face challenges, to experience upward economic mobility, and maintain physical and mental health. This makes wealth building a high-stakes endeavor for individuals and families, impacting far more than just their finances.

My research team has identified five primary functions of wealth.[iii]

Figure 1. The Five Functions of Wealth



1. **Wealth provides resilience.** It protects people's ability to meet their needs and keep working toward their goals in the face of volatility of income and expenses. It also allows individuals to provide support and resilience to others in their social networks and communities.
2. **Wealth enables investments in mobility.** It allows people to make investments that can boost their income, stabilize or reduce their costs of living, and grow their wealth. People use their wealth to build more wealth over time by investing in appreciating assets (primarily homes and stocks). As people accumulate wealth, they invest in themselves and their families via higher education, entrepreneurship, and homeownership. Those with significant amounts also boost their household's current, regular cash flow through assets that generate rental income or dividend payments—this virtuous cycle creates more resources to invest and benefit from compound interest.
3. **Wealth enables intergenerational support.** Having wealth allows people to endow the next generation with resilience, mobility, and opportunity. People share their wealth with their families and others during their lifetimes through gifting money or assets such as vehicles or businesses, paying for others' higher education, or providing seed money for others' businesses. Those who have significant wealth can also pass it down through inheritances of money and other assets. These transfers provide recipients with a built-in safety net that they can draw on in times of need and build upon for future generations.
4. **Wealth supports health and quality of life.** Having wealth provides breathing room and flexibility that are beneficial to people's well-being. Financial insecurity and debt are associated with mental health challenges such as anxiety and depression, and physical health conditions including weight fluctuations, higher blood pressure, and increased risk of stroke.[iv] In that sense, wealth can serve as preventative care. Wealth can also bolster the health and well-being of

people living with health conditions or disabilities that require regular treatment. Wealth contributes to quality of life by providing options and reducing the need to make unwanted tradeoffs. Non-labor income generated by assets such as real estate or financial investments can allow people to work fewer hours to make ends meet.

5. **Wealth provides a sense of ownership, voice, and control.** Asset ownership affords people decision-making power. At the household level, that could be the power to choose where to live based on proximity to schools and jobs, instead of solely on cost of living. Wealth can also affect people's social and political engagement, thus benefiting entire communities. On the other hand, financial insecurity depresses political participation and civic engagement.[v]

It is for these reasons that a thriving and inclusive retirement savings system is necessary for the financial security of all in America. Too often conversations about retirement savings carry an implicit or explicit assumption that low- or moderate-income Americans don't need savings because Social Security replaces much of their income. Given the critical nature of wealth to personal and community resilience, quality of life, and the deep desire of households across the income spectrum to leave something behind for future generations, that claim is clearly false. It is essential that we build a retirement savings system that works for everyone.

Unfortunately, while many are able to effectively invest in retirement savings, far too many others do not have access to this powerful system. Account ownership and balances are distributed unevenly across socioeconomic groups, and particularly across racial groups. For everyone to have a secure retirement, everyone needs access to retirement savings accounts with high-quality features, regardless of where they work or how much they are paid.

Persistent Gaps Exist in the Retirement Savings System, but Solutions Exist

Far Too Many Lack Access to Workplace Retirement Savings

At each of the previous gatherings of the Aspen Leadership Forum on Retirement Savings, a dominant theme has been how to fully extend access to the approximately 40 million workers in America who currently lack access to a workplace retirement savings plan. In addition to leaving millions of workers without sufficient resources upon retirement, these gaps in retirement plan access contribute to growing wealth inequality in the United States.

In 1989, the poorest half of the population owned three percent of the nation's wealth; in 2013, it was just one percent. Over that period, wealth accumulation has overwhelmingly shifted to older, college-educated, white families.[vi] In 2019, the net worth of a typical white household was nearly eight times greater than that of a Black household.[vii]

Black and Hispanic/Latino workers' disproportionate lack of access to workplace retirement savings plans has deepened racial wealth inequality. In 2016 the typical Black household had 46 percent of the retirement wealth of the typical white household, and the typical Hispanic/Latino household had 49 percent of the retirement wealth of a white household.[viii] The gap in access to workplace retirement savings is driven by the fact that many people are either employed by small businesses that do not offer savings plans, make their living as contingent or contract workers who do not have access to benefits, are part time employees, or are independent contractors or otherwise self-employed and thus disconnected from a primary employer.

There is a generational wealth divide as well. Americans born in the 1960s have accumulated 11 percent less wealth than earlier generations at a similar age, while those born in the 1970s have an average of 18 percent less. Those born in the 1980s are 34 percent less wealthy than expected.[ix]

Women also face retirement savings hurdles higher than those of men. Women are less wealthy overall than men, owning 32 cents on every dollar owned by men.[x] They are also much much more likely than men to have part-time jobs, which are about half as likely to offer a retirement savings benefit.[xi] Consequently, it is unsurprising that the pandemic hit female savers hard. During the pandemic, just 41 percent of women said they would be able to continue saving for their retirement compared to 58 percent of men.[xii]

There are promising, bipartisan solutions for policymakers to take action to begin to close these gaps. Further expanding coverage to additional part-time workers is one such solution that has received bipartisan support. Increasing that coverage would help boost women's access to retirement savings in particular, who are more than twice as likely as men to voluntarily work in part-time jobs.[xiii]

Increasing coverage must be a priority—and that coverage must include access to automatic enrollment. When workers have access to payroll deduction-based retirement programs, they are 15 times more likely to save.[xiv] Offer automatic enrollment and they're 18 times more likely.[xv] Allowing for automatic re-enrollment into retirement savings plans is a promising policy that would build on the success of automatic enrollment to ensure we can provide multiple opportunities for workers to jump start their retirement savings.

Expanding the market for Multiple Employer Plans (MEPs) or Pooled Employer Plans (PEPs) to include more workers, such as those at nonprofit organizations, could also move the needle on worker access to workplace retirement savings plans. While MEPs and PEPs are still in early development in the market, there is potential for them to lower costs for smaller employers to offer retirement benefits by providing economies of scale closer to those achieved by larger businesses. Currently, 58 percent of businesses with fewer than 100 employees offer any sort of retirement benefit, compared to 92 percent of businesses with 500 workers or more.[xvi] Any movement towards closing that gap would be an important step towards closing the access gap.

These are incremental steps toward closing the access gap for retirement savings. More change will be needed for us to truly close those gaps, but I hope policies like these can lay a bipartisan foundation for future improvements to achieve true inclusion in the retirement savings system.

Lack of Portability of Retirement Savings Leaves the System in the 20th Century

According to the Bureau of Labor Statistics, the average worker changes jobs 12 times over the course of a career and those with access to 401(k) plans are faced each time with rolling over or cashing out their savings.[xvii] Roughly five million workers per year have less than $5,000 in their employee sponsored plans when they leave a job, and absent clear guidelines for maintaining those programs, some 75 percent choose to take the money out of the plan, usually triggering a taxable event and incurring a penalty if the worker is younger than 59½.[xviii] All kinds of leakage—including at job change, hardship withdrawals, and loans—leads to retirement savings that are 25 percent lower on average by the time a worker reaches age 60.[xix] The lost savings from job changes alone total between $60 billion and $105 billion each year.[xx]

Having access to a retirement plan and then choosing to invest in it is an obviously critical one-two punch, but only if those savings remain stashed away until retirement. The onus for rolling over 401(k) plans falls almost entirely on workers themselves, and that means many of them liquidate those accounts each time they change jobs, irrespective of any pressing financial needs. That leakage, needless or not, undermines overall savings and jeopardizes long-term security.

The retirement savings industry is fragmented, and that fragmentation results in workers' savings plans being scattered among a number of different financial institutions, with no centralized database to track or manage those savings. This is a significant and increasing problem; one study has found that almost 3 percent of retirees own an abandoned retirement account, and that percentage is increasing over time.[xxi] Industry leaders have sought for years to improve the portability of the system, but policy and business practices designed for other goals have created a system that no one leader can fix alone.

This problem is not just a technical problem for the retirement savings system—it also has disproportionate effects on savers of color. In particular, Black and Hispanic/Latino savers are more likely to own small accounts, which are most likely to be lost during working years.[xxii] Recognizing this problem, both the National Urban League and the National Association for the Advancement of Colored People (NAACP) recently endorsed auto-portability as an important step to closing the racial wealth gap.[xxiii]

In addition to policies that smooth the way for automatic portability in the retirement system, we also must help savers who have been harmed by the lack of portability in the system. One possibility is a retirement savings “Lost and Found” that savers who have lost track of their retirement account can search to find their account and plan administrator. Solutions like this, and others that reduce the burden on individuals to roll over their retirement savings and make retirement benefits truly portable, are vital to ensure the retirement savings system is designed for the needs of the 21st century workforce.

Innovation is Needed to Create Lifetime Income Streams in Retirement for All

Routinely positive cash flow is the foundation of financial stability and security. This is true both during the period of one's working life as well as in retirement. Social Security is the core of the monthly regular income stream for the majority of American retirees, but by most metrics Social Security replaces less than half of pre-retirement wages for the typical worker.[xxiv] Retirement savings can supplement Social Security to provide routinely positive cash flow.

Despite the need for cash flow in retirement, people can struggle to effectively make sense of all the factors that affect how they should use their savings in retirement. From having no idea about how much income their savings will produce to unknowable health care costs to a poor understanding of longevity expectations, most retirement savers do not know what lies ahead for them financially. Workers currently receive little guidance from employers or retirement-plan sponsors on the subject, and while that continues to be the case they will be at risk of making costly mistakes when they begin to draw on their savings during retirement.

Absent other direction, required minimum distributions (RMDs)—the base amount retirees have to take each year from their retirement plans once they reach age 72—have become the de facto determinant for how much to withdraw for some retirees. But RMDs were never intended to serve this function, and the fact that they have taken on that role in some cases highlights the need for more and better advice and tools.

Private sector leaders are busy now building new products and improving the information provided to those in or near the decumulation phase of retirement savings, supported by tools that policymakers have provided them in past legislation. However, it continues to be an issue that the committee should monitor, as more policy will undoubtedly be needed to address the cash flow needs of retirees in the future.

Emergency Savings is a Promising Solution to Protect Financial Security and Safeguard Retirement Savings

Finally, I want to raise a key opportunity for the committee to strengthen the retirement savings system and have it serve the greatest number of American workers successfully. That opportunity relates to supporting households in saving for emergencies. This tool is both essential to help people weather financial shocks and prevent them from needing to turn to retirement savings when emergencies occur. Policy and market innovation in the retirement savings system has taught us lessons about how to design emergency savings tools to help workers save more effectively and, in the long run, become more likely to participate in retirement savings.

In 2017 researchers at the Consumer Financial Protection Bureau (CFPB) found that having short-term, liquid savings to smooth volatile income and expenses or to cover unexpected financial emergencies was the single factor most highly correlated with household financial well-being.[xxv] A 2022 study by the

CFPB confirmed the importance of emergency savings, finding that households with emergency savings were substantially less likely to overdraft, take on high-interest debt, or withdraw early from their retirement savings.[xxvi] But a recent survey by the Bipartisan Policy Center found that 45% of Americans could not cover an unexpected $400 expense without borrowing or selling something.[xxvii]

Our research has found that emergency savings was a particularly important lifeline for families during the economic crisis caused by COVID-19, with 73% of Americans reporting a reduction in their income during 2020.[xxviii] A recent survey we conducted with Morningstar, the Defined Contribution Institutional Investment Association, and NORC at the University of Chicago found that families who had emergency savings before the pandemic were much better able to maintain their financial health than those who did not.[xxix] We also found that emergency savings were very effective in safeguarding against retirement withdrawals: households with at least $1,000 in emergency savings were half as likely to withdraw from their workplace retirement savings accounts.[xxx]

Unfortunately, existing emergency savings solutions do not meet the needs of millions of people, regardless of income. In part, this is because it is difficult for financial services providers to profitably offer low-balance savings accounts with frequent contributions and withdrawals. Additionally, as we have seen around the globe, human behavior can be a significant obstacle to saving. Retirement savings has been one of the most successful savings vehicles available to Americans, and its success is largely thanks to locating retirement savings at the workplace. This allows savings to be easily automated through payroll deduction when offered by an employer. Research has shown that making it easier to save when people have an influx of funds, such as a paycheck or when receiving a tax refund, is one of the most effective strategies to boost savings. Unfortunately, options like these are seldom available for emergency savings in the way they are for retirement savings.

Given the barriers to emergency savings for people up and down the income spectrum and reflecting on the success of payroll deduction retirement savings programs for those who have access to one, the workplace represents a high-potential platform for high-quality, low-cost, automatic emergency savings tools. Fortunately, employers have begun to take note of the deep need workers have for emergency savings. In 2019, 79% of employers in America reported that their employees were struggling financially, and 58% of employers were concerned that their employees were unprepared to meet unexpected financial challenges.[xxxi] Workers' financial challenges are both a household problem and a business problem: one study estimated that employees' financial stress could cost businesses up to $250 billion per year in reduced productivity.[xxxii] These trends, compounded by the financial crises faced by households during COVID-19, have sparked new employer interest in offering workplace emergency savings.

