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## New Treasury Official Outlines Plans for Retirement Overhaul

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By Editor Test     Mon, Jun 15, 2009

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*J. Mark Iwry spoke to a National Press Foundation group about the Automatic IRA, the Saver's Credit and the R-Bond, which he hopes will work in unison to bring employer-based retirement plans to workers who currently don't have them.*

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The Automatic IRA, the Saver's Credit, and the R-bond—these concepts are among the initiatives the Obama administration hopes will extend 401(k)-type savings opportunities to the millions of workers whose employers don't offer retirement plans.

J. Mark Iwry, a co-developer of some of those concepts while at the Brookings Institution's Retirement Security Project and during a stint in the Clinton administration, recently joined the administration as Deputy Assistant Treasury Secretary for Retirement and Health Policy.

At the end of May, Iwry (pronounced eev-ree) addressed a group of journalists at a four-day seminar on retirement issues hosted in Washington, D.C., by the National Press Foundation and sponsored by Prudential. The Automatic IRA, the Saver's Credit, and the R-bond were the main topics of his talk.

Retirement Income Journal has provided a [condensed, edited version of Iwry's talk](#). Other resources provided during the retirement seminar can be found at [www.nationalpress.org/info-url\\_nocat3517/info-url\\_nocat\\_show.htm?doc\\_id=934426](http://www.nationalpress.org/info-url_nocat3517/info-url_nocat_show.htm?doc_id=934426).

These initiatives reflect the activism of the Obama administration, which wants to lift the savings rates of millions of workers whose employers don't offer retirement plans, and thereby help them break the cycles of debt and poverty.

The Automatic IRA, as Iwry described it, would give millions of employees in small businesses access to a 401(k)-style retirement savings plan without requiring owners of small businesses to do anything other than process the monthly contributions through their payroll systems.

"[The Automatic IRA] requires employers to make their payroll system available, but without a penny of out-of-pocket costs for the employer and with minimal tasks," Iwry said. "Employers would simply make their unused [payroll] capacity available."

With the Saver's Credit, the Obama administration would reverse the current retirement savings incentive by replacing the simple deductibility of the traditional IRA contribution from earned income with a 50% refundable tax credit that would go into the IRA. "The size of the incentive would be determined by the size of the contribution, not by the income level," Iwry said.

Under the current incentive system, people in higher income tax brackets get a bigger subsidy for savings, he added, and the Obama administration thinks that's not using the one of the government's largest subsidies to maximum effect. "All of the other tax deductions are dwarfed by the \$100 billion that are foregone each year to encourage retirement saving in public and private plans," Iwry said.

The R-bond is a type of government bond that would be offered as an option in employer-sponsored retirement plans and IRAs, as a safe investment for an individual's first few thousand dollars in savings. Managed by the government, the R-bond program would relieve private investment firms of the task of managing unprofitably small accounts. "The money would be in the R bonds until the account gets big enough for the money to go to the private sector," Iwry said.

In the administration's plan, he said, all three concepts would work together to provide a retirement savings plan to the half of all current employees who don't have access to one. They would be automatically enrolled in an Automatic IRA, their accounts would be augmented by the Saver's Credit, and their first contributions could go into risk-free R-bonds.

Iwry was Benefits Tax Counsel at the U.S. Treasury Department from 1995 to 2001, serving as the principal executive branch official directly responsible for tax policy and regulation relating to the nation's qualified pension and 401(k) plans, employer-sponsored health plans, and other employee benefits. With William Gale and Peter Orszag, Iwry co-edited "Aging Gracefully: Ideas to Improve Retirement Security in America" (Century Foundation Press, 2006).

The automatic IRA proposal he co-authored through the Retirement Security Project has been introduced as a bill in Congress, and his proposal to leverage state resources to expand pension coverage has been introduced as a bill in several states. He helped develop the Saver's Credit, which is claimed on 5.3 million tax returns each year, and the SIMPLE IRA, which covers about three million workers.