WRITTEN STATEMENT OF

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Good morning. I want to thank Chairman Portman and Ranking Member Brown for inviting me to testify today and for their dedication to improving retirement security for all Americans. The topic of this hearing is critically important. I think we can all agree that, after a lifetime of hard work, everyone deserves the opportunity to live out their golden years with dignity and financial independence.

In 1935 – at another time of great national hardship – President Roosevelt and Congress enacted the Social Security Act (Pub. L. 74-271) to "give some measure of protection to the average citizen and to his family against… poverty-ridden old age."[1] It has been 85 years, and Social Security is still the bedrock of our retirement system. It is the most effective anti-poverty program in the United States, having kept 21.7 million Americans above the poverty line in 2019.[2] In fact, without Social Security, 37.8 percent of elderly Americans would have incomes below the poverty line, all else being equal.[3]

But Social Security benefits, on their own, are not enough to allow most older Americans to maintain their standard of living when they retire – whether retirement is a choice or, as is the case for many Americans, a person cannot work any longer. That is why we need a robust, equitable, and inclusive private retirement system.

Over the years, our private retirement system has evolved, and there have been many important improvements. More people are participating in 401(k) plans thanks to the Pension *Protection Act of 2006* (Pub. L. 109-280) and the proliferation of auto-enrollment; plans are more transparent than ever before because of improved fee disclosure; and the *SECURE Act of 2019* (Pub. L. 116-94) gave employers more tools to help participants protect themselves from the risk of outliving their savings. Although the system is working well for many people, there is still more work to be done for those falling through the cracks.

Many working people still do not have access to, or participate in, an employer provided plan.[4] That is particularly true for private sector employees who are younger, part time, in lower wage occupations, and/or not a member of a union.[5] There is nothing stopping us from taking affirmative steps to reach this uncovered workforce and give them the opportunity to prepare for retirement.

Several states – including California, Illinois, and Oregon – are already trying to address the problem through state-based programs to provide for universal or near-universal access to payroll deduction savings programs.[6] Similarly, Washington State – working with the Service Employees International Union Local 775 – established a savings plan specifically to help homecare workers – most of whom earn very little despite providing critical care to our sick, disabled, and elderly family members. And there are efforts at both the state and federal levels to encourage the expansion of automatic enrollment, including for public employees.[7]

We cannot forget that millions of working people struggle to pay their bills, let alone save for retirement. Congress took an important step to address the issue in 2001 by creating the Retirement Savings Contribution Credit – known as the Saver's Credit – to provide a nonrefundable tax credit to low-income taxpayers for certain retirement plan contributions.[8] But the Saver's Credit does not reach nearly enough people because many lower income workers do not have taxable income.[9] We can fix that by making the credit refundable and having it deposited directly into a savings plan. That approach has bipartisan support, and I commend the Chairman, Ranking Member, Committee Chairman Wyden, and Senator Cardin for their leadership on this issue.[10]

We should also plug some of the holes that drain people's savings. At least 33% and as many as 47% of plan participants withdraw part or all of their retirement plan assets following a job change.[11] The lost savings due to these cash-outs amounts to between $60 billion and $105 billion annually.[12] Fortunately, the development of auto portability will help preserve savings for many job-changers – particularly lower-income earners – by allowing a person's account to automatically follow them from one employer's plan to the next. Thanks to guidance from the Department of Labor and strong, bipartisan support from members of Congress, including many members of this Subcommittee, auto portability will be a reality for millions of plan participants early next year.[13]

There is no shortage of proposals with significant bipartisan support that could improve the retirement system. For example, Chairman Portman and Senator Cardin introduced the *Retirement Security and Savings Act*, and in in the U.S. House of Representatives, Ways & Means Committee Chairman Neal and Ranking Member Brady recently introduced the *Securing a Strong Retirement Act of 2020*.[14] Chairman Portman and Ranking Member Brown have also been long-time supporters of employee stock ownership plans because of the meaningful impact employee ownership can have on retirement savers across the country.[15] And of course, the most important thing we can do to help people save for retirement is to put more money in their pockets through federal policies that lead to sustained wage growth, greater economic equality, and shared prosperity.

Finally – and most importantly – we cannot ignore the fact that we are on the brink of over a million Americans losing their hard-earned pension benefits. Most multiemployer pension plans are secure, but some plans – including some very large plans – will become insolvent in the next few years.[16] The federal pension insurance program administered by the Pension Benefit Guaranty Corporation ("PBGC") only guarantees a fraction of many multiemployer pension plan participants' benefits.[17] Worse yet, PBGC projects that its multiemployer insurance program will be insolvent in 2026.[18] When that happens, PBGC will only be able to pay pennies on the dollar, meaning participants and retirees in insolvent plans will see their benefits slashed to the bone.

It is not these participants' fault that their plans are failing. They worked hard, played by the rules, and made significant wage concessions all so that they could have some measure of economic security in retirement. They did everything they could to achieve the American dream, but they are living a nightmare. Unless Congress acts soon, retirees, their families, and their communities will be devastated.