While access to workplace emergency savings remains low, some employers have begun to design and build products that provide these tools in the workplace. UPS, in collaboration with the national nonprofit Commonwealth and the Blackrock Emergency Savings Initiative, rolled out its emergency savings plan program for more than 90,000 workers in October 2020.[xxxiii] UPS allows workers to contribute both to their 401(k) and an emergency savings option within the account, using after-tax payroll deductions. Plan participants have full access to their emergency savings contributions and the ability to roll over earnings to their retirement accounts to avoid early withdrawal penalties.[xxxiv]

In addition to the benefit for employers, workers benefit from increased access to emergency savings. As the name suggests, households use emergency savings to pay for unexpected expenses, like a blown-out tire, a leaky roof, or a medical emergency. Emergency savings can also help households smooth consumption, especially when an income "dip" — increasingly common as income volatility continues to rise in America — means that a household will not have enough money to pay the bills.[xxxv] Even a small amount of emergency savings can help low- and moderate-income families weather a drop in income. Saverlife, a national nonprofit focused on helping families save, found that lower-income households with as little as $250 in savings were less likely to be evicted, delay paying bills, or turn to high-cost credit alternatives, such as payday loans.[xxxvi]

Your current work on retirement savings provides a unique opportunity to advance policies that will give people more tools to save for emergencies. Earlier this year we published principles for emergency savings policy with the AARP Public Policy Institute, the Bipartisan Policy Center, Commonwealth, and Saverlife to help provide you and your colleagues best practices for designing emergency savings policy:[xxxvii]

- Allow for automatic enrollment in workplace emergency savings
- Ensure emergency savings are their own "bucket" of savings
- Allow for a wide range of options, especially for low- and moderate-income households
- Design emergency savings to meet household needs
- Safeguard retirement savings

Of these principles, I want to highlight in particular allowing for automatic enrollment in workplace emergency savings. While a growing number of employers have started offering emergency savings accounts to their workers, participation is hampered by the inability to automatically enroll employees. For example, in a retirement-linked emergency savings program in the UK, while nearly 60% of employees at one employer believed that these savings accounts would benefit them, just over 1% of eligible employees signed up for the plan when not automatically enrolled.[xxxviii] Automatic enrollment in such plans would significantly boost participation of people who know those programs would help them, and easy opt out options would be available for those who do not wish to participate.

When automatic enrollment became a standard feature of 401(k) plans in the US, participation nearly doubled, with 93% of new hires contributing.[xxxix] Automatic enrollment also dramatically increased participation among younger, lower-income, and female employees. Automatic enrollment can help ensure equitable access and participation to emergency savings plans in the workforce.

This is a particular opportunity for your committee because the barriers to automatic enrollment in emergency savings that are linked to retirement plans ("sidecar" accounts)[xl] face the same barriers to automatic enrollment that retirement savings faced twenty years ago.[xli] Similar policies that allow for automatic enrollment in workplace emergency savings plans across the country would be essential to giving businesses the ability to offer high quality emergency savings plans to their employees.

The financial insecurity caused by COVID-19 and growing employer and worker demand for better emergency savings tools have made this an ideal time for action on emergency savings policy. The committee should not pass on the current opportunity to support bipartisan measures that provide important tools for households save for emergencies at the workplace, at tax time, or in other ways that meet the needs of households.

Conclusion: Retirement Savings is a Bipartisan Opportunity to Boost Financial Security

I want to thank you again and commend the committee for your leadership on the critical issue of retirement savings. Supporting retirement savers has long been a bipartisan bright spot in Congress, and I am grateful to you for carrying that tradition forward. I hope my testimony today has demonstrated the critical importance of retirement savings as a wealth building tool for households, highlighted the key opportunities we have to address gaps in the retirement savings system, and shown the unique opportunity you have before you to boost emergency savings to bolster financial stability and protect retirement savings.

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[SUMMARY STATEMENT OF IDA RADEMACHER]

Ida Rademacher is Vice President at the Aspen Institute and Executive Director of the Financial Security Program (FSP). The Financial Security Program's mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. Since its inception, retirement savings has been a pillar of its work.

Retirement Savings is a Pillar of Wealth Building

Aspen FSP researchers have found that the ability to build wealth provides resilience, enables investments in economic mobility, provides intergenerational support, supports health and quality of life, and provides a sense of ownership, voice, and control. But Americans lack equal access to the financial stability required for wealth building and the tools that can turn those resources into durable wealth. After home equity, retirement savings are the *second largest source of household wealth* in the United States. For everyone to have a secure retirement and the wealth that enables financial security, the US must build a retirement system that provides everyone access to retirement savings accounts with high-quality features, regardless of where they work or how much they are paid.

Too Many Lack Access to Workplace Retirement Savings

Approximately *forty million workers* in America currently lack access to a workplace retirement savings plan, and larger persistent gaps in access exist for workers of color, women, and low-income households. Solutions that would address parts of the retirement savings system's accessibility challenges include increasing the number of part-time workers who have access to retirement plans at work, allowing Multiple/Pooled Employer Plans (that have the potential to make offering retirement plans cheaper for smaller employers) to include workers at nonprofit organizations, and promoting automatic re-enrollment in retirement plans.

A Lack of Portability Leaves the System in the 20th Century

The average worker changes jobs *12 times* over the course of a career, and those with access to 401(k) plans are faced each time with rolling over or cashing out their savings. Lost savings from job changes alone total *between $60 billion and $105 billion* each year. Creating an online "lost and found" data base to help workers locate lost or forgotten retirement accounts can provide a meaningful opportunity to help account holders reclaim the more than *16 million* currently abandoned retirement savings accounts.

Lifetime Income Streams in Retirement for All is Critical

Routinely positive cash-flow is the foundation of financial stability and security, and people need better tools to turn nest eggs into lifetime income and information to navigate the decumulation phase of retirement. Policymakers should continue monitoring the developing market in this area.

Emergency Savings Protects Financial Security and Safeguards Retirement Savings

Emergency savings is a powerful safeguard against leakage from retirement savings: Aspen FSP recently found that households with at least $1,000 in emergency savings were *half as likely* to withdraw from their workplace retirement savings accounts during the pandemic. Unfortunately, existing emergency savings solutions do not meet the needs of millions of people because tools like automatic enrollment are seldom available for emergency savings in the way they are for retirement savings. Allowing for automatic enrollment in workplace emergency savings, in the same way retirement plans already successfully do, would boost short-term financial security and protect retirement savings.

The CHAIR. Thank you very much.
Ms. Hounsell.

STATEMENT OF CINDY HOUNSELL, PRESIDENT AND FOUNDER, WOMEN'S INSTITUTE FOR A SECURE RETIREMENT [WISER], WASHINGTON, DC

Ms. HOUNSELL. Good morning. Thanks to the Committee for inviting WISER to participate in today's hearing. I am Cindy Hounsell, President and Founder of the Women's Institute for a Secure Retirement. Our mission is to educate and inform women, so they are prepared financially and to support opportunities for them to secure adequate retirement income.

This brief statement will cover why women, the National Resource Center on Women and Retirement, and three interventions that are workable solutions to the challenges that women face, emergency savings accounts, targeted retirement literacy, and auto portability. Why women? That is the question that we are often asked, and the answer is there are nearly 6 million more women than men at age 65 and almost 70 percent of the over 85 population are female.

Many of those in the 85 plus group end up living at the poverty level, even if they have never been poor before. While it is well-documented that many Americans are not prepared for retirement, the future for under-resourced women is alarming. Women have a more difficult time saving for reasons commonly acknowledged, lower wages, time spent either out of the paid workforce because of caregiving or working part time, which is why women make up nearly two-thirds of part time workers, 64 percent.

Also telling a big part of the story is that while women are 46 percent of the total labor force, they make up 69 percent of low wage workers. These women have little access to benefits or financial wellness programs. Many also work all their lives with little to no savings to show for it. Yet, the financial hardships due to the COVID economy highlight the importance of having a cash cushion to get through hard times.

The research finds that working women want to take control of their finances and their retirement. They want access and they want more financial education. They want to know how to overcome the knowledge gap. Since women generally live longer, they need to have more savings that will last longer.

Emergency savings are foundational building blocks for the unbanked and for moderate low income women, as well as for many employees who just agree that they want to enroll in a workplace emergency savings program with payroll deduction if offered by their employer.

The findings from the Federal Reserve finding the 39 percent that were unable to cover a $400 unexpected bill has highlighted the need for policymakers to make workers—to help workers to save more and to find ways to use the employer plan structure to make it less burdensome, with linked emergency fund accounts.

WISER's focus is on expanding its turnkey emergency fund model with the credit unions for at-risk women to establish accounts and begin saving. Encouragingly, these model programs help these groups of women access matched savings accounts, allowing them to better their finances.

The National Resource Center on Women and Retirement is WISER's key Initiative. It is a national clearinghouse, and through our partners, we have access to diverse groups of women to train trainers in their communities by providing helpful resources and experts to lean on. We have directly reached hundreds of thousands of women through these workshops and our partners and reached millions with our publications.

Our target populations include women from many job categories and from many demographic groups. What they all have in common is they want access to basic, trustworthy financial information, and access to accounts and how to deal with the various financial decision points along the way.

Their message quite simply is, tell me what I need to do and show me how to do it. A recent report finds that $400 billion has left the retirement system since 2015. That headline points to the importance of a tech based solution developed by the retirement clearinghouse. It ensures that when someone changes jobs, their 401k savings move automatically from the old plan to the new plan, even if their assets are less than $5,000.

That allows their savings to continue to grow in one easy to monitor consolidated investment account. The best thing about AP is that the more financially challenged demographic groups, those with the smaller balances, lower their cash out rates more than other groups when it is a feature of the plans.

In conclusion, WISER helps workers do the best they can within the system that we have now, by providing financial literacy and capability programs, educating and advocating for a much needed and simplified savers tax credit, and helping women without access to a workplace retirement plan to be able to build emergency funds.

Thank you for listening.

[The prepared statement of Ms. Hounsell follows:]

PREPARED STATEMENT OF CINDY HOUNSELL

Introduction

Good morning. I am Cindy Hounsell, President of the Women's Institute for a Secure Retirement (WISER), a 25-year-nonprofit organization that helps women, educators and policymakers address the complicated issues that affect women's planning for their long-term financial security.

Thank you to the Committee for inviting WISER to participate in today's hearing on improving retirement and enhancing savings. WISER is dedicated to the education and advocacy that will improve the long-term financial quality of life for women.

As the only organization to focus exclusively on the unique long-term financial challenges that women face, WISER's mission is to educate/inform women so they are better prepared financially and to support opportunities to secure adequate retirement income; we do that through direct education, workshops, partnerships, innovative programs and research.

WISER has spent most of its formative years working with diverse groups of women and training-trainers to make sure that there is community buy-in and the ability to follow-up with experts. Black women, Latino and Native American women in communities have been prominent in our work. While coverage and access to retirement programs for underserved women are difficult to find our Aging Network partners have helped WISER promote programs to encourage low-income women to participate in incentivized savings accounts.

WISER also supports workable solutions to the challenges women face—WISER's statement will describe three of those important interventions: (1) ***Emergency Savings Accounts*** are foundational representing an important step toward financial well-being; (2) ***Targeted Retirement Literacy*** is linked to overall financial well-being yet women generally have lower levels of financial literacy; WISER's programs address the literacy and capability gaps; and (3) ***Auto-portability*** a technology based solution to prevent workers who change jobs from cashing out their retirement savings. The more financially challenged demographic groups—those with the smaller balances—lower their cash-out rates more than other groups when auto portability is a feature of the plans.

WHY Women?

WISER is often asked about the focus on women? The response is the numbers- there are 5.8 million more women than men at age 65, and 67 percent of the over age 85 population are female.[1] Many of those in the 85+ group end up living alone in near or at the poverty level, even if they have never been poor before.

Issues Affecting Women's Retirement Security

Women have a more difficult time accumulating retirement savings than their male peers for reasons commonly acknowledged: lower wages and time spent either not working or working part time due to caregiving responsibilities. While 46 percent of the total labor force are women, they make up 69 percent of low wage workers. Women make up two thirds of caregivers and they make up 64 percent of part time workers. We do not yet know the full impact of COVID on these figures.

Lower wages, gaps in earnings, and part time employment translate into less retirement savings and most likely lower Social Security benefits. The fact that women generally live longer than men makes it harder since they need to make their savings last longer and to avoid mistakes.

Women want to take control of their retirement. Research shows that while women report a lack of confidence and knowledge about financial matters, they say they want more education, more information to help ensure a secure future. They want to know how to overcome the knowledge gap and the investment gap and to know how to spend down and protect their savings and learn about annuities and making their money last.

Yet, while the research also documents that many Americans are not financially prepared for retirement, the future for under-resourced women is especially alarming. Women are overrepresented in the low-wage workforce, with little access to benefits or financial wellness programs. These low-to moderate-income (LMI) women often work all their lives with little to no savings to show for it, and are more likely than men to live out their lives in poverty.

Encouragingly, emergency fund model programs focused on helping these groups of women access matched savings accounts allow them to better their finances.

