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The Honorable Orrin Hatch
United States Senate
104 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Hatch,

Thank you for the opportunity to comment on the potential impact tax reform would have on savings and investment in retirement plans. This comment letter focuses on the impact of tax reform on retirement issues, and follows a U.S. Chamber of Commerce comment letter on comprehensive tax reform that was submitted on July 11, 2017, in which we noted that we would send additional details on retirement issues.

On behalf of the Chamber, I would like to express our appreciation for your on-going commitment to comprehensive tax reform, and to maintaining the voluntary, employer-provided retirement system. However, we seek your continued support as Congress considers comprehensive tax reform, to reject weakening one of the central foundations of our system – the tax treatment of retirement savings. Doing so would imperil the existence of employer-sponsored retirement plans and the future retirement security of working Americans.

TAX REFORM

Maintaining Current Tax Incentives for Retirement Saving is Critical. Today, about 125 million households have a combined $26.0 trillion earmarked for retirement within defined benefit plans, defined contribution plans, IRAs, and annuities.[1] As Congress considers comprehensive tax reform, the Chamber urges careful consideration of the impact of specific changes to tax incentives for retirement plans.

Employer-sponsored retirement plans have introduced tens of millions of American workers to retirement saving. Eliminating or diminishing the current tax treatment of employer-provided

[1] Figure 1 in Holden, Sarah, and Daniel Schrass. 2017. " The Role of IRAs in US Households' Saving for Retirement, 2016." *ICI Research Perspective* 23, no. 1 (January). Available at https://www.ici.org/pdf/per23-01.pdf; Investment Company Institute, "Quarterly Retirement Market Data, First Quarter 2017," (June 22, 2017), available at www.ici.org/research/stats/retirement.

retirement plans would jeopardize the retirement security of these workers, affect the role of retirement assets in the capital markets, and create challenges in maintaining the quality of life for future generations of retirees.[2]

Qualified plans provide significant benefits to employers and employees by encouraging retirement saving through favorable tax treatment. They allow employers to offer a benefit highly valued by employees and allow employees to delay paying taxes on this benefit until funds are distributed. Recent research finds that the single best predictor of retirement readiness is participation in a work-based savings plan, and employees save more when an employer plan is available than they would save on their own.[3] Employers' matching contributions and tax deferral combine to encourage a savings culture, which is enhanced by tax incentives like the Savers' Tax Credit.

A number of proposals have been put forth as alternatives to the current tax treatment for retirement plans. However, substantial evidence shows that weakening the tax treatment or lowering contribution levels will reduce retirement savings and result in fewer employers offering retirement plans to their employees. The lowest-paid employees stand to be the most negatively affected.[4] Moreover, 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 continuing to provide tax incentives to promote retirement saving should be a national priority.[5] Therefore, the ramifications of diminishing tax incentives for retirement plans are far too great to dismiss lightly. It is critical to future retirees to ensure that we not only

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2 Testimony of Jack VanDerhei, Research Director, Employee Benefits Research Institute, before the House Committee on Ways and Means Hearing "Tax Reform and Tax-Favored Retirement Accounts" (April 17, 2012), available at https://www.ebri.org/pdf/publications/testimony/T-172.pdf; National Association of Insurance and Financial Advisors, April 6, 2015, Letter to the Honorable Michael Crapo and the Honorable Sherrod Brown, http://www.naifa.org/NAIFA/media/Communications/NAIFA-Blog/NAIFA-Comments-to-SFC-Savings-and-Investment-Working-Group-4-2015.pdf.

3 Jack VanDerhei, "What Causes EBRI Retirement Readiness Ratings to Vary: Results from the 2014 Retirement Security Model," EBRI Issue Brief No. 396, (February 2014), available at https://www.ebri.org/pdf/briefspdf/EBRI_IB_396_Feb14.RRRs2.pdf. This research finds that eligibility for participation in an employer-sponsored defined contribution plan, particularly for Gen Xers, is one of the most important factors for determining sufficient retirement income. See also Investment News, *A Survey of Retirement Readiness*, (October 2, 2011), available at http://www.investmentnews.com/apps/pbcs.dll/article?AID=/20111002/REG/310029977.