Consider Pat and her husband in New York State. They refinanced their mortgage to pay for their children to go to college, and now, they are terrified that they will lose their house when their pension gets cut. Or Christopher from Buffalo, who cannot work because of debilitating back and shoulder problems caused by decades of manual labor but does not qualify for Social Security Disability Insurance. Or Larry from Michigan, who drove a truck for 40 years when he was diagnosed with cancer and is now relying on his pension to make ends meet.[19] These are not isolated examples. There are over a million real people just like Pat, Christopher, and Larry.

The crisis is upon us, and only Congress has the power to do something about it. We are the richest country in the history of the world, and we owe it to our fellow Americans to find a solution. That is going to require putting aside politics and ideology and doing what is right for retirees. There is simply no time left to lose as, every day that ticks by, the problem becomes more intractable and more costly to fix. I urge the members of this Subcommittee and every member of Congress to act as soon possible to address the crisis.

Thank you for your time today, your attention to these important issues, and for your commitment to making retirement more secure for all Americans. I would be happy to answer any questions you may have.

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[11] President Franklin D. Roosevelt, *Statement on Signing the Social Security Act* (Aug. 14, 1935), *available at* http://docs.fdrlibrary.marist.edu/odssast.html. *See also*, The Social Security Act, Preamble (Pub. L. 74-271) (stating that the purpose of the act was to "provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.")

[2] *See, e.g.,* Kathleen Romig, *Social Security Lifts More Americans Above Poverty Than Any Other Program,* Center for Budget and Policy Priorities (Feb, 20, 2020), *available at* https://www.cbpp.org/research/social-security/social-security-lifts-more-americans-above-poverty-than-any-other-program.

[3] *Id*.

[4] The Congressional Research Service ("CRS") determined approximately 55% of all U.S. workers participate in employer-sponsored retirement plans. CRS, *Workers Participation in Employer-sponsored Pensions: Data in Brief,* R43439 (Updated Dec. 1, 2019), *available at* https://crsreports.congress.gov/product/pdf/R/R43439. *See also* The Pew Charitable Trusts, *Employer-Sponsored Retirement Plan Access, Uptake, and Savings* (September 2016), *available at* http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/09/employer-sponsored-retirement-plan-access-uptake-and-savings.

[5] CRS, *supra* 4.

[6] Up-to-date information about state-based efforts to improve retirement security is available from the Georgetown Center on Retirement Initiatives at http://cri.georgetown.edu. For policy considerations and recommendations, see the Center's *2018 Policy Innovation Forum Report: Driving Change to Improve Retirement Outcomes*, *available at* https://cri.georgetown.edu/wp-content/uploads/2019/02/CRI-Policy-Forum-Report-2-28-19.pdf.

[7] *See, e.g., Securing a Strong Retirement Act of 2020* § 101 (H.R. 8696, 116th Cong.); Internal Revenue Service Priv. Ltr. R. 201743002 July, 19, 2017).

[8] Internal Revenue Code § 25B.

[9] In 2016, only 5.6% of taxpayers claimed the Saver's Credit, and the average credit amount claimed was $182. Congressional Research Service, *The Retirement Savings Contribution Credit* (April 2, 2019), *available at* https://fas.org/sgp/crs/misc/IF11159.pdf.

[10] *Retirement Security and Savings Act* § 104 (S. 1431, 116th Cong.); *Encouraging Americans to Save Act* (S. 3636, 115th Cong.). *See also* Securing a Strong Retirement Act of 2020 § 103 (raising the amount of the credit and creating a single credit rate).

[11] Savings Preservation Working Group, *Cashing Out: Impact of Withdrawing Savings Before Retirement* (Oct. 2019), *available at* http://preservingsavings.org.

[12] *Id.*

[13] Pensions & Investments, *Alight to Offer Auto-portability Program to DC Plan Sponsors* (July 15, 2020), *available at* http://pionline.com/defined-contribution/alight-offer-auto-portability-program-dc-plan-sponsors. *See also* DOL Advisory Opinion 2018-01 (Nov. 5, 2018); DOL Prohibited Transaction Exemption 2019-02, 84 Fed. Reg. 37337 (July 19, 2019).

[14] S. 1431 (116th Cong.); H.R. 8696 (116th Cong.).

[15] *See, e.g.*, *Promotion and Expansion of Private Employee Ownership Act* (S. 177 and H.R. 2258, 116th Cong.). *See also* Jared Bernstein, *Employee Ownership, ESOPs, Wealth, and Wages* (Jan. 20106, *available at* http://esca.us/wp-content/uploads/2016/01/ESOP-Study-Final.pdf.

[16] Of the approximately 1400 multiemployer pension plans, 124 are in critical and declining status and projected to become insolvent. PBGC, *FY19 Projections Report* (2020), *available at* https://www.pbgc.gov/sites/default/files/fy-2019-projections-report.pdf.

[17] PBGC guaranteed benefits are set by statute. The guarantees for multiemployer pension plans are not adjusted for inflation, and the amount has not increased since it was last adjusted in 2000. *See* ERISA §§ 4022A, 4022B. The current maximum guaranteed benefit for a multiemployer plan participant with 30 years of service is $12,870 per year. *Id.*

[18] PBGC, *supra* 16. .

[19] These personal accounts were collected by the Pension Rights Center. Pension Rights Center, *Story Bank* (accessed on Dec. 9, 2019), *available at* http://www.pensionrights.org/create-content/action/story-bank.