Emergency Savings Accounts

Emergency savings are foundational building blocks for the unbanked and for moderate and low-income women as well as for many employees who are willing to agree that they want to enroll in a workplace "rainy day" emergency savings program with payroll deduction if offered by their employer.[2] Yet, there are many obstacles that can get in the way of accumulating savings for one's future, for example, inadequate income, competing financial demands (debt, unexpected expenses, helping family), lack of access to banks or other financial institutions, lack of financial knowledge, or simply failing to focus on or prioritize saving.

WISER's focus is on expanding its turn-key emergency fund model with the credit unions for the most at-risk women to establish accounts and begin saving. The findings from the Federal Reserve research found that 39 percent of Americans would not be able to cover a $400 unexpected bill. This statistic has highlighted the need for policymakers to help workers save more and to find ways to use the employer plan structure to make it less burdensome with linked accounts.

Targeted Financial Literacy and Capability

Research shows that women generally have lower levels of financial literacy than men; yet literacy is linked to overall financial well-being.[3] Understanding the basics

[1] Administration for Community Living, *2020 Profile of Older Americans*, May 2021.

[2] Harvey, C., John, D., & Brown, K.(2018) *Saving at work for a rainy day: Results from a national survey of employees* (*AARP Public Policy Institute Report*).

[3] Yakoboski, Paul J., Annamaria Lusardii; & Hassler, Andrea, TIAA Institute-GFLEC Personal Finance Index (P-Fin Index), *Financial Literacy and Wellness among U.S. Women: Differences among Underrepresented Minority Women*, November 2020.

of the complicated financial world is important in order to make the most of one's income, especially for those without access to information or financial literacy programs. When provided with basic, practical financial education that emphasizes that financial goals are achievable, workers can become better consumers and improve their financial situation. An early definition of financial literacy by the National Endowment for Financial Education (NEFE) follows: "the development, acquisition, maintenance, and conservation of scarce resources that allow families and individuals, as they interact with the world around them, to better their levels of living."

The National Resource Center on Women & Retirement (The Center)

WISER's key initiative is a program administered cooperatively and funded by the Administration on Community Living's, Administration on Aging—the National Resource Center on Women and Retirement (the Center). The Center operates as a national clearinghouse of tools and information on retirement planning to improve the financial knowledge of the Center's population of vulnerable women by helping them plan and achieve retirement security. WISER presents financial workshops to diverse groups of women across the country.

The Center creates publications that explain the complexity of women's retirement issues: claiming Social Security, signing up for Medicare, emergency savings programs, caregiving issues, divorce, widowhood, long-term care and elder financial abuse. Most women cannot afford even the smallest mistakes, and they often encounter life events that have a significant impact on their financial lives, such as divorce and widowhood. The Center provides the information and tools needed to navigate these situations to assist in their critical decision-making.

Through our collaborations we have access to diverse groups of women, we train-trainers in their communities by providing helpful resources. The Center has directly reached hundreds of thousands of women through WISER's and our partners' workshops and we've reached millions with our partners' publications, media, social media and website. WISER has also collaborated through partnerships with government agencies such as the Social Security Administration, the Consumer Financial Protection Bureau, and the Securities and Exchange Commission.

Success in reaching these groups has resulted from the partners developed along the way and the adaptability and flexibility needed to make the programs work. Vickie Elisa, our Atlanta partner was successful in educating the women in her Mothers' Voices programs for African Americans—teaching about workplace benefits and retirement, and motivating the women to save—importantly, Vickie helped them believe that they could have a stable financial life; she persuaded them in part by sharing her own story of similar financial challenges. The women saw Vickie and her nonprofit as an agent of change and a 'trusted messenger.'

Amy Hinojosa, President & CEO of MANA, A National Latino Organization with its 25+ chapters and affiliates, formed a strategic partnership with WISER to deliver financial education at the community level with a similar training-trainers model. Over the last decade, The *MANA Financial Literacy Leadership Institute Training* has trained more than 350 Hispanic community trainers from 26 cities and 16 states. These trainers have facilitated over 900 community workshops for more than 15,000 Hispanic women.

What We Know Works for Helping Women Save and Plan

Throughout WISER's experience of providing education and programming, we have learned what women want and what works in reaching underserved audiences. Our target populations served over the years include low-to moderate-income women, Latino, Black women and Asian women, Native Americans, caregivers, women going through divorce, widows, nurses, independent workers, childcare workers, and home health workers; and those who traditionally have not had access to retirement and financial information. What they all have in common is they want easy access to basic, trustworthy financial information, and how to deal with the various financial decision points along the way. Quite simply, "tell me what I need to do and how to do it."

But simply having good materials and resources is not enough. It is important to adapt the information to meet the unique needs of each audience and deliver it in a way that creates trust and develops confidence in one's ability to succeed in building financial security.

Retirement Income

How much will women need? The percent of a worker's pre-retirement income needed to maintain retirement security depends on the circumstances of each individual household.[4] Access to retirement income is based on a woman's work life, her earnings, savings, and her marital status. But during their working years, women generally earn less because of the gender pay gap, because they have diverse work patterns and education levels, and are overrepresented in the low-wage workforce without access to adequate workplace benefits. The results are women having less in savings, less in Social Security benefits and less in workplace retirement savings accounts.[5] It is important for all workers to know that Social Security benefits only cover 40 percent of preretirement income for the average worker.

The average annual Social Security benefit for retired women workers in 2020: $16,536 compared with $20,568 for men.[6] Overall, women aged 65+ have 30 percent less retirement income than men,[7] yet they need more income to support the costs of living longer.[8]

To make matters worse, women have been disproportionally affected by the economics of the Covid pandemic; millions losing and leaving jobs, accumulating debt, and worsening their previous financial situations thus making it more difficult to pay monthly bills or cover unexpected expenses.[9] Also, problematic for many women is not knowing *what they need to know to make the best financial decisions, or to take advantage of benefits they might miss out on*. The recent financial hardships due to the COVID–19 economy highlight the importance of having a cash cushion to get through times of unemployment or reduced hours. Working harder is not a realistic solution, however, for many women in this target population already work more than one job at a time.

Unique Challenges: Longevity Risks, Health Care and Caregiving

Longevity Risks & Health Care Costs: Women confront other retirement income challenges which are long-lasting due to their longevity and health care costs. Longevity risks include inflation, loss of spouse, poverty and health care costs which have a disproportionate harm on women's retirement income. Many women are unaware of these facts and what services Medicare and Social Security actually provide. In fact, many families are not aware that Medicare does not cover most long-term care costs or that Medicare premiums have to be paid and are subtracted from their Social Security benefits's. The premiums are now more than 10 percent of the average woman's monthly benefit—causing an income shortfall for the many women relying on their Social Security benefit for most of their income.

Caregiving: Currently, there are 53 million family caregivers, and the majority are women. Women generally and as caregivers are spending on average 9 years out of the paid workforce.[10] Those 9 years mean zero earnings, or a career of 29 years compared to men's 39-year careers. The zero earnings are compounded in the 35-year calculation of their Social Security benefit. In addition, women, because of their need for flexibility for caregiving, are twice as likely to work on a part-time basis as are men, with the resulting lower earnings. Women are also more likely to work in industries that pay lower salaries and have no retirement plans or less generous retirement plans.

Financial Caregiving: Women with compromising work schedules are leaving the labor force or working part-time to accommodate family needs. Recent research studying the financial effects of caregiving found a majority of women/caregivers have given little/or no thought to their own financial situation, while over half describe their financial position as fair or poor.[11] Another study shows that single

[4] GAO, Retirement Security: Better Information on Income Replacement Rates Needed to Help Workers Plan for Retirement, GAO–16–242, Washington, DC, Mar. 1, 2016.
[5] For summary information on the gender pay gap see WISER's Press Release from Pay Equity Day 2019 at: *https://www.wiserwomen.org/images/imagefiles/Equal%20Pay%20Day%202019%20PressRelease.pdf.*
[6] Social Security Administration, Annual Statistical Supplement August 2018.
[7] GAO. *Retirement Security: Women Still Face Challenges*. GAO–12–699. July 9, 2012.
[8] GAO. *Retirement Security Older Women Report Facing a Financially Uncertain Future*. GAO–20–435. August 13,2020.
[9] 2021 TIAA Institute-GFLEC Personal Finance Index. Demographic Variations in Financial Literacy Race, /Ethnicity and Gender.
[10] Women's Institute for a Secure Retirement, *Ten Facts About Women and Caregiving*, 2019.
[11] Transamerica Institute, *The Many Faces of Caregivers: A Close-Up Look at Caregiving and Its Impacts* (2017) Hereafter TI at 196.

women who care for elderly parents are 2.5 times more likely than other caregivers to live in poverty in retirement.[12]

The financial consequences are serious[13] but understanding the financial implications of these decisions allows for better planning and more opportunities for preserving retirement income and affording health benefits. However, financial caregiving also has consequences for both the caregiver and the care recipient who needs help with managing their financial affairs.[14] More than one in five caregivers provide both financial management and out-of-pocket support ($7,242+ annually)[15] to their care recipients with two-thirds of family caregivers reporting they could benefit from financial advice on managing money.[16]

Auto Portability—A Positive Step

A recent report finds that $400 billion has left the retirement system since 2015[17] That headline points to the importance of a fairly new retirement savings feature—a technology-based solution developed by the Retirement Clearinghouse. It ensures that when someone switches jobs (which 14.8 million workers do annually), their 401(k)'savings moves automatically from their previous employer's plan to their new employer's plan, even if their assets are less than $5,000. That allows their savings to continue to grow in one easy-to-monitor, consolidated investment account.

Studies indicate that over a 40-year period, auto portability could decrease cash-outs to such a degree that it could add as much as $1.5 trillion to $2 trillion to Americans' retirement savings[18]. And much of that savings will belong to the people who need it most.

Without auto portability, 50 percent of workers who earn between $20,000 and $30,000 cash out within a year when changing jobs. **Sixty-three percent of Black** and **57 percent of Hispanic workers also cash out**, as do **41 percent of women**. Among women, **71 percent percent who cash out are women age 25–34**. But auto portability changes that. The more financially challenged demographic groups—those with the smaller balances—lower their cash-out rates more than other groups when auto portability is a feature of the plans.[19]

Conclusion

WISER's focus is to help workers do the best they can within the system we have now by providing Financial Literacy & Capability programs, educating and advocating for the much-improved Saver's Tax Credit, preserving savings through auto portability and helping women to build emergency funds. We have recently been working with employers to expand information about Medicare & Social Security and encourage signing up for a *mySocialSecurity* account as most of the workforce no longer receives annual Social Security statements. Our work with the Society of Actuaries has helped us teach women about the longevity issues and how to mitigate paying for extra years by providing an understanding of annuities.

As a nation with an aging population, we need to educate the public on strengthening our existing retirement programs wherever possible. That means focusing especially on the links to both Social Security and Medicare, and educating average workers about how these systems work to prevent penalties and loss of benefits.

Below is a list of key issues that most workers need to know:

(1) Longevity risk is poorly understood and not widely planned for and yet we are an aging society.

(2) Many individuals struggle to plan how they will draw down assets and need greater access to flexible income distribution options and guaranteed lifetime income options.

[12] Donato, Katharine and Wakabayashi, Chizuko: *Women Caregivers are More Likely to Face Poverty*, Sallyport, Magazine of Rice University Vol. 61 No.3. Spring 2005.

[13] Id TI at197&199.

[14] Merrill Lynch,"The Journey of Caregiving."(2017) Hereafter ML at 22 and Figure 9.

[15] AARP, "2021 Caregivers Out-of-Pocket Costs: Study and Fact Sheet, by Laura Skufca and Chuck Rainville, June 2021.

[16] ML at 24.

[17] Morningstar Report: Retirement-Plan-Landscape-Report.

[18] EBRI, *The Impact of Auto Portability on Preserving Retirement Savings Currently Lost to 401(k) Cashout Leakage*, Issue Brief Number 489, August 15, 2019.

[19] Retirement Clearinghouse, *New Data Proves the Effectiveness of 401(k) Auto Portability*, July 27,2021.

(3) The impact of future inflation and taxes is often not included in planning for retirement despite the significant impact it can have on retirement income—think 10 years after retirement.

(4) Individuals are often confused about how much is needed to cover their expenses in retirement. Benchmarks would be helpful.

(5) Many women assume they will just keep working beyond normal retirement age, but more than 40 percent of Americans end up retiring earlier than they planned to, usually due to job loss, family caregiver needs including health issues, or personal poor health.

Planning for retirement is effective and workplace seminars are helpful, but there is a need for basic resources to help people figure out how much they may need to increase their savings in order to retire with the ability to cover their expenses.

The following are suggested actions for building and supporting increased economic and financial security for all workers:

- Provide basic benchmarks so people are not confused about their full retirement age and when to sign up for Medicare;
- Improve programs for those with very low benefits such as those who are primarily low-wage, unmarried and widowed women;
- Provide some form of longevity bump-up for those age 85+;
- Study ways to offer retirement protection to women with significant time spent as caregivers, including the possibility of a provision for Social Security credits and credits for out-of-pocket expenses that may be preventing women from saving;
- Provide all workers access to Social Security estimated benefit statements;
- Expand retirement savings opportunities and emergency savings;
- Improve the Savers Tax Credit and make it a staple of retirement saving for middle-income as well as for moderate-and low-income workers;
- Enhance knowledge of the three pillars of the Nation's retirement systems (Social Security, employer-provided retirement plans, and personal savings) by helping individuals understand the importance of having access to each of the pillars; and
- Help individuals learn what they need to know about their Social Security benefits, about preserving their employer sponsored benefits and about taking advantage of individual savings programs available to them.