4 A case in point is the proposal authored by William Gale of the Brookings Institution to substitute a tax credit for the present tax deferral. In testimony before the House Committee on Ways and Means, Jack VanDerhei, Research Director at the Employee Benefit Research Institute (EBRI), stated that under the Gale proposal the average reductions in 401(k) accounts at the normal retirement age under Social Security would range from a low of 11.2% for workers currently ages 26–35 in the highest-income groups, to a high of 24.2% for workers in that age range in the lowest-income group. Another analysis by EBRI reveals that the recommendation by the National Commission on Fiscal Responsibility to limit contributions to defined contribution retirement plans to the lesser of $20,000 or 20% of compensation will reduce retirement security for workers at all income levels, not just high-income workers. According to the study, those in the lowest-income quartile will have the second-highest average percentage reductions. Also, small business owners may be less likely to offer a plan to their employees if contribution limits are lowered. See 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.

5 Sarah Holden and Steven Bass, Investment Company Institute, *America's Commitment to Retirement Security: Investor Attitudes and Actions, 2013*, (February 2013), pp. 2–3.

keep the private retirement system, but also enhance and strengthen the system to ensure further retirement security for millions of Americans.

Concerns about Mandatory Conversions to Roth Accounts. The Chamber has not taken a specific position on the idea of converting future 401(k) or IRA contributions to Roth accounts. However, we are concerned about drastic changes that could discourage employees from saving for retirement. In particular, plan sponsors are concerned that if employees are forced to contribute only on an after-tax basis, they will contribute less in order to maintain the same level of take-home pay. The Chamber recognizes the benefits of both traditional and Roth accounts and, therefore, encourages Congress to continue to allow both types of accounts to continue.

BUDGET SCORING FOR RETIREMENT PLANS

Much of the discussion surrounding comprehensive tax reform has focused on base broadening which eliminates or reduces tax expenditures. Unfortunately, the tax incentives for retirement plans are treated as tax "expenditures" for the purposes of budget scoring. However, the tax incentives for retirement plans do not eliminate tax on current income but rather defer tax. Upon withdrawal during retirement, deferred amounts and all accrued income including capital gains are then taxed at normal income tax rates. Therefore, current revenue foregone due to retirement incentives are often recouped outside of the Congressional 10-year budget window. Thus, the apparent costs of the incentives are mischaracterized in the official scoring. For example, the many trillions of dollars currently residing in the retirement accounts of the baby boom generation is already and will continue in coming years to be distributed and subject to current tax, substantially boosting overall federal tax collections. As such, we urge the Committee to keep this inconsistency in mind during tax reform. Any changes to tax incentives for retirement plans would not create the "savings" that is reflected in the scoring process and would have a detrimental impact on the retirement security of millions of American workers.

PENSION AND RETIRMENT REFORM UNDER THE TAX CODE

As a large part of the Employee Retirement Income Security Act of 1974 (ERISA) encompasses the Internal Revenue Code (Code), the discussions on tax reform have understandably led to larger conversations about possible reform to the retirement system beyond tax incentives. In February of 2015, the Chamber issued a white paper entitled, *Private Retirement Benefits in the 21st Century: Achieving Retirement Security* to respond to concerns about retirement security.[6] The white paper offers guidelines on initiatives that will bolster the voluntary employment-based retirement benefits system and retirement security for workers. Following up on that paper, the Chamber released a report entitled *Securing America's Retirement: A Legislative Roadmap*.[7] The legislative roadmap is the product of thoughtful deliberation by business leaders and industry

[6] https://www.uschamber.com/sites/default/files/reports/1204Private_Retirement_Paper.pdf.
[7] http://www.centerforcapitalmarkets.com/wp-content/uploads/2013/08/US-Chamber-Securing-Americas-Retirement-A-Legislative-Roadmap.pdf?x48633.

experts in the retirement benefits area. It focuses on strengthening the voluntary employment-based retirement benefits system, and enhancing retirement security for workers, while proposing solutions to address our country's evolving workforce as demographics continue to change—an important and pressing issue that policymakers will need to tackle in 2017. We are submitting both of these papers in their entirety; however, we would like to highlight certain retirement issues that have come up in tax and retirement reform conversations. We also note that many of the recommendations listed below were included in the Retirement Enhancement and Savings Act, reported out of the Senate Finance Committee at the end of 2016.[8]

The Private Retirement System is a Success. Most importantly, we ask Congress to do no harm. Conventional wisdom suggests that today's retirees receive less income from employment-based plans than in the "good old days." According to recent data from the Bureau of Labor Statistics (BLS), there has been an upward trend in the percentage of private employers offering retirement plans to their workers, including the percentage of workers having access to retirement plans.[9] In 2016, 66% of workers in the private sector were offered a retirement plan by their employer, according to the BLS.[10] Moreover, the number of retirees receiving retirement income from employment-based plans has also grown, from 20% of retirees in 1975 to 42% in 2015.[11] Consequently, any proposals to undo the current system or substantially weaken the current private retirement system would undermine the success of the program. Rather, "reform" of the private retirement system should focus solely on building on the current structure.

