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Hatch Statement at Finance Committee Hearing on Expanding Retirement Savings Plans in the Workplace

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing examining ways to empower job creators to offer and increase access to retirement savings plans for their employees:

I'd like to welcome everyone to this morning's hearing on the ongoing effort to increase access, participation, and coverage in retirement savings plans.

Financial security, and retirement policy in particular, have never been more important. Today we will discuss policies designed to incentivize employers to set up retirement plans and to help employees save more for their retirement and make those savings last a lifetime.

When we talk about the status quo of retirement policy, there is both good news and bad news.

The good news is that the private employer-based retirement savings system – particularly 401(k) plans and Individual Retirement Accounts, or IRAs – has become the greatest wealth creator for the middle class in history.

Under the current system, millions of Americans have managed to save trillions of dollars for retirement. In specific terms, thanks in large part to policies Congress has enacted over the years, American workers have saved more than \$4.7 trillion in 401(k) plans and more than \$7.6 trillion in IRAs. That's more than \$12 trillion in total, more than double the amount workers had saved in 2000, despite the Great Recession, the market downturn in 2008, and historically low interest rates since that time.

Once again, that's the good news.

The bad news is that, with the retirement of the Baby Boom generation, the fiscal pressure on public programs designed to benefit retirees – programs like Social Security and Medicare – is growing exponentially, putting enormous strain on the federal budget and driving

the expansion of our long-term debt and deficits. As this pressure mounts, participation in private retirement plans will be more and more important.

Yet, at the same time, as part of the constant drumbeat here on Capitol Hill for more revenue to pay for increased spending, some have proposed reducing the allowed contributions to 401(k) plans and IRAs. That, in my view, would be both short-sighted and counterproductive.

Over the years we've learned that, for most American workers, successful retirement saving largely depends on participation in a retirement plan at work. Unfortunately, many employers, mostly small businesses, don't sponsor plans for their employees.

There are a number of reasons why an employer might opt to not offer a retirement plan, including cost, complexity, or administrative hassle. But, whatever the reason, the result is the same: fewer American workers are likely to save for retirement than would otherwise be the case.

As everyone will recall, last year, the committee established bipartisan Tax Reform Working Groups to examine all major areas of U.S. tax policy and identify opportunities for reform. One of those working groups focused specifically on tax policies relating to savings and investment. Today, the full committee will hear more about the various legislative proposals the Savings and Investment Working Group looked at as they considered options and produced their report.

I want to thank the two chairs of this particular Working Group – Senator Crapo and Senator Brown – for their efforts and their leadership on these issues. They looked extensively at a number of more recent proposals and, like all of our working groups, they produced an excellent report. I look forward to delving more deeply into these issues here today.

Simply put, we need to do more to encourage employers who don't sponsor retirement plans to set them up. Toward that end, one of the first proposals described in the working group report would allow unrelated small employers to pool their assets in a single 401(k) plan to achieve better investment outcomes, lower costs, and easier administration. This proposal for a multiple employer plan, what some have called the "Open MEP," already enjoys bipartisan support here in Congress.

Many of our colleagues have worked hard to develop and advance Open MEP proposals, and, while I run the risk of missing some of my colleagues, I want to acknowledge the efforts of Ranking Member Wyden, Senator Brown, Senator Nelson, who has worked on this issue with Senator Collins on the Aging Committee, Senator Scott, and Senator Enzi, who held hearings on the Open MEP idea in the HELP Committee. And, as if that wasn't enough, just this week the Obama Administration announced its support for the Open MEP idea.

Clearly, there is a lot of momentum for this proposal, which, in my view, is a good thing. Indeed, this is an idea whose time has come.

While it is important to pursue policies to encourage greater retirement savings and investment, we must also provide workers with tools to ensure that their savings do not run out before the end of their lives. That's why I have put forward proposals to encourage individuals to purchase annuity contracts to provide secure, lifelong retirement income.

Today there are obstacles in the law that discourage employers from adding annuity purchase options to their 401(k) plans and employees from purchasing annuities. We should do all we can to remove those obstacles, particularly given the decline of defined benefit pension plans in recent years.

Retirement policy has always been an especially important topic here on the Finance Committee and it has always been bipartisan. Indeed, most of the retirement legislation that Congress has passed in recent decades has been named for Senators from the Finance Committee – usually one from each party.

I hope this will continue even during this election year when attacks and accusations relating to retirement security unfortunately tend to gain a lot of traction. I plan to do my part to ensure that the committee focuses on advancing policies that unite both parties. If we can do that, I think we can make progress.

Before I conclude, I want to acknowledge that there is some interest on the committee in discussing the challenges facing multiemployer, defined-benefit pension plans and their beneficiaries. These are important topics that affect employers, workers, unions, plan managers, the Pension Benefit Guaranty Corporation and, of course, current retirees who may be facing hardships. They also highlight the challenge of delivering on the promise of lifetime retirement income and the stakes for retirees if the system fails.

We certainly need to have a robust discussion of these matters in the committee and I plan to convene a hearing on multiemployer plans in the next work period. Today, however, I'm hoping we can focus on bipartisan proposals to increase access to retirement savings plans.

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