[SUMMARY STATEMENT OF CINDY HOUNSELL]

The Women's Institute for a Secure Retirement (WISER), is a 25-year-nonprofit organization whose mission is to educate/inform women so they are better prepared financially and to support opportunities for women to secure adequate retirement income.

Women have a more difficult time accumulating retirement savings than their male peers for reasons commonly acknowledged: lower wages and time spent either not working or working part-time due to family and caregiving responsibilities. With longer life-expectancies women have a greater need to save more for retirement. However, they face significant obstacles to successfully building wealth.

The National Resource Center on Women & Retirement: WISER's key initiative is a national clearinghouse administered cooperatively and funded by the U.S. Administration on Aging—The Center features tools and information on retirement planning to improve the financial knowledge of the population of vulnerable women by helping them plan and achieve retirement security.

WISER offers direct education, workshops, partnerships, innovative programs and research. WISER works with diverse groups of women and trains-trainers to make sure that there is community buy-in and the ability to follow-up with experts. Black women, Latino and Native American women in communities have been prominent in our work.

WISER's comprehensive information explains the complexity of women's retirement issues: claiming Social Security, signing up for Medicare, emergency savings programs, caregiving issues, divorce, widowhood, long-term care and elder financial abuse. Most women cannot afford even the smallest mistake, and they often encounter life events that have a significant impact on their financial lives, such as divorce and widowhood. The Center provides the information and tools needed to navigate these situations to assist in decision-making.

Through our collaborations we have access to diverse groups of women, we train-trainers in their communities by providing helpful resources. The Center has directly reached hundreds of thousands of women through WISER's and our partners' workshops and we've reached millions with our partners' publications, media, social media and website. WISER has also collaborated through partnerships with government agencies such as the Social Security Administration, the Consumer Financial Protection Bureau, and the Securities and Exchange Commission.

WISER supports workable solutions to the challenges women face—WISER's statement will describe three of those important interventions: (1) ***Emergency Savings Accounts*** are foundational representing an important step toward financial well-being; (2) ***Targeted Retirement Literacy*** is linked to overall financial well-being yet women generally have lower levels of financial literacy; WISER's programs address the literacy and capability gaps; and (3) ***Auto-portability*** a technology based solution to prevent workers who change jobs from cashing out their retirement savings. The more financially challenged demographic groups—those with the smaller balances—lower their cash-out rates more than other groups when auto portability is a feature of the plans.

The CHAIR. Thank you very much.
Mr. Chittenden.

STATEMENT OF DOUG CHITTENDEN, HEAD OF CLIENT RELATIONSHIPS, TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA [TIAA], CHARLOTTE, NC

Mr. CHITTENDEN. Good morning, Chair Murray, Ranking Member Burr, distinguished Members of the Committee, and thank you for inviting me to speak today on the critical issue of retirement security. My name is Doug Chittenden. I am head of Client Relationships at TIAA, where we provide retirement services to 5 million employees and more than 15,000 employers in the not for profit community.

I especially want to thank Ranking Member Burr, my home state Senator, for inviting me to testify today, and I am proud to be part of the more than 5,000, and growing, employees TIAA has in North Carolina. I want to commend the HELP Committee for its bipartisan efforts to advance proposals designed to enhance retirement savings for American workers. our Country's retirement savings system has evolved over time.

Today, I will share some steps Congress can take to continue to ensure we have an effective system. The first, in our view, most important step is expanding access to lifetime income solutions in employer sponsored retirement plans, and most specifically, those that would provide the highest returns for retirement investors.

Over the years, the retirement system has shifted from a pension plan and defined benefit structure, where employers would provide guaranteed income in retirement, to one that is designed more to focus on accumulation of assets through defined contribution plans. This has transferred the risk of making investment decisions and providing retirement income from the employer to the worker.

The result is Americans face a projected $4 trillion retirement income gap and more than 40 percent of households are forecasted to exhaust their savings during retirement. To address this gap, defined contribution plans are evolving to increase in plan access to guaranteed lifetime income solutions through annuities.

Annuities are a vital and sensible solution as they provide pension like income in retirement, as well as guaranteed returns in the saving stage. Because most retirement savers today are defaulted into an investment option in their plans, it is important that employers have the option to incorporate the best annuities into these default options.

Unfortunately, current regulations discourage employers from including the most effective lifetime income options on their plan menus. Fixed annuities with delayed liquidity features would offer retirees the potential for higher returns in retirement income as a part of a default investment option.

TIAA is asking Congress to amend the Department of Labor's default investment regulations to provide employers with more latitude in designing their default investments. A bipartisan House bill, the Life Income for Employees Act, would amend the regulations to allow a guaranteed lifetime income component with delayed liquidity features as a default investment option.

This legislation would expand the options available to employers in their selection of an appropriate default investment for their employees. For employers looking to established the guaranteed income features that were a hallmark and defined benefit pensions, this bill would give them a much needed tool to offer personal pensions to their workers.

This is vital to addressing the future lifetime income needs of retirement savers. We asked the Committee to consider modernizing these regulations. Congress can also take steps to increase access to retirement savings plans.

One of the biggest deterrents to small employers adopting retirement plans is the cost of starting, administering, and maintaining the plan. The SECURE Act took steps to address this by enacting improvements to multiple employer plans, MEPs, or pooled employer plans, PEPs. MEPs and PEPs make it easier for small employers to leverage economies of scale and join a single retirement plan.

Unfortunately, not for profit employers were not included, but proposals being considered by this Committee and others would fix that. We have been encouraged by how some of our clients have come together and improved upon their existing retirement plans using the MEP structure as it exists today. Other steps that could be taken include improving access to plans for long term part time workers, simplifying plan disclosures, and increasing incentives for starting plants.

Finally, improving retirement savings should be an additional area of focus. A recent study found one in four Americans have no retirement savings, and those who are saving are not saving enough. There are several ways this can be addressed.

These include increasing the use of automatic enrollment features, which have been very successful at assisting Americans to save more, allowing for employers to make matching contributions based on payments employees are making on their student loans, and helping those who leave the workforce to care for family members catch up on missed savings opportunities.

I commend you Chair Murray and Ranking Member Burr for holding this hearing today. Thank you for the opportunity to testify. On behalf of TIAA's 5 million retirement plan participants and 15,000 employers, thank you for your bipartisan commitment to improving and modernizing the current retirement system. And I look forward to answering your questions.

[The prepared statement of Mr. Chittenden follows:]

PREPARED STATEMENT OF DOUG CHITTENDEN

Introduction

Chair Murray, Ranking Member Burr, distinguished Members of the Committee, thank you for inviting me to speak with you today on the critical issue of retirement security.

My name is Doug Chittenden, Senior Executive Vice President and Head of Client Relationships at TIAA, where I work with my team to provide retirement services to five million employees at more than 15,000 employers in the academic, research, medical and cultural fields. I especially want to thank Ranking Member Burr, my home state Senator, for inviting me to testify today. TIAA is proud of the more than 5,000 employees we have in North Carolina who work hard every day to help millions of Americans retire securely. Additionally, we are honored to manage the assets of more than 120,000 individuals across the state of North Carolina, including employees of Wake Forest. Chair Murray, we also proudly serve in the State of Washington, including your alma mater Washington State University, and are helping 97,000 Washington State residents prepare for retirement.

I also want to acknowledge Chair Murray, Ranking Member Burr and the other Members of the HELP Committee for your ongoing bipartisan efforts to develop and advance legislative proposals designed to enhance retirement savings for American workers. Bipartisanship has long been the hallmark of successful retirement system improvements, going back as far as the passage of the Employee Retirement Income Security Act in 1974 to the Pension Protection Act of 2006 and as recently as the enactment of the SECURE Act in 2019.

TIAA believes these past retirement improvement efforts have been successful in helping many American workers. In my testimony, I will share why we believe more can and should be done to improve the retirement system in a meaningful and holistic way. We are excited to see the ongoing cooperation between the Senate and the House to enact additional comprehensive retirement improvements, as evidenced by this hearing today at the same time the House is advancing its own package of bipartisan retirement savings enhancements. More broadly, I am here to ask Congress to help foster innovation and provide additional tools to help more Americans attain a financially secure retirement.

Providing Lifetime Income is Part of TIAA's Mission

Over its century-long history, TIAA's mission has always been to aid and strengthen the institutions and individuals it serves by providing financial products that meet their needs. We keep our clients at the center of everything we do, managing their retirement savings with a long-term perspective in mind to help them achieve financial well-being throughout their lifetime. In fact, we are proud to say that we have paid out more than $500 billion in benefits to our clients since 1918, money they worked hard to save to help them attain a secure retirement.

Our past experience informs our current efforts to further strengthen the retirement savings system for the next 100 years. While many aspects of the existing retirement system have been successful at providing financial security, we can still take steps to improve and enhance it. In this regard, three key areas of focus would help improve retirement security for all Americans: (1) expanding access to lifetime income solutions; (2) increasing access to retirement savings plans; and (3) enhancing retirement savings rates. My testimony today will focus on these three policy goals and the specific actions that Congress can take to help more Americans gain access to a secure financial future and retire with dignity.

Recommendation #1: Improving Access to Lifetime Income

Our Country's voluntary retirement savings system has changed over time but continues to offer a robust and effective structure to support workers in retirement. Over the years, the workplace retirement system has largely shifted away from defined benefit (DB), or pension, plans that provide employees with a guaranteed stream of income for life, to a defined contribution (DC) plan structure, which allows employees to set aside a portion of their salaries to fund their retirement needs in tax-deferred accounts. To help increase savings, employers often make contributions on behalf of their employees. To put some numbers behind this shift, in 1975, private-sector DB plans had a total of 27.2 million active participants, and private-sector DC plans had 11.2 million active participants.[1] In 2019, the most recent year for which there is data, private-sector DB plans had 12.6 million active participants, and private-sector DC plans had 85.5 million active participants.

Thus, the retirement system has generally shifted from one much more focused on income in retirement (DB plans) to one that is designed more to focus on accumulation of assets (DC plans). While there are benefits to each of these approaches, the shift in focus from guaranteed income to accumulation has inevitably had implications for individual retirement savers. The key implication is that investment risk has shifted from the employer (through managing a pension fund) to the individual saver. Americans now need to be much more thoughtful and proactive in how they plan to make the savings they have worked so hard to build last throughout their retirement, which in some cases could be 30 or more years. This challenge becomes even more important when we consider that Americans face a projected $4 trillion retirement income gap,[2] and more than 40 percent of households are forecast to exhaust their savings during their retirement years.[3] If we fail to address this retirement income gap, not only will this shortfall have a severe impact on the quality of life in retirement, but it could also have a devastating impact on our economy.

Practical and readily achievable policy solutions could help address this retirement income gap and encourage innovative solutions focused on both increasing accumulations and providing improved access to guaranteed income solutions within the current DC retirement system. The SECURE Act included several important provisions aimed at improving access to annuities—the only products that can provide guaranteed income in retirement. Chief among these were the improvements to the annuity provider selection safe harbor, which boosted employer confidence in including annuities as retirement plan investment options by clarifying their obligations when selecting an insurance company to provide those guaranteed income solutions. There are, however, some additional steps that can be taken to further improve access to and utilization of annuities on retirement plan menus, including improvements to the rules governing what types of investments employers can default their employees into, to optimize retirement outcomes for American workers.

Addressing the QDIA Rules to Increase Access to Guaranteed Lifetime Income

Over 15 years ago, Congress passed the landmark Pension Protection Act (PPA) of 2006, which focused on leveraging automatic features such as automatic enrollment (to increase participation rates), automatic escalation (to increase savings rates), and automatic investment selection (to enhance default investment options for long-term retirement savings returns). The PPA required the Department of Labor (DOL) to establish rules for enhanced default investment options that became what are now known as qualified default investment alternatives (QDIAs).

The DOL's QDIA rules provide employers a safe harbor to default their employees into certain investment vehicles. Among the requirements that must be met to comply with the QDIA rules is that employees be able to access to their investments "not less frequently than once within any three-month period." DOL's QDIA rules established this requirement for periodic liquidity, which has effectively limited the types of investments plan sponsors choose as QDIAs. Specifically, this liquidity requirement has created a barrier for inclusion of certain annuities—including those that would be most beneficial to retirement investors and retirees—that have liquidity limitations that do not meet the QDIA requirements.

Annuities have been shown to significantly improve outcomes for retirees and are increasingly being recognized by plan sponsors as an important plan feature. According to our research, 38 percent of employers believe that the feature most lacking in their plans is access to guaranteed lifetime income.[4] The absence of guaranteed lifetime income is problematic, as 35 percent of plan sponsors say the primary purpose of retirement plans is to provide employees secure income in their retire-

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[1] A Visual Depiction of the Shift from Defined Benefit (DB) to Defined Contribution (DC) Pension Plans in the Private Sector, congressional Research Service, December 27, 2021.