Enact Reforms to Multiple Employer Plans to Expand Their Use. The Chamber views Multiple Employer Plans (MEPs) as a possible tool to encourage small businesses to implement retirement plans. MEPs offer an attractive and cost-efficient alternative for small businesses for which a stand-alone 401(k) plan is not feasible. Moreover, MEPs allow for the pooling of resources to give small businesses the opportunity to tailor plan provisions in a way that would not be possible in a prototype plan. The Chamber believes that MEPs can reach a potentially different audience than other plan designs because organizations (such as state Chambers) would be able to offer them to members. Thus, the use of MEPs could be expanded through trade associations and other organizations that work closely with small businesses.

A number of legislative proposals have been introduced that address MEPs—albeit in different ways. The Chamber supports all efforts to expand retirement coverage through open MEPs as they offer an attractive and cost-efficient alternative for certain small businesses. Implementing these changes can expand retirement coverage and savings by making MEPs more attractive to small businesses. MEPs can promote positive retirement savings behavior by providing employees with a menu of investment options, ensuring that plan participants will be able to tailor their portfolios to their needs and retirement goals. MEPs can also provide small

[8] https://www.congress.gov/114/bills/s3471/BILLS-114s3471pcs.pdf.

[9] U.S. Department of Labor, Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States, "Retirement Benefits: Access, Participation, and Take-Up Rates, Private Industry Workers," Tables 1 and 2, (March 2016), available at https://www.bls.gov/ncs/ebs/benefits/2016/ownership/private/table02a.htm. For past years and the recent historical trends relating to Table 2, see http://www.bls.gov/ncs/ncspubs.htm.

[10] Id.

[11] Brady, Peter, and Michael Bogdan. 2016. "A Look at Private-Sector Retirement Plan Income After ERISA, 2015." *ICI Research Perspective* 22, no. 8 (December). Available at https://www.ici.org/pdf/per22-08.pdf.

businesses with enhanced opportunities for cost-effective retirement planning education programs for employees through the pooling of resources with other small businesses. This creates economies of scale and cost efficiencies compared with stand-alone plans for these businesses.

Amending several of the rules regarding MEPs could significantly expand their use. Accordingly, the Chamber recommends the following changes:

- Implement safe harbors for MEP sponsors and adopting employers to immunize them from noncompliant adopting employers.
- Simplify MEP reporting and disclosure obligations under ERISA. Particularly, reconsider the annual audit requirements, and consolidate Form 5500 filings and Summary Plan Description (SPD) notices.
- Issue Internal Revenue Service (IRS) and Department of Labor (DOL) guidance that states "employer commonality" is not required to establish a MEP. While the Chamber believes that there is no basis to apply this requirement to MEPs, there is sufficient ambiguity to create reluctance on the part of the employers who might otherwise consider participation in a MEP.[12]
- To the extent there are employers currently participating in MEPs, transition rules must also be enacted to allow these employers to benefit from the changed rules.

The Chamber believes that enacting these changes will help unlock the potential for MEPs and expand employee participation, thus reducing the coverage gap.

The Small Business Tax Credit. Congress implemented a tax credit for small businesses to encourage the formation of retirement plans. The credit is allowed for the first three years of start-up costs of a new small business retirement plan (with fewer than 100 participants) of up to 50 percent of the first $1,000 (i.e., $500) in start-up administrative and retirement-education expenses[13]. As Congresses considers broader changes to the tax code, lawmakers should consider whether enhancements to the existing credit are appropriate and necessary to achieve the goal of incentivizing small businesses to set up retirement plans.

