
RIJ and others urge Senators to take action on retirement

By Editorial Staff *Thu, Jul 19, 2018*

A non-partisan group of eleven academics, researchers and journalists, including RIJ's Kerry Pechter, promised to help Sen. Cory Booker and Sen. Todd Young convene a Retirement Security Commission.

Retirement Income Journal editor and publisher Kerry Pechter was one of eleven retirement experts to sign a letter to Senators Cory Booker (D-NJ) and Todd Young (R-IN), offering support to the senators in their efforts to convene a Retirement Security Commission. The letter said:

Dear Senator Young and Senator Booker,

The undersigned are all retirement policy experts, each of whom has devoted our career to investigate the adequacy, efficiency, affordability, efficacy, and fairness of the current U.S. retirement system.

This bipartisan group of researchers, representing a broad spectrum of political affiliations, agrees that millions of Americans reaching retirement age in the coming decades will not have adequate retirement income. We recognize that one of the most effective solutions—working longer—will not be an option for every individual.

We also agree that the voluntary, employer-based retirement system has not worked for many of our citizens. And we agree that Social Security needs to be placed on more sound financial footing, although we recognize that this is not your first area for review.

Our bipartisan group of researchers hold a wide range of views, sometimes even opposing views, on what would constitute an ideal set of reforms to improve retirement security. However, we stand in firm agreement that our nation urgently needs a serious, holistic conversation and bold action to strengthen the foundations of retirement security in the U.S.

We applaud your efforts to review the system and your concern and care about American elders. We stand ready to assist you in your efforts to convene a Retirement Security Commission.

In addition to Pechter, the following individuals signed the letter: David Babbel, University of Pennsylvania; Zvi Bodie, Boston University; Jeffrey Brown, University of Illinois; Brett

Hammond, Capital Group; Lori Lucas, Employee Benefit Research Institute; Alicia Munnell, Boston College, Robert Powell, Retirement Weekly; Anna Rappaport; Steven Sass, Boston College; and Jack VanDerhei, Employee Benefit Research Institute.

Senators Booker, Young, Tom Cotton (R-AR) and Heidi Heitkamp (D-ND), are introducing legislative proposals that would expand access to workplace retirement savings plans, particularly for workers employed by small businesses.

Different legislators are addressing the problem differently. These three bills (S.3218, S.3220, and S.3221) would also help Americans accumulate savings by: expanding the number of employers using automatic enrollment, automatic escalation, and other best practices; facilitating emergency savings to prevent retirement account leakage; and encouraging people to save (rather than spend) their tax refunds.

These reforms echo recommendations from the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings.

Legislative summaries

The Small Business Employees Retirement Enhancement Act, S.3219, would increase access to workplace retirement plans by making it easier for small business owners to offer plans. Specifically, the bill:

- Eliminates the regulatory barriers that prevent small business owners from joining professionally managed pooled employer plans, lowering the administrative cost of offering a plan.
- Transfers some of the fiduciary responsibility from the employer to the pooled plan provider, lessening the legal risk to small businesses - in turn, incentivizing more of them to get off the sidelines - and placing the responsibility and accountability for important plan decisions with those who have the expertise to make them.

The Retirement Flexibility Act, S.3221, would help more Americans accumulate savings by expanding the prevalence of well-designed workplace retirement plans, both by inspiring new plans and bringing auto features to some of the nearly half of all plans that lack them today. Specifically, the bill:

- Incentivizes plan sponsors to use automatic enrollment and automatic escalation of contributions to levels that are considered appropriate for the average saver. Workers would always be able to opt out.
- Makes it easier for small businesses to offer these well-designed plans by providing

flexibility on the required employer contributions in order to be exempted from certain regulatory testing.

The Strengthening Financial Security Through Short-Term Savings Act, S.3218, would reduce early withdrawals (“leakage”) from retirement accounts and facilitate short-term savings by allowing employers to automatically enroll their workers into emergency savings accounts in addition to retirement accounts.

The Refund to Rainy Day Savings Act, S.3220, would allow individuals to pre-commit to saving their tax refunds for later in the year.

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