[2] VanDerhei, Jack, EBRI Retirement Security Projection Model (RSPM)—Analyzing Policy and Design Proposals, EBRI, No. 451, May 31, 2018.

[3] *https://www.ebri.org/content/retirement-savings-shortfalls-evidence-from-ebri-s-2019-retirement-security-projection-model*.

[4] TIAA 2022 Retirement Insights Report.

ment years (versus 20 percent who say they are a vehicle to help employees save/accumulate and 45 percent who say both have equal importance).[5] Further, multiple studies across our industry have consistently found that 70–85 percent of employees think guaranteed income is the most important component of a quality retirement program. In one survey, 78 percent of employees said they would move some or all money from their plans to guaranteed income options if given the appropriate opportunity.[6] Despite the wide recognition of the importance of guaranteed lifetime income, plan sponsors are discouraged from including the most effective lifetime income options, such as fixed annuities with delayed liquidity features, as part of a default investment because of the current QDIA regulations.

The DOL's QDIA rules have, however, had a positive impact to the extent that more savers who do not play an active role in managing their retirement investments (the majority of savers) have invested in more diversified and risk-appropriate portfolios. This has been accomplished through the use of target-date funds (TDFs)—diversified investment vehicles that meet the QDIA liquidity requirements. TDFs handle a range of investment decisions many savers simply would not otherwise make or feel they have the expertise to make (e.g., establishing the appropriate mix of stocks and bonds, value and growth stocks, international and domestic investments). As a result, TDFs have become the QDIA of choice—76 percent of DC plan sponsors elect to use the QDIA safe harbor default their participants into a TDF.[7]

However, because of the limitations of the QDIA regulations, current TDFs have not been able to innovate to address the range of risks that savers face during their 30 or more working and saving years, and then during their potentially 30 or more years in retirement (e.g., market risk, longevity risk, inflation risk, interest rate risk, and cognitive risk). Guaranteed lifetime income options can help address these risks and make TDFs a more comprehensive retirement security solution, addressing both the need to accumulate assets and the need to ensure those assets last throughout retirement. It is particularly noteworthy that, according to one study, 64 percent of participants already assume that their TDF will provide guaranteed income in retirement.[8]

The Lifetime Income for Employees Act Offers a Solution

The QDIA rules have had a powerful shaping effect on the retirement market but have unfortunately not evolved with the changing retirement landscape to enable plan sponsors and retirement investors to avail themselves of the best available options. It is time to modernize the QDIA rules to expand the choices plan sponsors have when designing default investments so they can provide retirement investors with a solution that both helps them accumulate savings and ensures those savings will be guaranteed to last them the rest of their lives.

Accordingly, TIAA strongly supports the Lifetime Income for Employees Act (H.R. 6746). This bipartisan legislative proposal, introduced by House Education and Labor Committee members Rep. Don Norcross (D-NJ) and Rep. Tim Walberg (R-MI), would amend the DOL's QDIA regulations to allow a default investment to include a guaranteed lifetime income component with liquidity features that do not meet the current regulations as part of a broader QDIA investment. Under the proposed legislation, participants would receive multiple notices to ensure they understand the liquidity features and would have additional time—180 days—to opt out of the investment should they wish to do so. It is also important to emphasize that, despite the liquidity features of any already invested dollars that individual investors may have been defaulted into by their plan sponsors, investors would always retain the ability at any point in time to direct future investments into any investment choice on a plan menu.

From TIAA's perspective, there are several benefits to having an annuity component that has limited liquidity in a QDIA. First, it provides for higher returns than a liquid version because the contributions can be invested for the long-term, like a DB or pension plan. This long-term investment translates, in most cases, to a 10 percent–15 percent increase in the participant's balance in the annuity at the time of retirement. Another way a sponsor can view the limited liquidity guaranteed con-

[5] TIAA 2022 Retirement Insights Report.
[6] 2021 Retirement Confidence Survey, EBRI.
[7] PLANSPONSOR 2020 DC Plan Benchmarking report.
[8] Investor Testing of Target Date Retirement Fund (TDF) Comprehension and Communication, submitted by Siegel & Gale LLC to the U.S. Securities and Exchange Commission. February 2012.

tract is as if a DB plan is sitting on a DC plan chassis: contributions made to the annuity grow over time with less leakage or a reallocation of investments to options that are not in the best interest of a participant. Finally, based on our experience, participants do not typically seek to withdraw contributions to annuities. The withdrawal rate on TIAA's liquid annuities has remained well under 5 percent since 2008, including during volatile market cycles, improving investment outcomes as savers remain invested and avoid harmful market timing.

Finally, this legislation would not mandate that default investments include a guaranteed lifetime income component with delayed liquidity features. The Lifetime Income for Employees Act would only expand the options available to plan sponsors, guided by their fiduciary duty, in their selection of an appropriate QDIA for their employees. For plan sponsors looking to reestablish the guaranteed income features that were a hallmark of DB pensions, this proposed change would give them a much-needed tool to help them do just that for their workers.

Recommendation #2: Increasing Access to Retirement Savings Plans

For individuals to have access to retirement savings and lifetime income, they must first have access to a retirement savings plan. According to the Bureau of Labor Statistics (BLS), one-third of private industry workers did not have access to employer-provided retirement plans in March 2021. Almost 50 percent had access only to DC plans. Additionally, BLS found that 52 percent of those working for a company with fewer than 50 employees did not have access to a retirement plan.[9] In a similar study, only 54 percent of families headed by prime-age workers (age 32–61) participate in any kind of retirement plan, down from 60 percent in 2001.[10] According to the Center for Retirement Research, millions of Americans are not offered, or are not participating in, tax-advantaged savings and investment options through their employer. In fact, only 54 percent of white workers participate in a retirement plan, and the numbers drop to 46 percent for Black Americans and 34 percent for Latino Americans. In most cases, people without access to employer plans work for small businesses, which can further exacerbate the racial and gender gaps in retirement access.

One of the biggest deterrents to small businesses adopting retirement plans has been the cost of starting and maintaining the plan, as well as handling its ongoing administration. According to a Pew Research Center study, employers that do not offer a retirement plan pointed to the financial cost and organizational resources needed to start a plan as barriers.[11] Another study indicated that 50 percent of employers stated that cost was the primary reason for not starting a plan.[12] Therefore, reducing the administrative burden for employers would remove a significant barrier preventing employers from starting a retirement plan. We appreciate the Committee looking at ways to help plan sponsors ease their retirement plan administration burdens, especially for smaller plan sponsors that may not have a benefits office or that have a single employee responsible for all human resource functions.

403(b) Multiple Employer Plans/Pooled Employer Plans

The SECURE Act took steps to address these concerns by removing some regulatory barriers that would make it easier for employers—especially small employers—to overcome these deterrents by leveraging economies of scale and joining together under a single retirement plan. This concept, known as multiple employer plans (MEPs) or pooled employer plans (PEPs), has been and will continue to be instrumental in helping people working for smaller employers save in an employer-sponsored retirement plan. Prior to enactment of SECURE, in a survey of small employers, 66 percent said they would be likely to consider a MEP.[13] Unfortunately, 403(b) plans were inadvertently left out of the MEP and PEP changes included in the SECURE Act. The Securing a Strong Retirement Act and RISE Act in the House, as well as the Improving Access to Retirement Savings Act—a Senate bill co-sponsored by Senator Maggie Hassan (D-NH) along with Senators Chuck Grass-

[9] TED: The Economics Daily, *67 percent of private industry workers had access to retirement plans in 2020*, BLS, March 1, 2021.

[10] 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, Economic Policy Institute, December 2019.

[11] PEW Research Center, Employer Barriers to and Motivations for Offering Retirement Benefits—Insights from Pew's International survey of small businesses, June 21, 2017.

[12] 16th Transamerica Retirement Survey, 2015.

[13] Empower Institute, Open MEPs: A Promising Way to Narrow the Coverage Gap, December 2018.

ley (R-IA) and James Lankford (R-OK)—would allow for 403(b) plans to be offered as PEPs.

We welcome this change because, at TIAA, we have seen the benefits that a similar arrangement can provide to plan sponsors and their employees. We have been encouraged by how some of our 403(b) clients have been able to leverage the existing rules to come together using a "common bond" to improve upon their existing retirement plans. Given the financial struggles that some smaller institutions we serve are facing in the wake of the pandemic (e.g., decreased student enrollment, staff reduction), being able to join a single plan has allowed them to provide a more robust retirement plan than would have been possible on their own. They have reduced their administrative burdens and lowered costs while expanding plan services to their employees (e.g., expert investment selection). One of the most notable examples of this success is how a group of private colleges recently came together to offer their employees across numerous institutions a better selection of investment options and more guidance on retirement planning. Implementation of the provisions being considered today would not only increase access to retirement plans for employees but also allow our clients to have improved opportunities to band together to leverage economies of scale and access services that they would not be able to do as a single plan.

Expanding Long-Term Part-Time Coverage

Another helpful proposal, which is in Chair Murray's Women's Retirement Protection Act, would further expand access to plans for part-time employees. I want to commend Chair Murray for her tireless work to expand access for long-term part-time employees, employees who work more than 500 hours over three consecutive years, to their employer's plan. This provision was included in the SECURE Act, and the current proposal to accelerate access for long-term part-time employees after two rather than 3 years would be a sensible extension. This proposal has already been included in the bipartisan legislation being considered in the House this week.

Addressing Unnecessary or Duplicative Disclosures and Notices

As we look to expand participation and engagement in retirement savings plans, we should take a close look at how we communicate with current and prospective retirement savers. One potential solution is to examine the number and types of notices and disclosures sent to participants. We agree with the bipartisan proposals in the Securing a Strong Retirement Act, the Retirement Improvement and Savings Enhancement Act and the Retirement Security and Savings Act that would require the DOL, Treasury and Pension Benefit Guaranty Corporation (PBGC) to review the current Employee Retirement Income Security Act (ERISA) and Tax Code reporting and disclosure requirements and make recommendations to simplify, consolidate and standardize disclosures. Simplifying and streamlining required notices would reduce costs for current plan participants and reduce costs for new employers who are considering adopting a plan.

Additionally, we also support the bipartisan proposals in the aforementioned bills that would lift requirements that DC plan sponsors continue to provide notices to unenrolled employees, other than an annual reminder notice of their eligibility to participate in the plan. Sending notices that do not apply to an employee not participating in the plan seems inefficient. Simplifying the notices workers receive and not having to send notices that do not apply to an employee who has not enrolled in the plan could have the added benefit of helping savers better understand those notices.

Providing Incentives for Employers to Start a Retirement Savings Plan

As stated earlier, cost is a barrier to an employer starting a retirement plan. Retirement proposals and policies that provide tax incentives, such as credits, to start a plan or incentives that help drive participation and increased savings could better help employees achieve retirement security.

Recommendation #3: Enhancing Retirement Savings Rates

Another important piece of strengthening our retirement security system is helping Americans save more. Many adults approaching retirement age may not be financially prepared to retire: 49 percent of adults ages 55 to 66 had no personal retirement savings in 2017.[14] About 50 percent of women ages 55 to 66 have no personal retirement savings, compared to 47 percent of men. Women also lag men at the other end of the savings spectrum: only 22 percent of women have $100,000 or more in personal retirement savings compared to 30 percent of men.[15] Additionally, a recent study found 1-in-4 Americans have no retirement savings at all, and those who are saving are not saving enough. The median retirement account balance for 55-to 64-year-olds in the study was $120,000. Divided over 20 years, that is $500 a month—hardly enough to support a comfortable retirement, even without factoring in lengthening life expectancies and rising healthcare costs.[16] There are several ways this savings gap can be addressed.

Emergency Savings

One potential hurdle to employees saving for retirement is a concern about the need to access funds immediately to address short-term financial emergencies. Saving for unexpected expenses is challenging. A Federal Reserve Board study from May 2021 found that 35 percent of Americans would have trouble handling an unexpected $400 expense.[17] Another survey indicated that 25 percent of Americans have no emergency savings and that more than 50 percent have less than 3 months' worth of expenses covered in an emergency fund.[18] Individuals should ideally have at least 6 months of expenses saved in an emergency fund to prevent unexpected expenses from snowballing into greater financial hardships by relying on high-interest credit or retirement plan loans to cover a relatively small amount.

TIAA works with our plan sponsors to prioritize holistic financial wellness, with budgeting for short-term needs as a starting point of educational advice. We also work with participants to educate them about the different options available to help them avoid unnecessarily tapping their retirement savings. During the pandemic, Congress acted swiftly to enact the CARES Act to provide flexibility to those in financial need. When participants reached out to TIAA to take a CARES Act withdrawal, we were often able to discuss with them the many different options other than a withdrawal from their plan to help them meet their immediate needs without adversely impacting their long-term retirement security.

Generally, employers benefit from having numerous solutions available to enable them to customize how they want to help their employees save for emergency situations and simultaneously address their employees' need for retirement security. We commend the Committee for recognizing that emergency savings solutions can enhance retirement savings participation and rates. Providing employers with options to help them meet their employees' needs while helping minimize retirement plan leakage without mandating a one-size-fits-all approach is an appropriate way to explore solutions to the emergency savings gaps that many Americans face.

