



How America Saves

THE COALITION TO PROTECT RETIREMENT

July 11, 2013

U.S. Senate
Washington, D.C. 20515

Dear Senator:

As you know, there have been a variety of concepts circulating related to tax reform. As you begin to consider these proposals and move towards efforts to reform the tax code, the Coalition to Protect Retirement strongly encourages you to preserve the current treatment of retirement plans. The current structure for employer-provided and individual retirement plans has resulted in a widespread and successful program to enable working Americans at all income levels to enjoy a financially secure retirement. The Coalition believes that Congress should work to encourage and support retirement savings for American workers through preservation of the current tax structure and retention of tax incentives critical to encouraging American workers' to save for retirement.

The Coalition to Protect Retirement is composed of the leading trade associations representing retirement plan sponsors, administrators, service providers, and related financial institutions. The coalition's mission is to encourage and support retirement savings for American workers through preservation of tax incentives critical to American workers' retirement security.

Employer-sponsored and individual retirement plans are key components of our nation's retirement system. Together with Social Security and individual savings, retirement plans produce significant benefits for America's working families. Private retirement plans in the United States paid out over \$3.96 trillion in benefits from 2001 through 2010, while public sector retirement plans distributed \$2.82 trillion during the same period, with both playing an essential role in providing retirement income for millions of our nation's senior citizens. In 2010, there were approximately 655,000 private-sector defined contribution plans covering 73 million participants. Additionally, the Pension Benefit Guaranty Corporation insured nearly 44 million defined benefit plan participants in 2010. According to an Investment Company Institute analysis of the Survey of Consumer Finances, in 2010, eighty-one percent of near-retiree (age 55-64) households held retirement accumulations.

The current employer-sponsored retirement system is vital for American workers to be able to save for retirement. The employer-based system is designed to work together with other personal savings and the Social Security program to provide meaningful income replacement upon retirement. Currently, tax-qualified retirement plans hold over \$20.8 trillion in assets, of which about \$16 trillion is attributable to employer provided retirement plans – including defined contribution and defined benefit plans.

Employers have helped to make this happen – having contributed almost \$3.7 trillion to public and private retirement plans from 2001 through 2010. ESOPs provide a unique opportunity for employees to share in their company’s success. IRAs and annuities also play a critical role in helping Americans save for retirement.

This multitrillion dollar pool of capital helps to finance investments that enhance productivity and encourage business expansion. The tax treatment of employer-sponsored plans also encourages business owners to provide a retirement plan for their employees; and providing workers a way to effectively save through payroll deduction. These plans cover workers across the income spectrum. Under current law, if business owners sponsor a retirement plan, they also must cover and provide benefits to 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 a retirement plan at work. Many American workers also enjoy a retirement savings contribution from their employer. According to a survey by the Plan Sponsor Council of America, in 2011, 95.4 percent of 401(k) plans included an employer matching or non-elective contribution. Without the opportunity to save through payroll deduction, millions of Americans would not save for retirement. Policymakers should consider the potential negative impact that reduced savings could have on business, capital markets, the government and retirees.

Historically, Congress has supported, on a bipartisan basis the employer-based system through enhancements of many retirement vehicles. 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 important to understand that income tax on retirement plan contributions is deferred, not excluded. Distributions are taxed as ordinary income.

The Coalition to Protect Retirement believes that Congress should encourage and support retirement savings for American workers through preservation of current tax incentives that are critical to workers’ retirement security. With more than 10,000 Americans turning 65 every day, the need for tax incentives to encourage and protect retirement savings has never been greater. These retirement incentives also are important to the nearly 50 million Gen Xers who are in their prime earning and savings years. Congress should preserve existing tax incentives for individuals and employers – to help Americans attain financial security during their retirement years and to avoid the need for more federal spending to support retirees facing economic hardship.

The current structure for employer-provided and individual retirement plans has resulted in a widespread and successful program to enable working Americans at all income levels to enjoy a financially secure retirement. The Coalition hopes that the Congress will consider the success of the current retirement tax structure as it weighs comprehensive tax reform legislation.

Sincerely,

The Coalition to Protect Retirement

Coalition to Protect Retirement Members:

American Benefits Council

American Council of Life Insurers

American Society of Pension Professionals & Actuaries

The ERISA Industry Committee
The ESOP Association
Investment Company Institute
Insured Retirement Institute
Plan Sponsor Council of America
Securities Industry and Financial Markets Association
Society for Human Resource Management