

September 7, 2021

The Honorable Richard Neal
Chairman
Ways & Means Committee
United State House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Re: Letter of Support for the Retirement Subtitle of the *Build Back Better Act*

Dear Chairman Neal:

On behalf of the more than 30,000 members of the American Retirement Association (ARA), we hereby express our support for the Retirement Subtitle of the *Build Back Better Act*.

The ARA is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of America's private retirement system – the American Society of Enrolled Actuaries (ASEA), the American Society of Pension Professionals and Actuaries (ASPPA), the National Association of Plan Advisors (NAPA), the National Tax-Deferred Savings Association (NTSA), and the Plan Sponsor Council of America (PSCA). The ARA's members include organizations of all sizes and industries across the nation who sponsor and/or support retirement saving plans and are dedicated to expanding on the success of employer-sponsored plans. The ARA and its underlying affiliate organizations are diverse but united in their common dedication to the success of America's private retirement system.

ARA's mission is to help American workers bolster their retirement security by facilitating well-designed workplace retirement savings plans. We do that by both educating and informing retirement benefits professionals, and by advocating for policies that give every working American the opportunity to achieve a comfortable retirement. Workplace retirement savings plans are successful for those that have access to them. These plans provide long term economic growth and build financial security for the middle class. But more needs to be done.

Expanding coverage with automatic enrollment is the key to addressing racial inequities in retirement savings. A majority of Black and Latinx families do not have any retirement account savings. 56 percent of Black families and 67 percent of Latinx families have zero retirement savings assets compared with 35 percent of White families.¹ Data shows that when moderate income workers are automatically enrolled in a workplace retirement plan there is no racial disparity in retirement savings participation, with Black, Latinx, and White Americans all at about an 80 percent participation rate.²

The *Build Back Better Act* requires businesses with 5 or more employees to provide access to some type of retirement plan to their employees, with the minimum standard plan automatically enrolling eligible employees at 6% of pay. The ARA believes this bill will significantly close the current retirement plan coverage gap while imposing practically no burden on employers. For instance, the bill includes a tax credit for small employers wishing to adopt a more robust retirement plan that covers 100% of the startup

¹Monique Morrissey, Economic Policy Institute, *The State of American Retirement Savings*, December 2019, available at: <https://www.epi.org/publication/the-state-of-american-retirement-savings/>

²Ariel/Aon Hewitt, *401(k) Plans in Living Color, A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups*, 2012, available at: <https://www.arielinvestments.com/images/stories/PDF/ariel-aonhewitt-2012.pdf>

costs of the plan up to \$5,000 for the first 5 years. The bill adds a new \$500 tax credit for employers who wish to adopt the minimum standard plan for the first 4 years. This approach properly aligns both the employer incentives and requirements in the tax code and leverages existing private sector solutions in the marketplace instead of causing a massive disruption by replacing the entire existing retirement plan system with a government run program.

Supplementing the retirement savings of moderate-income workers through a Saver's Match is also critical. The *Build Back Better Act* expands and enhances the existing Saver's Credit by turning it from a tax credit of which only some can take advantage into a government matching contribution of up to \$500 a year for workers who save in a retirement account. The bill also enhances and simplifies the new Saver's Match to make the full 50% match available to individuals earning up to \$25,000 and families earning up to \$50,000.

With the increased income thresholds under this legislation, tens of millions of additional American workers would now be eligible for the new Saver's Match incentive for retirement savings, including gig workers as well as government workers – like public school teachers – many of whom are not eligible for matching contributions. This expanded Saver's Match would both encourage saving and help moderate income earners build assets by providing an immediate, meaningful return on personal retirement contributions.

The *Build Back Better Act* addresses the two biggest challenges in the retirement savings policy space – closing the retirement coverage gap and directly contributing to and incentivizing the retirement savings of moderate-income workers. The results will be extraordinary. Estimates show that enactment of the Retirement Subtitle of the *Build Back Better Act* would create **62 million new retirement savers**³ and would add an additional **\$7 trillion in retirement savings**⁴ over a 10-year period. Nearly all – 98 percent – of these 62 million new savers earn less than \$100,000 per year.⁵ The ARA applauds Chairman Neal for moving forward on this initiative and urges Congress to promptly enact the Retirement Subtitle of the *Build Back Better Act* into law.

Sincerely,



Brian H. Graff, Esq. APM
Executive Director/CEO
American Retirement Association

³Estimates prepared by Judy Xanthopoulos, PhD of Quantria Strategies, based on IRS, SOI W-2 Data

⁴Employee Benefit Research Institute's Retirement Security Projection Model – version 3671

⁵Estimates prepared by Judy Xanthopoulos, PhD of Quantria Strategies, based on IRS, SOI W-2 Data