Improving the Saver's Credit

Created more than 20 years ago, the little-known Federal Saver's Credit provides people with modest incomes a government match on their retirement contributions. The Transamerica Center for Retirement Studies (TCRS) polled more than 10,000 adults late last year and found only 48 percent were aware of the tax credit. Among those earning less than $50,000 annually, just 41 percent knew about the credit. Given that the Saver's Credit[19] is limited and not refundable, lower-income workers who do not end up paying taxes cannot get the match. This valuable tool to promote savings for those who need it most could be further strengthened and publicized to help those in lower income brackets save more. Furthermore, a refundable Saver's Credit could be more beneficial to employees, especially younger employees. One study found that a refundable Saver's Credit would play a pivotal role in enhancing the assets of different types of savers at all points of their lives assuming the re-

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[14] Brittany King, Those Who Married Once More Likely Than Others to Have Retirement Savings United States Census Bureau, January 13, 2022.

[15] Ibid.

[16] *https://www.pwc.com/us/en/industries/asset-wealth-management/library/retirement-in-america.html*.

[17] Board of Governors of the Federal Reserve System, Report on the Economic Well-Being of U.S. Households in 2020 , May 2021 *https://www.Federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-dealing-with-unexpected-expenses.html*.

[18] Sarah Foster, Survey: More than half of Americans couldn't cover 3 months of expenses with an emergency fund, Bankrate, July 2021 *https://www.bankrate.com/banking/savings/emergency-savings-survey-july-2021/*.

[19] Transamerica Center for Retirement Studies, Fewer Than Half of U.S. Workers Are Aware of a Tax Credit for Retirement Savers, February 2022.

fundable credit could be deposited into the saver's retirement account. As an example, for a young saver, the refundable Saver's Credit could increase their assets from $262,400 to $390,400.[20] This would be a positive development for increasing savings for lower income individuals.

Encouraging Employer Match Based on Student Loan Payments

Many younger workers are missing out on retirement savings opportunities because they are saddled with student loans, especially minorities. Black college graduates owe an average of $25,000 more in student loan debt than white college graduates. Four years after graduation, 48 percent of Black students owe an average of 12.5 percent more than they borrowed. Black student borrowers are the most likely to struggle financially due to student loan debt, with 29 percent making monthly payments of $350 or more.[21] While many of these individuals are aware of the importance of saving for retirement, they are forced to prioritize student loan repayments over longer term financial goals. Unfortunately, by responsibly paying their most urgent debt, such individuals lose the benefits of compound interest that are important when saving for retirement in the early years of their career. Bipartisan House and Senate bills would allow employers to match employees' student loan payments with retirement-plan contributions so workers could keep paying down their student loan debt without foregoing their employers' contributions to their workplace savings plans. Employers, in turn, would benefit from a tax deduction for their contributions to the same extent they would for matching employees' retirement plan contributions while also creating goodwill and a compelling recruiting tool.

Expanding Automatic Plan Features

Automatic plan features help ensure many savers do not miss out on the first step to retirement savings. Auto-enrollment first gets employees into the plan and auto-escalation incrementally nudges them to save more over time. By harnessing the power of inertia, these two features are critical to helping workers save enough to retire with dignity. However, more needs to be done.

According to the Defined Contribution Institutional Investment Association's (DCIIA) plan sponsor survey, auto-enrollment saw growth in adoption to 69 percent in 2019, up from 60 percent in 2016.[22] However, that means roughly 30 percent of plan sponsors still have not adopted auto-enrollment. When drilling deeper into auto-enrollment by plan size, *PlanSponsor* found that only 22 percent of plans with less than $5 million in assets had auto-enrollment, and of those with less than $50 million, only 47 percent had auto-enrollment features.[23] When asked, plan sponsors identified cost as one of the barriers to including an auto-enrollment feature in their plans.[24]

The auto-escalation feature also saw a rise in adoption by plan sponsors, where 69 percent of plans offer auto-escalation in 2019, up from 50 percent in 2016.[25] However, similar to auto-enrollment, the numbers vary when looking at plan size. For plans with less than $5 million, 65 percent are defaulting participants at 3 percent of their salary or less. For plans that are smaller than $50 million in size, the number decreases to roughly 50 percent defaulting participants at 3 percent of salary or less.[26] To the extent that workers need to contribute anywhere from 10 percent–15 percent annually of their salary, including both employee and employer contributions, to accumulate sufficient retirement savings, then it could take participants 7 years to start contributing to the point where they are saving enough.

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[20] Anna Milstein and Angela Antonelli, How Universal Access and a Refundable Saver's Tax Credit Can Transform Retirement Savings, Georgetown University Center for Retirement Initiatives, August 2021. https://cri.georgetown.edu/how-universal-access-and-a-refundable-savers-tax-credit-can-transform-retirement-savings/ (Young saver assumptions—started their account at age 25 and earned an average salary ($35,000) at a small employer over a 40-year career.

[21] Hanson, Melanie. "Student Loan Debt by Race" EducationData.org, March 10, 2022, *https://educationdata.org/student-loan-debt-by-race*.

[22] Defined Contribution Institutional Investment Association (DCIIA) Plan Sponsor Survey, April 2020.

[23] PlanSponsor, 2021 DC Plan Benchmarking Survey, November 2021.

[24] Defined Contribution Institutional Investment Association (DCIIA) Plan Sponsor Survey, April 2020.

[25] Defined Contribution Institutional Investment Association (DCIIA) Plan Sponsor Survey, April 2020.

[26] PlanSponsor, 2021 DC Plan Benchmarking Survey, November 2021.

Proposals to improve upon and encourage adoption of these automatic feature provisions are included in bipartisan legislation. We encourage Congress to continue to pursue improvements in this area consider include automatic plan features enhancement in legislation you are drafting.

Supporting Caregivers

To contribute to a workplace retirement plan you need to be working. For numerous reasons and for varying lengths of time, employees occasionally must step aside from their full-time job to focus on the needs of a parent, a child or a spouse as a full-time caregiver. To help those who need to leave the workforce for these reasons, the majority of whom are women, Congress should move ahead with bipartisan proposals like the Expanding Access to Retirement Savings for Caregivers Act. This legislation, introduced in the House last year, would help those who were forced to stop saving entirely while they were not employed to allow them to make special catch-up contributions to get their retirement savings back on track.

Conclusion

I commend you, Chair Murray and Ranking Member Burr, for holding this hearing today. It is another example of the bipartisan work being done to help ensure a brighter financial future for all Americans. Access to guaranteed lifetime income through a retirement plan is critical, and we believe enhancing access to the best versions of these products throughout the entire system is foundational. The HELP Committee can play a critical and much needed role to ensure the next round of retirement legislation will further build on that foundation and help plan sponsors use the power of default investments to help their workers obtain and maintain a guaranteed stream of retirement income that will last them for their entire lives.

On behalf of the entire retirement industry, I would like to thank you for your commitment to improving and modernizing the current retirement system. And thank you for the opportunity to testify. I look forward to answering your questions.

[SUMMARY STATEMENT OF DOUG CHITTENDEN]

TIAA believes past retirement improvement efforts have been successful in helping many American workers. There is more that can and should be done to improve the retirement system in a meaningful and holistic way. This testimony will focus on three key policy goals that would help improve retirement security for all Americans.

Expanding access to lifetime income solutions. TIAA strongly supports addressing regulatory barriers that currently exist that have effectively deterred the use of guaranteed lifetime income products in the default investments that employers use on their retirement plan menus. The Lifetime Income for Employees Act (H.R. 6746) is a bipartisan legislative proposal that would amend the DOL's QDIA regulations to allow a default investment to include a guaranteed lifetime income component with liquidity features that do not meet the current regulations as part of a broader QDIA investment. This is vital to addressing future lifetime income needs of retirement savers and help them attain financial security in retirement.

Increasing access to retirement savings plans. The SECURE Act took steps to improve access to multiple employer plans (MEPs) or pooled employer plans (PEPs), which make it easier for employers—especially small employers—to leverage economies of scale and join together under a single retirement plan. Unfortunately, 403(b) plans were inadvertently left out of the MEP and PEP changes included in the SECURE Act. Current proposals would allow for 403(b) plans to be offered as PEPs. Other steps that could be taken include improving access to plans for long-term part-time workers, simplifying plan disclosures and increasing incentives for starting plans.

Enhancing retirement savings rates. Helping savers build emergency savings accounts can help address the need to tap retirement savings in for short-term unforeseen expenses. Improving access to and usage of the Federal Saver's Credit can help lower income individuals build a retirement nest egg. Allowing employers to make matching contributions to a retirement plan based on their employees' student loan payments can help younger workers get a jumpstart on saving for retirement. Expanding the use of automatic plan features (auto-enroll, auto-escalation) can help improve retirement plan participation. Policy makers should seek ways to help those who leave the workforce to care for family members catch-up on missed savings opportunities.

The CHAIR. Thank you very much. And thank you to all of our witnesses today. We will now begin a round of 5 minute questions. I again ask my colleagues to keep track of your clock and stay within those 5 minutes.

Ms. Rademacher, the Aspen Institute recently found that 40 percent of Americans reported they would struggle to afford a $400 unexpected emergency, and one in four families now say they have no emergency savings at all.

We can improve financial resiliency by helping Americans save for those emergency expenses, and it would also, of course, bolster retirement security because people could tap designated emergency savings accounts rather than take from their retirement accounts and put their future financial security at risk. How can emergency savings accounts help keep one's retirement accounts intact?

Ms. RADEMACHER. Thank you, Senator. It is a great question. And there has been a number of organizations really doing some deep research, listening and learning about the role of emergency savings in short and long term financial stability. We certainly know from, again from the Consumer Financial Protection Bureau, when they look at the drivers of financial well-being long term, liquid savings has the highest explanatory value of any other facet that they looked at in terms of that.

It goes to consider that when we are talking about expanding access to retirement savings, and we want that experience to be successful for individuals, that the concurrent ability to save for emergencies and create that liquid savings is important.

We recently published, "Principles for Design of Emergency Savings," and one of the things that is important for this Committee is that there are a couple of examples now of within plan emergency savings. It is important for behavioral—in terms of behavioral psychology to have a specific bucket that is deemed for emergency savings that is separate than your retirement savings, but they can work together and then ERISA could provide guidance to do this kind of co-location of accounts, sidecar accounts, if you will.

It is true that emergency savings needs of households is—that statistic you provided from the survey of Consumer Finances from the Federal Reserve is true about the lack of emergency savings.

Also, as we look at post-pandemic and the experience we had looking at the CTC and the payments, as those have gone away, liquid savings becomes even more important and facilitating that savings automatically, like we do with retirement savings, there is a lot of research around the opportunity for that, both here in the U.S., but also in the U.K., where there is pilots underway to look at automatic enrollment into emergency savings within retirement plans.

The CHAIR. Thank you very much. Mr. Koumantaros, an important piece of the retirement puzzle is making sure that those who have employer sponsored retirement accounts don't forget about them when they leave a job. According to the Bureau of Labor Statistics, the average person holds 12 to 13 jobs in their career, nearly half of those jobs are held from the ages of 18 to 24.

If someone started saving for retirement right after college, the savings from that individual's first employer sponsored retirement account would have grown tremendously by the time they retire because of compound interest, and it is important that they remember that those accounts exist.

Senators Warren and Daines actually have a lost and found bill that would create a national registry to try to help reconnect Americans with their retirement accounts. Can you talk with us about how such a registry would be beneficial for both plan sponsors and participants?

Mr. KOUMANTAROS. Of course, Chair Murray. Thank you very much for that question. A national registry would absolutely help missing—the participants locate missing retirement plan accounts. And we would cheerfully embrace that type of an approach.

We would recommend pairing this with an employer safe harbor as it related to missing participants where an employer following the specified procedure, would be able to automatically distribute retirement plan accounts into, say, an individual retirement account in the name of that participant and for that participants' benefit.

Certainly the role of Government can help to facilitate participants accessing those missing accounts. That safe harbor would be an important relief for employers today because currently automatic IRA distributions are limited to accounts of $5,000 and below. However, a necessary condition for this to work is also to enhance the investments within automatic IRA rollover accounts.

More specifically, today, it must be invested in a capital preservation investment option. We would suggest following a defined contribution plan participant directed rules around a qualified default investment alternative with respect to automatic rollover IRAs. The combination of all of that legislation will lead to much better outcomes for participants.

The CHAIR. Okay, thank you very much.

Senator Burr.

Senator BURR. To all our witnesses, thank you for being here. Doug, TIAA seems to increasing—be increasingly involved in multiple employer plans. They follow the same funding rules as a single employer plan, but they allow employees to band together to tackle the job of administrating costs—administrating the plans and the costs. Can you talk about the potential of this type of plan designed to close the access in savings gap?

Mr. CHITTENDEN. Thank you, Ranking Member Burr. The ability for—as we have been discussing, one of the primary impediments that small employers face in offering retirement benefits to their employees is the costs of starting and maintaining a plan, in addition to managing it on an ongoing basis.