Eliminate/Update the Required Minimum Distribution (RMD) Rules. Mandatory minimum distributions must now begin at age 70½ unless the participant is still working. The Chamber recommends eliminating the RMD rules because they are complicated and provide limited value. The required minimum distribution rules and age requirement have not kept pace with today's

[12] Under ERISA's definition of an "employer" that can sponsor a retirement plan, the independent provider of a MEP can be construed as a person "acting indirectly" in the interest of an employer in relation to an employee benefit plan, and a group of participating employers can be reasonably construed as a group of employers acting in such capacity (ERISA Section 3(5)). By way of contrast, in a 2012 ERISA Advisory Opinion, the DOL found that the purported plan sponsor was not a bona fide group or association of employers because there was no genuine organization relationship between the employers. See, ERISA Adv. Op. 2012-04A, (May 25, 2012). However, more recently, the DOL issued guidance (Interpretive Bulletin 2015-02) that provides that a state-sponsored MEP meets this "commonality" requirement even though the only nexus between employers is residing in the same state. The Chamber believes that this differentiation in standards is unfair to private employers and puts them at a competitive disadvantage.

[13] I.R.C. section 45E.

labor market—the 70½ age requirement established in 1962 has never been updated. Because Americans are living and working longer, it is imperative to reconsider the original purpose of the RMD rules in order to ensure the retirement security of workers. Americans should not be forced to receive annual distributions from their 401(k) and IRAs beginning at age 70½. Instead, policymakers should encourage workers to continue saving in order to ensure their economic security during their retirement years. The current RMD rules run counter to that public policy goal, and have the potential to be detrimental to middle class families. For these reasons, the Chamber has also opposed proposals that would expand the RMD rules to Roth accounts and Roth IRAs.

Ideally, employers would like to see the RMD rule eliminated altogether because the rules are complicated and its application provides limited value. If the rule is not eliminated, the Chamber makes the following recommendations:

- Move the starting age to 75 to match longevity increases;
- Allow 5% owners to continue working and not begin required distributions;
- Limit distributions to a certain amount beyond the aggregate account balance (e.g., the law would require a RMD only for amounts more than $500,000 of aggregate account balances);
- Reduce the amount of the excise tax.

Address Non-discrimination Testing for Grandfathered Pension Plans. Many companies designed their transition from a defined benefit structure to a defined contribution structure in a way that allowed older, long service employees who were close to retirement to maintain accruals under the defined benefit pension plan. However, many of these grandfathered employees are becoming highly-compensated employees. Since there are no new entrants to the plan, the number of non-highly compensated employees is becoming smaller. This phenomenon is making it difficult for companies to pass the non-discrimination tests. In order to pass the tests, companies may be forced to change the retirement benefit structure (i.e., defined benefit to defined contribution) of employees who are closest to retirement with the least amount of time to make up the difference—the outcome they sought to avoid by implementing the transition period in the first place.

The Chamber recommends revising the non-discrimination rules so that if a group of employees is grandfathered (*i.e.*, allowed to continue to accrue a benefit after a plan is otherwise frozen to new entrants) and that group of employees is a nondiscriminatory group when the plan is frozen, it would be treated as a non-discriminatory group permanently (unless the group or the benefit formula applicable to the group is modified by plan amendment).[14] This recommendation would prevent frozen plans from violating the rules prohibiting discrimination in favor of highly

[14] Bills have been introduced in the 114th Congress to address this issue: Rep. Tiberi (R-OH) and Rep. Neal (D-MA) introduced H.R. 6335 and Sen. Cardin (D-MD) and Sen. Portman (R-OH) introduced a companion bill, S. 5. We anticipate these bills being re-introduced in this Congress. In addition, the Senate Finance Committee reported S. 3471, the Retirement Enhancement and Savings Act of 2016 at the end of 2016 which included a provision to address this issue.

compensated employees and allow these long-serving employees to continue to accrue benefits under a defined benefit plan.[15]

Eliminate/Minimize Administrative Burdens. There are several rules that add unnecessary burdens on employers but provide minimal benefits to participants or the plan. For example, the Chamber considers top-heavy rules unnecessary since the contributions are already subject to Actual Deferral Percentage testing to ensure equanimity between highly paid and non-highly paid employees. Therefore, the top-heavy rules should be eliminated. If they are not eliminated, the rule should be modified to promote greater implementation and maintenance of retirement plans.

Furthermore, small and midsize companies should be allowed to offer employee pay-all plans, just as larger companies are able to do. Under an employee pay-all plan, the regular anti-discrimination tests would still apply to offer protection for non-key employees. However, under current IRS regulations, when a key employee makes a 401(k) contribution, that employee contribution is deemed to have been made by the company which is then required to make top-heavy contributions for non-key employees. As a result, small to midsize companies that would like to offer 401(k) plans must either commit to make company contributions to non-key employees or exclude key employees from participation in the 401(k) plan. Larger companies, which because of the mathematical tests are never top-heavy, can sponsor employee pay-all 401(k) plans. Therefore, this rule unfairly discriminates against small businesses and their employees. Specific recommendations can be found in the Chamber's legislative roadmap.

