

STATEMENT FOR THE RECORD

**UNITED STATES SENATE
COMMITTEE ON FINANCE**

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**How Do Complexity, Uncertainty and Other Factors Impact Responses to Tax
Incentives?**

SUBMITTED BY

AMERICAN BENEFITS COUNCIL

**AMERICAN COUNCIL OF LIFE
INSURERS**

**AMERICAN SOCIETY OF PENSION
PROFESSIONALS & ACTUARIES**

**THE ERISA INDUSTRY
COMMITTEE**

**FINANCIAL EXECUTIVES
INTERNATIONAL**

**FINANCIAL PLANNING
ASSOCIATION**

**THE FINANCIAL SERVICES
INSTITUTE**

**FINANCIAL SERVICES
ROUNDTABLE**

**INSURED RETIREMENT
INSTITUTE**

**INVESTMENT COMPANY
INSTITUTE**

**NATIONAL ASSOCIATION OF
INSURANCE AND FINANCIAL
ADVISORS**

**PROFIT SHARING / 401k COUNCIL
OF AMERICA**

**RETIREMENT INDUSTRY TRUST
ASSOCIATION**

**SMALL BUSINESS COUNCIL OF
AMERICA**

**SOCIETY FOR HUMAN RESOURCE
MANAGEMENT**

**U.S. WOMEN'S CHAMBER OF
COMMERCE**

PRESERVE THE EMPLOYER PROVIDED RETIREMENT SYSTEM

The undersigned organizations are committed to preserving and enhancing the voluntary employer provided retirement system and the tax incentives that support it. These plans are helping millions of American families achieve a secure retirement. **As Congress and the Administration consider comprehensive tax reform and deficit reduction, we urge them to preserve these provisions that both encourage employers to offer and workers to contribute to retirement plans.**

- **Employer-provided plans are a key component of our nation's retirement system.** Together with Social Security and individual savings, employer-provided retirement plans produce significant retirement benefits for America's working families. There are approximately 670,000 defined contribution plans covering 82 million participants and over 29,000 defined benefit plans covering 44 million participants (including active and retired workers). Recently enacted enhancements to the defined contribution system including automatic enrollment and automatic escalation are expanding participation and improving retirement preparedness. The Bureau of Labor Statistics reports that in March 2010 employer-provided retirement plans were available to 74 percent of full time and 65 percent of all (i.e. both full-time and part-time) private-sector workers. This success extends to low- to moderate-income workers, the focus of efforts to expand coverage. Changing the tax treatment and/or lowering contribution levels may result in fewer workers being offered retirement plans by their employers.
- **Employer-provided retirement plans offer key advantages to workers.** Employers voluntarily establish these plans and add immeasurable value by acting as fiduciary and investment management overseers, monitoring plan fees, selecting quality investment alternatives, making significant contributions, providing financial education, and encouraging and facilitating savings through payroll deductions. These plans must be operated for the exclusive benefit of and "solely in the interest of" the participants. They must meet broad coverage and nondiscrimination tests that ensure that the eligibility and operation of the plan are fair. Low and moderate income workers are much more likely to have retirement savings if they are offered a retirement plan at work. The Saver's Credit benefits lower-income workers who save through these plans.
- **Retirement plans play an important role in the capital markets.** As of 9/30/10, tax qualified retirement plans held \$16.6 trillion in assets, of which approximately \$13 trillion is attributable to employer provided plans. This pool of capital helps to finance productivity enhancing investments and business expansion. Contributions by employees and employers to defined contribution plans continued even through the recent years of financial stress. Changes to the tax treatment of retirement plans that would reduce contributions or discourage the establishment and maintenance of plans could negatively impact the role of these pivotal players in the capital markets.
- **Taxes on retirement savings are deferred, not excluded. Deferral treatment is not equivalent to the exclusion associated with other tax expenditures, such as the mortgage interest deduction.** As individuals begin to retire, distributions from retirement savings are taxed and revenue will flow to the U.S. Treasury.

Conclusion

The employer-sponsored retirement plan system has introduced tens of millions of American workers to retirement saving. Employers voluntarily establish and promote these plans to help their workers build assets for a secure retirement. Eliminating or diminishing the current tax treatment of employer provided retirement plans will 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. While we work to enhance the current system and reduce the deficit we must not eliminate one of the central foundations – the tax treatment of retirement savings – upon which today's successful system is built. The effects of such a change for individuals, employers and the system as a whole are simply too harmful and must be avoided.