The ability to band together and share those costs across employers is, we think, a tremendous benefit and an opportunity to increase participation. The rules that were made available through the SECURE Act were an important step forward. As my remarks indicated, we would like to see those rules expanded to include employers in the not for profit space. We have seen some tremendous benefits already for many of our clients.

We have associations of small, independent colleges and now 10 states that have come together and formed multi-employer plans, providing more access, better benefits, and lower costs to their employees by doing so. We think—so we think this structure offers a lot of promise and it is a great way to increase access to millions of Americans.

Senator BURR. You are also supportive of action that we took for unrelated employers to pull together to offer a single retirement plan. But I understand that ensuring the provision captures 403(b) is important. Can you give us some examples of how recently enhanced law is helping clients and how an expansion of flexibility for 403(b) will help employers in teaching, medicine, and research?

Mr. CHITTENDEN. Yes. The rules that are—we are proposing would be expanded to include 403(b) plans that are currently available in the 401k space, provide a more flexible—provide for more flexible structures. Under the current rules that are available, the 403(b) plans in not for profit space, there needs to be sort of a common nexus or a common organizing group to bring the employers together.

For our clients, this is typically an independent college association in this state or an association of independent schools or those types of organizations. If by liberalizing the rules that are applicable in the 401k world, that common nexus could be payroll providers, financial advisers, other entities that are able to share costs or bring together clients that they work with in a much more flexible and open way than we think would increase access.

Senator BURR. Thank you. Ida, recognizing that the gig economy is here to stay, and we are not going to go back to a traditional employee, employer relationship, what can we do to help this universe save for retirement?

Ms. RADEMACHER. Thank you, Senator. It is great question. We started Aspen thinking about all workers, no matter where they work and how they get paid, and how they are going to navigate increasingly complex financial life. And so the overall direction we need to head is that we need to find a way within a retirement savings system in this country for gig workers to be able to save as well for retirement. There are a couple of places to look at the moment.

First, there is, at least in California, when some of the states are taking the lead on some of the retirement savings expansion work, some states have designed that so that all workers can save into those systems. And then, of course, this also gets to the key of the portability issue because many people who are working in the gig economy also have a W–2 form of work or are very fluid between these places.

I do think there is incremental steps to take toward this piece. But of course, part of that is around the overall design right now of an employer based system and how to navigate that. I do think that the main next steps will be around thinking through the mechanics and the guidance for portability, and then thinking about how we can then leverage that new expansion to enable a conversation about gig workers as well.

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

The CHAIR. Senator Casey.

Senator CASEY. Chair Murray, thank you. And I thank you and the Ranking Member for this hearing and especially your work on these issues that surround retirement. I want to start with Ms.

Rademacher, regarding a piece of legislation that I have. I wanted to start by noting the numbers here.

The Bureau of Labor Statistics finds that nearly 24 million Americans are part time, part time workers. We know that many of these workers don't have access to workplace retirement plans due to their part time status. In fact, less than half, 40 percent of these 24 million Americans have retirement plans through their employers. A much lower number than what we would hope.

The SECURE Act took an important step forward by requiring companies to include these workers in employer sponsored retirement plans after 3 years, 3 years of employment. Senator Tim Scott and I are seeking to build upon this progress through our bill, the Improving Part Time Workers Access to Retirement Act.

That is Senate bill 3751. This bill would require employers to expand retirement plan eligibility to part time workers after just 2 years, 2 years of employment, not three. So I wanted to ask you, how do you believe this legislation would improve part time workers' ability to both save and plan for their futures, particularly for lower income workers?

Ms. RADEMACHER. Thank you again, Senator, for the question. We agree that the ability to increase the percentage of participants that are part time work in retirement savings is one of the best ways to take a next tier of progress toward an inclusive retirement savings system. To your point, 42 percent of part-time workers currently have access to a workplace retirement plan, compared to 81 percent of full time workers.

By decreasing the amount of time that one would have to be employed with a specific employer that is going to do an important job in expanding who has access through the existing system. That is going to disproportionately help, again, women, people of color, and many others who choose especially and need especially after COVID to have flexibility and part time work as part of the work going forward.

The other piece of this that opens up is, it goes to some of the ideas about automatic re-enrollment, which is that while 41 percent have access right now and 81 percent have—full time workers do, it is a smaller percentage who actively participate. And there is very good reasons at any point in time when someone may choose not to be able to save. But to re-scoop into that within a cycle every three or 4 years means that people have an ongoing opportunity to reconsider that option and is another way that the combination of expanding options for part-time workers would go further.

Senator CASEY. Thank you very much. My last questions for Ms. Hounsell. I want to thank you for your testimony before the Special Committee on Aging in January. And while bipartisan legislation like SECURE expanded retirement access for many workers, significant disparities still remain.

These disparities are especially significant for women, as you have noted, who often spend time out of the paid workforce to serve as family caregivers, as well for communities of color, workers in communities of color who face systemic barriers to building wealth and savings. Ms. Hounsell, what types of retirement policies would help address these disparities, specifically for women and people of color?

The CHAIR. Thank you, Senator, for your question. I think that it is difficult because caregivers, especially and so many other women that are working in those trying to balance their family lives, have very little control over their hours. And so what happens is the eligibility rules, I think, just keep them out.

I mean, it keeps them out because of the hours, a long time ago, I was working with a group of retail workers out in West Virginia, and I had never heard about this, that so many of them who are part time workers would just get sent home. They drive in, they get there, and then they get sent home.

They never got those hours that are required. And I think that is what really, that is what really stops people. So unless we had an auto IRA or some great plan that everybody could jump on, I think that is what is required.

Senator CASEY. Thank you. Thank you, Senator Murray.

The CHAIR. Thank you.

Senator Smith.

Senator SMITH. Thank you, Chair Murray and Ranking Member Burr. I really appreciate this hearing, and I appreciate the bipartisan focus on retirement security. I think it is important to note that we know that the typical Black and Brown family has significantly less wealth than a typical white family, and this is very true for Native families as well. And it is also true that retirement and pension policy is really complicated.

It is complicated for policymakers. It is complicated for people who should be benefiting from these retirement products. And the details matter, right, because they can have a huge impact on a person's financial security and our efforts to address wealth inequality in our Country.

Ms. Hounsell, I would like to bring up with you a very specific example of what this looks like for tribal members living on tribal land. So for many years, tribal courts have successfully handled family law cases, including native families, adjudicating difficult questions around custody and alimony and more.

These tribal courts are often the first choice for tribal members who have the choice of resolving their disputes, either in tribal court or in state court, but they choose tribal court. But so here is the specific problem.

Under current Federal law, orders from those tribal courts about how to allocate retirement plan assets in a divorce aren't recognized. Only state court decisions are recognized. And so what this means is that in many cases, a Native family needs to go to state court for relief.

Native women, in most cases, would need to go to state court for relief instead of the tribal court where they reside. Or what often happens is that one party simply isn't able to access the resources that they are due from their former spouse's retirement plans. And more often, of course than not, that is a woman who is left much worse off.

This seems like an unfair limitation on the courts of these sovereign tribal nations, and it hurts Native families. So Ms. Hounsell, can you just tell me what you think about this issue and how you see this issue?

Ms. HOUNSELL. Well, I mean, I think QDROs—we could be here for hours talking about those issues. But what I remember from our work in New Mexico was that there was no laws sort of linking the tribal court with the state. And so you had to decide like where you would have your divorce, which could be harmful in many ways.

The Retirement Equity Act of 1984 was where QDROs were first instituted. And I think if we are waiting for the states one by one to be passing laws or doing something to fix this, then really, we need a legislative fix, a Federal legislative fix.

Senator SMITH. Well, thank you. I agree with you. I think that sort of doing a series of one off state by state resolution of this just ends up creating more complexity. It is something that is already really hard for people to understand to begin with, including this Senator sometimes. I think that makes it more complicated. So it sounds like you would agree that this is an important issue, that it would be good for Congress to take up and try to help resolve.

Ms. HOUNSELL. Yes.

Senator SMITH. Right. Thank you. Thank you so much. Let me just also stay with you. We were just talking about how women that generally face a loss of significant amounts of family earnings and retirement security in the face of—when they are confronted with a divorce.

A lot of times current law has loopholes that allow it, one spouse, to transfer or even hide retirement plan funds without the permission of the other spouse. This is one of the reasons I am happy, and I am so glad to be a co-sponsor of Senator Murray's Women's Pension Protection Act to help address this unfair transfer of wealth. Could you just comment on this legislation and why you think it is important?

Ms. HOUNSELL. Yes. I am not really familiar with that provision, but I do know that there is—I think there is a GAO report that is going to look into all of those issues. And when you work with women, you get everyone has a story, and anyone who has gone through a divorce has a story. And so I think it is complicated in so many ways that we really have to make sure that we are taking a close look at what the solutions are for it.

Senator SMITH. Yes. Thank you so much. I think this is particularly a place we are being careful and thoughtful and diving into the details to make sure that these policies deliver the result that we all can probably agree on, both for Native women living in tribal land and also for some—Senator Murray's bill is a great example of that. Thank you very much, Madam Chair.

The CHAIR. Thank you.

Senator Rosen.

Senator ROSEN. Thank you, Chair Murray, for holding this bipartisan hearing. And to you and your staff for their work crafting bipartisan retirement legislation. Financial security for Americans and retirement should not be a partisan issue, and I really appreciate you bringing all of us together to discuss this today.

Retirement plans that employees access through their employer, well they are so important to saving for retirement. Savings are automatically deducted from workers' paychecks, allowing them to benefit from tax free treatment of retirement savings without even thinking about it.

That is what employer sponsored pension plans are designed to do. There are also optional plan design features that can make it even easier to build savings, such as automatic enrollment, where businesses can require employees to opt out, meaning that many more will essentially choose the default of opting in an automatic escalation where businesses offer their employees the choice of automatically increasing their retirement plan contributions periodically.

But under current law, employers must pay out of pocket to add these optional plan design features. So for many small business owners who want to help their employees save more for retirement, the out of pocket cost of adding these features is too great a burden. So to address this, I am currently working on bipartisan legislation that would allow employers to add these features and have the fees for adding these optional design plan come from retirement plan assets, making it easier for small businesses to offer their workers high quality retirement plans.

Mr. Koumantaros—I am sorry, I am probably not saying that right. But as an advisor to employer plan sponsors, can you give us your thoughts on why only a small number of businesses with fewer than 50 employees offer plan design features that help workers save for retirement, like auto enrollment, auto escalation, when the vast majority of companies with more than 1,000 employees offer them?

Mr. KOUMANTAROS. Thank you, Senator, for that question. And you illustrated the issue here perfectly there in your remarks. There are challenges that small employers face with respect to administrative costs of plans and the complexity of plans. Those are the greatest barriers to new plant adoption. But even for those employers that adopt plans, those issues still persist in operation of the plan.

There is also some issues with respect to small businesses engaging with their consultants, with respect to consultative services, that would provide for beneficial features in these plans, like auto enrollment and auto escalation. Those discretionary features today, under current law, would need to be paid by the employer. They cannot be treated as a planned expense.

Unfortunately, many small employers simply don't have these conversations with their consultants. The legislative solution that you proposed is precisely what we need to help encourage these types of conversations that provide these more beneficial features to the small employer market segment as well.

Senator ROSEN. Well, thank you. We hope to be introducing that soon. But what other recommendations might you have for me to incentivize all businesses to offer workers competitive retirement plans, financial education, like you just mentioned, and other benefits?

Mr. KOUMANTAROS. Thank you, Senator. We would love to see considerably more expansion of worksite financial planning, and of course, expansion of retirement plan benefits, particularly in the smaller employer segment where the coverage gap is so pervasive.

So to that end, any type of financial incentives that can encourage these types of plans in the form of tax deduction certainly and with respect to worksite financial planning very specifically.

Today, any such benefits that are provided by an employer, while it could be deductible to the employer, would constitute a taxable benefit to the workers, despite the fact that worksite financial planning has yielded tremendous results. So to the extent that we could make this a nontaxable benefit to workers and to the extent that it could be a deductible benefit for employers, those incentives would provide meaningful results.

Senator ROSEN. Well, thank you. 99 percent of businesses in Nevada are small businesses, so this has a real impact on my state, if we are able to do that. I would like to continue on with you for the little time I have left.

I appreciate your testimony and disparities in retirement savings, and this crisis is particularly acute in communities of color and impacts States like Nevada, where diversity is our strength. Millions of Americans, hundreds of thousands of Nevadans 65 and older have income below the poverty threshold, and Black and Hispanic seniors are even more likely to fall into poverty as they age.

Ms. Hounsell, as an example, you cite statistics showing that Hispanic and Black women are twice as likely to age into poverty than white women. So I want to pick up on what Senator Casey asked about disparities, Ms. Hounsell. So tell us more why women and people of color are more likely to have lower savings, retirement, and how you think we here in Congress can address it?

[Technical problems.]

The CHAIR. You need your mic on.

Ms. HOUNSELL. The coverage and the access issues, I think are just different. If you don't work in a place where there is a retirement plan and you work for a small business, often you just don't have access. And so even if you want to save in some way, how do you do that? And people always say to me, well, anyone can go into an institution and open up an IRA.

