



Insured Retirement Institute

1100 Vermont Avenue, NW | 10th Floor
Washington, DC 20005

t | 202.469.3000

f | 202.469.3030

www.IRionline.org

www.myIRionline.org

December 18, 2020

The Honorable Charles Grassley
Chairman
Committee on Finance
United States Senate
135 Hart Senate Office Building
Washington, DC 20150

The Honorable Maggie Hassan
United States Senate
324 Hart Senate Office Building
Washington, DC 20150

The Honorable James Lankford
United States Senate
316 Hart Senate Office Building
Washington, DC 20150

Dear Chairman Grassley, Senator Hassan, and Senator Lankford:

The Insured Retirement Institute (IRI)¹ writes to express its support for the *Improving Access to Retirement Savings Act*. The measures contained in the bill will help America's workers and retirees to take another step forward on the path toward strengthened retirement security that the *Setting Every Community Up for Retirement Security Enhancement Act* established. It will also help those workers and retirees to address the looming retirement savings crisis which deepened during this past year because of the global pandemic.

Americans today are at an increased risk of outliving their retirement savings due to a confluence of two major factors: a shift from defined benefit pension plans to defined contribution plans and longer lifespans. The combination of historically low savings rates – 45 percent of Baby Boomers² and 40 percent of Generation Xers³ who have no retirement savings – and greater longevity for retirees – for a couple age 65, there is an 89 percent chance one will reach age 85, a 73 percent chance one will reach age 90, and in nearly one-half of couples one person will survive to at least age 95⁴ – has placed significant savings burdens on the shoulders of individuals and substantial strain on the public and private retirement systems.

¹ The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks, and marketing organizations. IRI members account for 90 percent of annuity assets in the U.S., include the top 10 distributors of annuities ranked by assets under management, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community. Learn more at www.irionline.org.

² [Boomer Expectations for Retirement 2019, Ninth Annual Update on the Retirement Preparedness of the Boomer Generation](#), Insured Retirement Institute, April 8, 2019.

³ [Generation X and Retirement Readiness: They're \(Mostly\) Doing It Wrong](#), Insured Retirement Institute, 2018.

⁴ [Longevity Illustrator](#), Society of Actuaries.

Additionally, most workers are not saving enough for retirement because they do not have access to an employment-based saving plan, further compounding the crisis. Recent research has shown only 40 percent of full-time workers at small and medium-sized businesses have access to one of the many types of employment-based retirement plans⁵.

This reality for America's workers and retirees was made worse by the onset of the COVID-19 pandemic. A survey conducted by Transamerica found that more than half of workers have had their employment situation impacted by the pandemic, either through reduced hours and/or wages, lay-offs, furloughs, and early retirements.⁶ Not only do these actions impact an individual's ability to contribute to an employer-provided retirement account, but in the interest of keeping their doors open, 35 percent of employers have or are considering cutting certain retirement benefits⁷. The Transamerica survey also found that nearly 20 percent of workers also report contributing less to a workplace retirement savings plan than prior to the onset of the pandemic⁸. It is clear, the negative economic effects on America's retirement security caused by the COVID-19 recession has further exacerbated the retirement savings crisis our nation faces and has put millions more of America's workers' retirement security in jeopardy.

To help mitigate this crisis, IRI has advocated for the enactment of common-sense, bipartisan policies to expand savings opportunities, facilitate greater use of lifetime income products, and enhance plan features to boost participation and account balances. The *Improving Access to Retirement Savings Act* contains two provisions which IRI believes will help accomplish these objectives, both of which were called for by IRI in our [2020 Federal Retirement Security Blueprint](#) and [5-Point Plan](#) to help retirement savers recover from the COVID-19 pandemic. These are an expansion of retirement savings opportunities to employees of nonprofit organizations and a clarification of the start-up credit timetable to incentivize small businesses to join a retirement plan.

Authorize the Formation of 403(b) PEPs

Nonprofits, public educational organizations, and religious institutions ((501)(c)(3) organizations) face financial and administrative challenges and legal risks when seeking to offer their employees a retirement plan, such as a 403(b). As a result, many do not offer their employees a retirement plan. These organizations and institutions would be more likely to offer retirement plans if they could band together to achieve larger economies of scale and delegate responsibility for plan sponsorship to a professional fiduciary. The *Improving Access to Retirement Savings Act* would amend Section 101 of Division O of the Further Consolidated Appropriations Act of 2020 to allow for the formation of 403(b) pooled employer plans (PEPs) and would make PEPs available for use by nonprofits, public educational organizations, and religious institutions just as they are available for use by all other for-profit businesses.

Clarify the Eligibility Period for Plan Start-Up Tax Credit for Small Businesses Who Join PEPs

Section 104 of Division O of the Further Consolidated Appropriations Act of 2020 augmented the tax credit offered to small business employers who started a retirement plan for their employees through a PEP. While this enhancement will help facilitate the offering of retirement plans, the start-up credit appears not to be available to a small business joining the plan after the plan's first three years of operation. The *Improving Access to Retirement Savings Act* will clarify that the start-up credit is available to a small business joining a PEP for three years from the time the business joins the plan and not from when the plan begins operation. This correction would enable the start-up credit to encourage small businesses to offer retirement savings through a PEP beyond the first three years of the plan's existence.

For the reasons cited above, IRI expresses its support for the *Improving Access to Retirement Savings Act* and the solutions it provides to mitigate the obstacles workers and retirees face in planning and saving for retirement. IRI also

⁵ "National Compensation Survey: Employee Benefits in the United States, March 2018" Bureau of Labor Statistics

⁶ "Retirement Security Amid COVID-19: The Outlook of Three Generations", 20th Annual Transamerica Retirement Survey of Workers, May 2020.

⁷ "Amid COVID-19, More Employers Are Easing Access to 401(k) Assets than Cutting Matching Contributions", May 4, 2020. Willis Towers Watson

⁸ "Retirement Security Amid COVID-19: The Outlook of Three Generations", 20th Annual Transamerica Retirement Survey of Workers, May 2020.

supports the bill because it provides ways to assist retirement savers in recovering from the economic impact of the COVID-19 pandemic.

As your offices work to advance this legislation, IRI would like to reiterate our support for S. 1431, the *Retirement Security and Savings Act of 2019*, introduced by Senators Rob Portman (R-OH) and Ben Cardin (D-MD) and H.R. 8696, the *Securing a Strong Retirement Act of 2020*, introduced by House Ways and Means Committee Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX). The *Improving Access to Retirement Savings Act* complements both bills which are comprehensive packages designed to enhance retirement savings opportunities, increase access to lifetime income solutions, and provide options that would strengthen retirement security for America's workers and retirees. With the Senate and the House introducing comprehensive retirement security legislation, IRI urges both chambers of Congress to work together, quickly resolve any differences among the bills and act to bolster retirement security with bipartisan supported, common-sense solutions.

It is clear: we have the right legislation, the right leadership, and the bipartisan and bicameral support to improve retirement security for many Americans. Acting now will demonstrate once again that Congress can deliver bipartisan solutions to help America's workers and retirees when they need it most.

IRI welcomes the opportunity to work with you and your staffs to advance these proposals. Please do not hesitate to contact me at (202) 469-3004 or prichman@irionline.org, or John Jennings, Assistant Director of Government Affairs at (202) 469-3017 or jjennings@irionline.org if we can provide any additional assistance in securing the passage of vital retirement security legislation.

Thank you for your leadership in pursuing legislation that will help Americans achieve a financially secure retirement.

Sincerely,



Paul J. Richman
Chief Government & Political Affairs Officer
Insured Retirement Institute