April 12, 2013

Dear Members of the Ways and Means Tax Reform Working Group on Pensions/Retirement,

Chairman Camp, Ranking Member Levin, Members of the Committee, and tax working group members, the undersigned representatives of plan sponsors and service providers appreciate this opportunity to comment on the potential impact of tax reform on the private retirement system and the retirement security of millions of Americans.

Employer-sponsored retirement plans and individual savings arrangements have introduced tens of millions of American workers to retirement saving. Today, 82 million households have a combined $19.5 trillion earmarked for retirement within defined benefit plans, defined contribution plans, IRAs, and annuities.[1] Eliminating or diminishing the current tax treatment of employer-provided retirement plans and individual savings arrangements would jeopardize the retirement security of tens of millions of American workers, impact the role of retirement assets in the capital markets, and create challenges in maintaining the quality of life for future generations of retirees.

Qualified plans provide significant benefits to employers and employees by encouraging retirement saving through favorable tax treatment. They allow employers to obtain a tax deduction for plan contributions and allow employees to delay paying taxes on this benefit until funds are distributed. Employees do a better job saving for retirement when an employer plan is available. Payroll deduction facilitates the savings habit, and employer matching contributions as well as the Savers' Tax Credit provide further incentives. A large majority of households with defined contribution plans say that immediate tax savings from their plans are a big reason to contribute and 79% of U.S. households think that it should be a national priority to continue to provide tax incentives to promote retirement saving.[2] Moreover, a recent survey finds that the single best predictor of retirement readiness is participation in a work-based savings plan.[3]

There have been a number of proposals put forth as alternatives to the current tax treatment for retirement plans. However, there is substantial evidence that changing the tax treatment and/or lowering contribution levels will result in lower retirement savings and fewer workers being offered retirement plans by their employers. Studies by EBRI have shown that changing the tax deferral to a tax credit or capping the contribution limits will reduce retirement

[1] Investment Company Institute. *Helping Working Americans Achieve a Financially Secure Retirement: How the 401(k) System is Succeeding*, July 2011, available at http://ici.org/pressroom/speeches/11_pss_ayco_401k; Investment Company Institute. *Report: The U.S. Retirement Market, Fourth Quarter 2012*, Mar 27, 2013, available at http://ici.org/research/retirement. These figures also include assets held in government-sponsored plans.

[2] Holden, Sarah and Steven Bass. Investment Company Institute. *America's Commitment to Retirement Security: Investor Attitudes and Actions, 2013*. February 2013, pp. 2-3.

[3] Investment News. *A Survey of Retirement Readiness.* October 2, 2011. http://www.investmentnews.com/apps/pbcs.dll/article?AID=/20111002/REG/310029977.

savings at all income levels.[4] Moreover, small business owners may be less likely to offer a plan to their employees if contribution limits are lowered. Consequently, proposals to reform retirement savings incentives should focus on crafting policy that will result in better long-term retirement outcomes for Americans and not immediate revenue needs.

The past few years have put our entire economy to a test. However, plan sponsors remain committed to providing workers with retirement benefits that will help them prepare for a secure retirement. We are committed to working with the Committee and all of Congress to ensure that the current voluntary and flexible employer-provided and individual retirement plan system continues to flourish and benefit American workers.

Sincerely,

American Bankers Association
American Benefits Council
American Council of Life Insurers
American Society of Pension Professionals and Actuaries
College and University Professional Association for Human Resources – CUPA-HR
ESOP Association
Financial Executives International Committee on Benefits Finance
Financial Services Institute
Financial Services Roundtable
Insured Retirement Institute
Investment Adviser Association
National Association of Insurance and Financial Advisors
NTCA—The Rural Broadband Association
Plan Sponsor Council of America
Retirement Industry Trust Association
Small Business Council of America
Society for Human Resource Management
The ERISA Industry Committee
The SPARK Institute
U.S. Chamber of Commerce

[4] Testimony of Dr. Jack VanDerhei, Research Director, Employee Benefit Research Institute before the House Committee on Ways and Means Hearing, "Tax Reform and Tax-Favored Retirement Accounts," April 17, 2012, http://www.ebri.org/pdf/publications/testimony/T-172.pdf.