

## TESTIMONY

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# Oral Statement on Enhancing Retirement Security: Examining Proposals to Simplify and Modernize Retirement Plan Administration

Enhancing Retirement Security:

Examining Proposals to Simplify and Modernize Retirement Plan Administration

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**US House of Representatives Committee on Education and the Workforce**  
**Subcommittee on Health, Employment, Labor, And Pensions**

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*As prepared for delivery.*

Thank you, Chairman Walberg and Ranking Member Sablan, for this opportunity to discuss two important bipartisan proposals to make America's retirement system even stronger. They are:

H.R. 854, the Retirement Security for American Workers Act, which provides a commonsense solution to improving retirement plan coverage among small employers, by allowing formation of open multiple-employer plans, or "open MEPs"; and

H.R. 4610, the Receiving Electronic Statements to Improve Retiree Earnings Act, which will aid plan participants and reduce costs by making e-delivery the default for ERISA communications.

Each of these bills provides a targeted solution to a discrete issue, building upon the

strengths of a voluntary, private-sector retirement system that is already meeting the needs of millions of American workers.

To put these measures in context, let me take a moment to talk about those strengths.

Thanks in part to Congress's efforts to promote retirement savings, Americans currently have \$28.2 trillion earmarked for retirement. That's a record level, and it's seven times more, per household and after inflation, than we held in 1975. Those assets are widely held: 81 percent of near-retiree households have accumulated retirement resources, either in pension benefits or defined contribution or IRA assets.

After four decades of innovation and improvements, more retirees receive more private-sector pension income today than did in 1975. Recent research by ICI and Internal Revenue Service economists shows the median worker was able to replace 103 percent of spendable income after claiming Social Security.

One concern of today's hearing is the "coverage gap." It's often misunderstood and not as large as some may think: among the workers most likely to save for retirement, 77 percent participated in an employer plan, either directly or through a spouse, in 2014.

But efforts are needed to make retirement plans more workable for small employers. Just 55 percent of workers at firms with fewer than 100 employees are covered by a plan, compared to 85 percent of workers at larger firms. Small employers cite administrative costs and burdens as a significant reason why they don't offer this benefit.

H.R. 854 addresses these concerns directly. It would allow unrelated small employers to band together to form a multiple-employer plan—known as an "open MEP" or "pooled plan." The bill includes important safeguards to ensure that the sponsor of an open MEP meets all its legal duties, including adherence to ERISA fiduciary standards.

H.R. 854 would eliminate barriers to open MEPs in both Labor Department guidance and IRS rules. It would ensure that employers do not need a pre-existing business or industry connection to join together to sponsor a MEP. And it would eliminate the tax code's "one bad apple" rule, which currently could jeopardize an entire multiple-employer plan if just one employer fails to meet qualification requirements.

ICI supports the open MEP concept, because it would reduce administrative and compliance costs, and thus remove barriers for small employers that want to offer plans.

ICI also strongly supports H.R. 4610. That bill would allow plan sponsors to make e-delivery the default method for communicating with participants, while maintaining the option for participants to select paper delivery.

New research sponsored by ICI and the American Retirement Association shows that 93 percent of households with defined contribution plans have access to the internet. In 2016, 88 percent of those households engaged in online banking—a much more sensitive online activity than electronic disclosures.

E-delivery could significantly enhance communications with participants and their understanding and use of their plans. Assistive and translation technology on the internet will make disclosures far more useful to workers with disabilities or limited English skills. E-delivery will open access to more detailed information and calculators or other tools that will help participants manage their accounts, while also reducing plan costs.

And, importantly, H.R. 4610 preserves robust safeguards for participants who want to receive paper.

In our [written statement](#), the Institute lays out other steps that policymakers should consider to enhance retirement security. Most important of all is ensuring the financial soundness of Social Security and preserving that program as a universal, employment-based, progressive foundation for retirement security for all working Americans.

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

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