Streamline Notice Requirements and Allow for Greater Use of Electronic Disclosure. Consolidating and streamlining certain notice requirements would make retirement plan sponsorship more attractive for all business and small businesses, in particular. In general, the Chamber recommends a congressional review of all retirement plan notices under ERISA and the Code to determine where there is overlap and duplication. A thorough congressional review could identify many ways of relieving unnecessary administrative burdens of little or no marginal utility while ensuring that participants receive information that is meaningful and relevant.

In addition to consolidation and elimination, it is important for regulators to recognize the benefit of electronic delivery. We believe that it is critical that the Department of Labor, Treasury and the Pension Benefit Guaranty Corporation (PBGC) create a single, uniform electronic disclosure standard. Specifically, the Chamber recommends a uniform standard for electronic delivery to encourage greater use, and to allow, for those plan sponsors that wish, that electronic delivery be the default delivery option for benefit notices. The Chamber believes that modernizing the restrictive rules on electronic delivery in this manner is a critical element in the larger task of reforming employee benefit plan notice and disclosure requirements. These changes can allow for the provision of important information without it being submerged in an avalanche of rarely used information.

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[15] In 2014, the Treasury Department issued temporary guidance through the end of 2015. This guidance has been extended several times – mostly recent in Notice 2016-57which extends the temporary guidance through the end of the 2017 plan year. While we appreciate these temporary measures, a permanent solution is required.

Increase the Involuntary Cash-out Limit. Increasing the cash-out limit is long overdue. The current cash-out limit has not been increased in 19 years.[16] Moreover, this limit is not subject to indexing, as are many other limits in the retirement system. Absent congressional action, employers will have to assume rising financial costs and fiduciary liabilities for former employees' assets, which is particularly burdensome for small businesses. The Chamber recommends that Congress increase the involuntary cash-out limit and include automatic indexing so that the cash-out does not become outdated. Based on the employment cost index of wages for private sector workers published by the Bureau of Labor Statistics,[17] the current equivalent relative to wages of $3,500 in 1984 would be $9,219 in 2016.

Similarly, the automatic rollover threshold should be substantially increased to reflect inflation. By setting the original $1,000 threshold, Congress recognized that small amounts are not suitable for rollover because the fees can be prohibitive. As such, we call on Congress to recognize that this limit must be increased to reflect reality.

Help Preserve Retirement Assets. An important component of retirement security is ensuring that retirees have sufficient assets to fund their retirement. Congressional action in key areas could help ensure that participants are able to continue to make retirement contributions during financially difficult times. The Chamber encourages Congress to allow 401(k) plan participants to continue to make elective contributions following a hardship withdrawal. During the past financial crisis, many workers had to take hardship distributions from their retirement plans. The loss of retirement savings should not be exacerbated by prohibiting these workers from making future contributions to their retirement plans.

In addition, the Chamber supports an extended rollover period for plan loan amounts after a termination of employment**.** A participant who defaults on a loan is treated as receiving a deemed distribution of the outstanding loan at the time of the default. The participant is taxed on the amount of the default unless he or she makes a "rollover" contribution to an IRA within a 60-day period. Since relatively few participants make a rollover contribution in connection with a plan loan default due to termination of employment, extending the rollover period could decrease the number participants who default on their outstanding loans and incur tax penalties in addition to the loss of retirement savings.

OTHER RETIREMENT ISSUES

While these issues are not directly related to tax reform, we ask the Senator to consider these changes as part of comprehensive retirement reform.

Fiduciary Rule. The Chamber remains very concerned about the detrimental effect of the DOL fiduciary rule. The Chamber has always argued that the rule is unnecessarily complex and challenging to implement, while disadvantaging small businesses, limiting access to and choice

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[16] The cash-out limit was increased from $3,500 to $5,000 in the Taxpayer Relief Act of 1997 (P.L. 105-34). Before 1997, the limit was increased from $1,750 to $3,500 in the Retirement Equity Act of 1984 (P.L. 98-397).