But what do we have, like 11 percent, I think, that actually do that, and people are often doing that just with rollovers, not with new opening up with a new plan. So I think that is the problem for not just—it is for low wage workers generally that there isn't a way to save. I mean we are doing these little projects where we see people are so grateful that there is some way that they can sign up with the credit union where there is some small account to start an emergency savings.

We need that. I mean, I remember the auto IRA from 20 years ago in a way that if employers could do that and there were incentives, it would just make a big difference.

Senator ROSEN. Thank you. Thank you, Madam Chair.

The CHAIR. Thank you.

Senator Hickenlooper.

Senator HICKENLOOPER. Great. Thank you, Madam Chair, and thank each of you. We have been watching on TV as we go between different hearings, but it is something that really is of crucial importance. Now, according to the Federal Reserve, 75 percent of the bottom half of income distribution, the three-quarters of those people in the bottom half don't have a retirement plan at work.

But more concerning, according to the Federal Reserve, those in the bottom 50 percent by wealth have a median retirement savings of zero. And I think obviously, we need some more innovation in our retirement savings options so that middle Americans can participate and build wealth.

Ms. Rademacher, I was going to ask you, since I have a long history with the Aspen Institute, could a retirement savings plan that has low costs and a Federal match, and easy to understand investments, could that work for this, that spectrum of workers?

Ms. RADEMACHER. Absolutely, thank you for the question, Senator. The retirement savings system we have in America is, and as I said in my early remarks, when you look at the Survey of Consumer Finances in America, the two places that 80 percent of Americans have wealth on their balance sheets are home equity and retirement savings. And that is when we have a system that I like to say has one hand tied behind our back because we actually aren't engaged with over 50 million Americans having an opportunity to save in that system.

Americans want the opportunity to save for their future. They need help in a couple of different ways. We need to remove the friction from that process as much as possible, which to the points that we have said is making automatic enrollment. They are making it available to any worker, no matter the size of the employer, or even in the long run moving this to figure out how we work with gig workers.

People will save, an incentive, and understanding too, and this is a different jurisdiction than the HELP Committee, but there are differentiated ways that individuals are incentivized to save, right. If you are in a lower tax bracket, you get less of a—you get less of an opportunity to save on the dollar, right, than if you are in a higher tax bracket. There is lots of different ways that we can make this easier.

We have seen in places where states are leading, we have seen in other countries, that when you have a system that is all in, people not only save, they take pride in that, and they take pride in the idea that their workers are able to save.

I think this is a solvable problem. I think it is a problem that we can solve on a bipartisan basis in this country. And I think financial security at the household level is a critical piece of long term economic growth in this country.

Senator HICKENLOOPER. Here, here. Mr. Koumantaros, and we have heard about how many small business workers have access to a retirement plan. And it is roughly half or maybe a little over half. And I know as someone who spent at least up until I was 50 and got the harebrained scheme that I would run in to—run for office. But I was in small business and really saw that the barriers that when you are running a small business, there are two, the plan and trying to deal with it.

I have been working, our offices have been working with Senator Collins to figure out a way to remove administrative obstacles for small businesses. And you have seen the bipartisan SECURE Act group of plans and pooled employment plans provisions that will allow small businesses to pull resources, which at the same time will use economies of scale and be able to set up retirement plans at much lower cost.

How can you—how can we balance the streamlining the compliance procedures while still making sure we have sufficient oversight?

Mr. KOUMANTAROS. Thank you, Senator. A very important question. As you touched upon, group of plans offer real promise for small employers, as do pooled employer plans. But there are important distinctions between the two. The Labor Department recently came out with guidance with respect to audit requirements as it related specifically around group of plans, and we are concerned that may create some issues for smaller employers. You see, small businesses today that sponsor a retirement plan that is smaller in size is not subject to an audit requirement.

Accordingly, their administrative costs are a bit lower. Now, if a small employer wishes to participate, or I should say, join a group, a plan which provides certain administrative efficiencies, a consolidated trust, same set of investments, single Form 5500 filing, and an audit were required on the entire group, then obviously that small employer would bear a portion of those costs.

Our suggestion would be to free the group from any audit requirement. But any larger employer that otherwise would be subject to an audit on its own, should have an audit apply for that larger employer that is part of a group of plans. The other piece of this, though, is to ensure that the Form 5500 filing that would be required for the group should not be held up merely because an audit for one of those larger employers is incomplete.

Together, that combination would make a group plan still a very viable option for small employers in the future.

Senator HICKENLOOPER. Great. Perfect. And I have other longer questions which I will submit in writing, but at this point, I will return back to the Chair. I yield back my time.

The CHAIR. Thank you very much. I see Senator Braun is here. I will give him a minute to sit in his chair. Senator Braun, if you are prepared to go next.

Senator BRAUN. Thank you, Madam Chair. I have been listening with a lot of attention on this issue. For small businesses, finding the proper vehicle for offering employees retirement, of course, is a big issue. I think it has been well covered so far. The biggest issue I hear—and I was one of them as an employer because my company had 15 employees for a long, long time before it was large enough to where we can afford the overhead of providing any type of retirement to our employees. And of course, to do that, of course, the larger you get, the easier that is to do.

But I want to take a different track and get your opinion on what I hear all the time that would be a prelude to actually the question of retirement. In Indiana, in most states, I think it is 16 million jobs across the country, are in need of middle skilled jobs. In other words, in my own company and across the State of Indiana, the largest manufacturing state per capita, we struggle with what you need to get before you actually have the consideration of a retirement plan, employees.

They are coming from our educational system that in many cases stigmatizes the pathway for what most businesses are looking, and that is a better high school education, and then if you need to polish life skills and what you learn in high school, which we did 40 years ago all the time through a curriculum that was more geared to that.

Currently 529 savings plans, and I hope you are all familiar with that, but it enables taking funding to all the areas that the marketplace is currently not having a problem with, two and 4 year degrees. In our own state, we ship out more 4 year degrees than we use within it.

Senator Klobuchar and I have a bill called the Freedom to Invest in Tomorrow's Workforce Act that would simply say with that tool, give it to businesses to train kids in those skill sets. That is the No. 1 issue when I am traveling in Indiana is workforce.

You got to have a workforce for those high demand, high wage jobs before you are ever going to get into the further discussion of what you do with retirement. I would love to hear your opinion. Each one of you on whether that makes sense simply to take 529 savings and make it available for certificates in workforce training along with everything else it does. We can start with Mr. Chittenden down here and move across and tell me what you think.

Mr. CHITTENDEN. Thank you, Senator. And I, we totally read, the 529 plan structure has proven to be a benefit to millions of Americans, allowing them to save for college or junior college and even other advanced degrees.

I think the idea of being able to expand utilization of those benefits for other types of education, whether it is offered through your employer and other places, makes a lot of sense because at the end of the day, that is what it is about, helping employees, helping Americans get ready to fulfill their careers and support their families. So on the face of it, it seems like a good idea.

Ms. HOUNSELL. I am not so familiar with that, so I think I will pass. That sounded good to me. But other than getting myself stuck into something that I really don't know I have an opinion on, I will pass.

Ms. RADEMACHER. Thank you, Senator. It is a great question. And I think that there is—you are raising an important issue. At Aspen, we talk not just about the functions of wealth in a household's life, but the conditions for building wealth. And there is a set of preconditions that a household has some level of routinely positive cash-flow, just like a small business needs that, right, for its health and vitality.

Beyond that, households need investible sums. They need a way to amass those. And 529 and retirement savings are some of the most successful vehicles we see for how households help with that. One of the other functions of wealth, though, that we talk about is how it gives households choice and agency and dignity around their own path and their own way of creating legacy for their families.

The idea of expanding the usage of 529s to give households broader choice around what are the kinds of skills they need to build for the jobs they see today, I think respects households. I also think that there is probably a lot of important research to go into that too before coming up with the definitive recommendation.

But there are, I know, even at the state level, a few state treasurers that are looking at ideas like that as part of making 529s a more widely useful tool for households and for the economy.

Senator BRAUN. Thank you.

Mr. KOUMANTAROS. I would certainly echo the sentiments that we just heard, providing some increased flexibility and choice for families as it relates to their 529 plans and how those funds will be used, for what purpose, and expanding educational programs that would qualify. Certainly seems on the surface of it, a very reasonable and prudent proposal.

Senator BRAUN. Well, thank you. And I think the fact that half of the kids that pursue a 4-year degree, end up not making it to the finish line. A third of them that do, do not have a marketable degree. And of course, we need that.

But almost all the jobs that are begging are in that category or needing a more polished high school education and access to certificates to get into the highest demand, high wage jobs that are out there ready to go. Hopefully, the Committee will take a look at that down the road, this bill that Senator Klobuchar and I are sponsoring, and maybe be able to weave it into something. Thank you so much.

The CHAIR. Thank you. Senator Burr, do you have any final comments? I have a few more questions. Ms. Hounsell, I wanted to talk to you a minute. We have heard a lot about ways to help Americans save for retirement through defined contribution plans. I want to briefly shift to defined benefit plans, where benefits are based on the years of service, and where employers may offer employees ready for retirement, a lump sum amount. Or a lump sum payout for their pensions.

A GAO report found companies were offering lump sum buyouts without key information people needed to make informed decisions. What sort of risks do lump sum buyouts posed to participants and how can proper notice and disclosures help them make informed decisions?

Ms. HOUNSELL. I guess what I would say that the best that I have seen was when I was part of the ERISA Advisory Council 7 years ago and the de-risking people came in and spoke to us so that we could write a report about what would be the best opportunities for people.

It takes real counseling for people to understand all of a sudden that they are getting this huge lump sum and what that means. And we know that there is a recent study out from the MetLife that they have repeated from, I can't remember, the pot of gold I guess is what it is called, and shows that people spend their lump sum within 5 years. It is gone.

It is often referred to, excuse me, like the lottery winners that all spend the money and they don't realize that it is going to be gone. So I think there needs to be real counseling and education. That seems to—what works best, and to find out what disclosures people need to know about.

Like, people will think that the plan offers a certain benefit and then they find out that a doesn't. I think it is a big issue.

The CHAIR. Yes, the law governing retirement or risk requires that notices and disclosures be understood by the average plan participant. And GAO separately found that nearly 40 percent of 401k plan participants do not fully understand the fees they pay on their retirement accounts, which—and many of them aren't even aware they pay a fee at all. So maybe I can ask you, what can Congress do to improve transparency, so we increase retirement security and help people across the country really make the best financial decision for their family?

Ms. HOUNSELL. I don't know, could you re-ask that, please?

The CHAIR. What can we—what should Congress do to improve transparency?

Ms. HOUNSELL. Well, I think there needs to be better disclosure is what it is so that people know exactly what they are getting and what it means and so that it is not a surprise because that is what—I have heard so many people who come and say my husband just got this huge lump sum, we thought it would be the best thing for us, and I think we made a big mistake, and we didn't know this or this, or we didn't know that there were certain benefits that we would have been able to get for a spouse. So I think that is the key thing, is letting people know and requiring that the information is there because you have asked for it.

The CHAIR. Okay. Mr. Chittenden, you mentioned in your opening statement the need to offer lifetime—lifetime income solutions for retirees during the spin down phase of their retirement. I really support innovative solutions to help Americans plan their golden years so their retirement savings last as long as they are needed.

This is an important topic, both for the individual saver and for the economy, and I want to make sure that we approach this issue from all angles. So in addition to making enrollment into lifetime income investment products, the default for employees, what other steps can we do to help retirees with their future income needs?

Mr. CHITTENDEN. Thank you, Senator. Clearly that is a—most Americans don't realize that their 401k plan or their defined contribution plan does not include a provision to provide a lifetime income in their retirement. So I think it is absolutely essential to continue to make that education.

One of our clients, Yale University, 3 years ago, they made the decision to include lifetime income payments or lifetime annuities as part of their default option. By making that decision, they have increased the projected retirement income for each of their employees on average $6,000 a year.

That is not just the professors, that is the maintenance staff, and the clerical staff, and the support workers across the board. That is the power of having the lifetime income options as part of the default option.

Really changing the conversation from, what is my basket of money, how much is my accumulation, to what do I really have in terms of lifetime retirement income? That is the key.

The CHAIR. Okay, thank you very much. And I want to thank all of our witnesses today and all of our colleagues who are here for their very thoughtful questions. I want to thank Mr. Koumantaros, Ms. Rademacher, Ms. Hounsell, and Mr. Chittenden.

Thank you all for coming and sharing your advice and expertise today. I am actually very excited to roll out what I have been working on with Senator Burr soon, which addresses a lot of the issues that were talked about today, and I believe our discussion here will help us strengthen all of the bills that we are putting together.

I just want to note that I especially appreciate the discussion about the need to add lifetime income into defined contribution plans so people can be sure their retirement assets will last. And I hope we can include ideas that achieve the right balance here in our legislation.

For any Senators who wish to ask additional questions, questions for the record will be due in 10 business days, April 12th at 5 p.m. The Committee will meet next Tuesday, April 5th, for a hearing on reauthorizing Food and Drug Administration user fees. Committee stands adjourned.

[Whereupon, at 11:26 a.m., the hearing was adjourned.]

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