

MEMO# 31212

May 17, 2018

ICI Testifies at House Subcommittee Hearing on Simplifying and Modernizing Retirement Plan Administration

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TO: ICI Members

Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension RE: ICI Testifies at House Subcommittee Hearing on Simplifying and Modernizing Retirement Plan Administration

On May 16, 2018, ICI President and CEO Paul Stevens testified before the US House of Representatives, Committee on Education and the Workforce, Subcommittee on Health, Employment, Labor, and Pensions, at a hearing entitled “Enhancing Retirement Security: Examining Proposals to Simplify and Modernize Retirement Plan Administration.” The hearing focused on four bills under consideration by the Subcommittee, relating to facilitating the use of “open” multiple employer plans (MEPs),[\[1\]](#) expanding the use of electronic delivery for participant notices and disclosures,[\[2\]](#) increasing the dollar limit for automatic cash-outs of retirement plan balances,[\[3\]](#) and a fiduciary safe harbor for the selection of an annuity provider.[\[4\]](#) ICI’s testimony focused on supporting the open MEP and electronic delivery proposals.

Other witnesses were:

- Krista D’Aloia, Vice President and Associate General Counsel, Fidelity Investments (testifying on behalf of the American Benefits Council);
- J. Mark Iwry, Nonresident Senior Fellow, Brookings Institution; and
- Tim Walsh, Senior Managing Director, Institutional Investment Solutions Distribution, TIAA

ICI’s written statement made the following key points:

I. While there is opportunity for improvement, the US retirement system is helping millions of Americans achieve a secure retirement.

Efforts to strengthen the retirement system should be guided by an understanding of how the current system works and the evidence showing that it works well.

- Relying on the complementary components of Social Security, homeownership, employer-sponsored retirement plans, individual retirement accounts (IRAs), and other assets, the American retirement system is working for the majority of American workers and has grown stronger in recent decades.
- Assets specifically earmarked for retirement have increased significantly over time and the majority of private-sector workers needing and demanding access to pensions as part of their compensation have pension plan coverage.
- The flexibility built into the voluntary employer-provided retirement system has led to numerous innovations that benefit savers and decreasing costs for retirement plan products and services over time.
- The current retirement-savings tax incentives are crucial to the effectiveness of the US retirement system and Congress should maintain and strengthen these incentives.

II. Targeted changes building on the strengths and successes of the current national system would reduce cost and increase access.

Two proposals under consideration at the hearing—"open MEPs" (H.R. 854) and electronic delivery (H.R. 4610)—would break new ground in improving access to retirement savings plans and increasing efficiency within the system.

- H.R. 854 provides a common-sense bipartisan solution to increasing coverage—open MEPs. Allowing small employers to participate in a single, multiple-employer ERISA plan—regardless of the employer's industry or any other preexisting relationship with other participating employers or the plan sponsor—will reduce administrative and compliance costs and burdens, and ultimately improve the availability of retirement plans to employees of small employers. In addition, by providing a level of liability relief for investment options offered under the plan, small employers would be encouraged to participate in a MEP, while at the same time ensuring that plan participants are protected by ERISA.
- The time has come to modernize and make consistent rules for electronic delivery of plan information to participants and beneficiaries. The rules for using electronic delivery must be updated to reflect the dramatic and advantageous evolution in technology, and its expanding availability, over the past decade. Through H.R. 4610, Congress should permit electronic delivery as the default method for disclosure (while still allowing participants to opt for paper). H.R. 4610 will enhance the effectiveness of ERISA communications, maintain security of information, and produce significant cost savings for 80 million retirement investors. ICI and the American Retirement Association recently co-commissioned a study, attached to the statement, showing a compelling and urgent need to shift the default method to electronic.
- Beyond expanding the use of MEPs and electronic delivery of plan information, additional changes outlined in our statement will foster innovation and growth in the voluntary employer-sponsored retirement plan system. A detailed attachment to the statement describes policies supported by the Institute that would improve access to retirement savings opportunities and make retirement plans more efficient and effective. These reforms would build upon the current system by expanding coverage, participation, and savings rates in DC plans and IRAs; improving the delivery and quality of information and education to plan participants and plan sponsors; enhancing flexibility in determining how and when to tap retirement savings; and eliminating unnecessary burdens in plan administration so that plans can function more effectively.

[Attachment](#)

endnotes

[1] H.R. 854, the *Retirement Security for American Workers Act*, eliminates two burdensome requirements affecting multiple employer plans: the Department of Labor's "common nexus" requirement that prevents adoption of open multiple employer plans (MEPs), in which unrelated employers may join to sponsor a single ERISA retirement plan, and the Internal Revenue Code's "one bad apple" rule that impacts all employers in a multiple employer plan for the failure of one employer to meet tax qualification requirements. The bill is available at:

<https://www.congress.gov/115/bills/hr854/BILLS-115hr854ih.pdf>

[2] H.R. 4610, the *Receiving Electronic Statements to Improve Retiree Earnings Act*, authorizes the electronic disclosure of retirement plan information so that plan participants may access their plan information online. The bill is available at:

<https://www.congress.gov/115/bills/hr4610/BILLS-115hr4610ih.pdf>

[3] H.R. 4158, the *Retirement Plan Modernization Act*, increases the automatic cash-out limit for retirement plans from \$5,000 to \$7,600, and defrays some of the costs of retirement plan administration for small employers. The bill is available at:

<https://www.congress.gov/115/bills/hr4158/BILLS-115hr4158ih.pdf>

[4] H.R. 4604, the *Increasing Access to a Secure Retirement Act of 2017*, amends ERISA to clarify existing rules that provide a fiduciary safe harbor when selecting an annuity provider. The bill is available at:

<https://www.congress.gov/115/bills/hr4604/BILLS-115hr4604ih.pdf>