[17] http://www.bls.gov/web/eci/ecicois.pdf Table 9.

of investment advice, and making saving for retirement more expensive. The Chamber has consistently argued for an extension of the applicability date to allow adequate time for compliance and to sort out the many questions arising from the rule—including the outcome of litigation. Delaying the applicability date of the rule is a first step towards creating a workable best interest standard. The Chamber continues to consider all alternatives— litigation, regulation, and legislation—to oppose the detrimental effects of the fiduciary rule.

State-sponsored Retirement Plan Legislation. The Chamber appreciates Congress's recent actions in passing Congressional Review Act legislation to undo the DOL safe harbors for states or other political subdivisions to offer retirement programs to private employees. Nonetheless, several states have indicated their intentions to move forward with these programs. As such, we ask that Congress continue to ensure that all private employees receive the same ERISA protections. For example, Congress can require that state retirement programs that mandate automatic enrollment for private employees are covered under ERISA or, alternatively, can explicitly preempt state-mandated retirement programs.

Multiemployer Pension Plan Reform. The Multiemployer Pension Reform Act was passed at the end of 2014 and was a significant first step towards comprehensive reform. Nonetheless, further attention to the problem is necessary. Specifically, Congress needs to address the withdrawal liability issue and consider new plan options for multiemployer pension plans.

Longevity Insurance. There are a number of voluntary products, such as longevity insurance, that participants may find useful in managing retirement assets. However, not every product will be appropriate or necessary for every participant. The Chamber recommends that employers be able to make these products available to their workers in the most efficient and flexible way possible, such as through a cafeteria plan or with 401(k) plan savings. Similarly, it is important to discuss options for medical treatment and long-term care as part of the longevity landscape to preserve retirement security.

Retirement Education and Literacy. Education is critical to employees' understanding of their retirement savings options and the need to plan for retirement. The workplace is the primary source of retirement savings options and education for most workers. As such, the Chamber recommends that policymakers and regulators encourage and expand retirement education and literacy, whether provided by employers or others, with appropriate protections that do not expand liability under ERISA.

PBGC Premiums. We are extremely concerned about the use of Pension Benefit Guaranty Corporation (PBGC) premiums to raise revenue for purposes unrelated to PBGC funding. The PBGC was established to act as a backstop for private retirement plans in the event a plan sponsor goes bankrupt. The PBGC is funded entirely by the private sector and does not receive any funds from the General Fund of the United States. Nonetheless, when PBGC premiums are increased, they are scored as raising revenue for the General Fund. This circumstance creates a

false incentive for Congress to increase the premiums.[18] Moreover, raising the PBGC premiums, without making contextual reforms to the agency or the defined benefit system, amounts to a tax increase on employers that have voluntarily decided to maintain defined benefit plans. An increase in PBGC premiums, when added to the multi-billion dollar impact of accelerated funding enacted in 2006, could divert critical resources from additional business investment and subsequent job creation.[19] Raising PBGC premiums also creates additional disincentives for employers to provide defined benefit pensions. Rather, PBGC premium increases should be considered only in the context of comprehensive pension reform and after there has been ample opportunity for discussion, careful consideration of the potential impact, and buy-in from all interested parties.

CONCLUSION

The Chamber appreciates the opportunity to comment on comprehensive tax reform and the potential impact on the private retirement system. The private employer-provided retirement system has contributed greatly to the retirement security of millions of American workers. We believe that tax reform efforts should focus on continuing the success of the system and ensuring that employer-provided plans continue to play an important role in retirement security.

We look forward to working with Congress, the Committee, and the working group members as this process continues to make improvements to the Internal Revenue Code that will encourage employers to maintain existing plans and sponsor new plans, encourage employees to save more through work-based plans, and identify ways to help make assets last in retirement. The future of the private retirement benefits system depends on it.

Sincerely,

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[18]Since 2012, Congress has increased PBGC premiums three different times – the Bipartisan Budget Act of 2015; the Bipartisan Budget Act of 2013 and the MAP-21Transportation Bill of 2012 – resulting in over $28 billion in additional premium costs.

[19]To underscore the budget gimmickery, the premiums have been increased predominantly for single employer plans even though the PBGC has recently acknowledged that further increases are unwarranted for the single employer program. (In the most recent PBGC Annual Report, released on November 15, 2016, the PBGC acknowledged that in the case of the single-employer system, projections show that the system will be in a good financial health over a ten-year window.) Nonetheless, increases to the multiemployer program have been infrequent despite the dramatically increasing deficit in the PBGC' multiemployer program.