

**STATEMENT FOR THE RECORD OF
THE PLAN SPONSOR COUNCIL OF AMERICA**

As submitted to the

**UNITED STATES SENATE
COMMITTEE ON FINANCE**

On

Retirement Savings 2.0: Updating Savings Policy for the Modern Economy

Tuesday, September 16, 2014

On behalf of the Plan Sponsor Council of America (“PSCA”), we would like to thank Chairman Wyden and Ranking Member Hatch for their continued commitment to improving retirement savings for American workers. PSCA is a national, non-profit association that advocates on behalf of 1,200 companies and their six million employees for increased retirement security through profit sharing, 401(k) and related savings and incentive programs. PSCA was established in 1947 and its member companies include both large and small employers ranging in size from Fortune 100 firms to small, entrepreneurial businesses. Our members include both plan sponsors *and* plan service providers working together to improve the defined contribution landscape.

We believe that Americans need to save more for retirement, and we support policies with this goal in mind. However, improvements should not come at the expense of already successful policies. Rather, we urge the Committee to remain mindful of the many ways in which the current employer-based retirement system is working for millions of workers and is enhancing their retirement security, along with individual retirement plans, individual savings and Social Security.

The tax incentives that Congress has created are an important impetus for individuals to save for retirement and for employers to offer plans under a voluntary system. It is also important to understand that income derived from retirement plan contributions is tax-deferred income and not excluded from tax. Distributions are taxed as ordinary income.

The tax treatment of employer-sponsored plans encourages business owners to provide retirement programs for their employees and provides workers with an effective way to save through payroll deductions. Under current law, if business owners sponsor retirement plans, they also cover and provide benefits to all eligible employees, including lower-income and middle-income employees.

More than 70 percent of American workers making between \$30,000 and \$50,000 a year contribute to their own retirement when covered by retirement plans at work.¹ Many American workers also enjoy a retirement savings contribution from their employers. According to a PSCA survey in 2013, 95.3 percent of 401(k) plans included an employer matching or non-elective employer contribution. Under the current system, employers have contributed almost \$3.7 trillion to public and private retirement plans from 2001 through 2010.²

Without the opportunity to save through payroll deduction supported by the current system of tax incentives designed to spur retirement savings, millions of Americans would not save for retirement or would have inadequate retirement. Policymakers should consider the potential negative impact that reduced savings could have on business, capital markets, the government and retirees. The private retirement system is working, and we urge the Committee to support that system.

PSCA looks forward to working with the Committee in pursuit of policies that will further enhance Americans' retirement security.

Respectfully submitted,

Plan Sponsor Council of America

¹ Employee Benefit Research Institute (EBRI) estimate using 2008 Panel of Survey of Income and Program Participation (SIPP) data and 2010 EBRI data of workers not covered by an employer plan but saving through an IRA.

² EBRI tabulations of data from the Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts of the United States and the Department of Labor, Bureau of Labor Statistics, Consumer Price Index.