Opening Statement of Ranking Member Mark DeSaulnier (CA-10)
Subcommittee on Health, Employment, Labor, and Pensions Hearing
"Protecting American Savers and Retirees from DOL's Regulatory Overreach"
2175 Rayburn House Office Building
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Thank you, Mr. Chairman, and I want to thank the witnesses for being here today.

In 1975—I'd like to say before I was born, but before the staff who wrote this was born—Gerald Ford was President, my Golden State Warriors won the NBA championship, 401(k) plans did not exist, and many Americans earned a traditional pension that provided a guaranteed income for the rest of their lives once they retired.

The retirement savings landscape has changed a lot since then. Nowadays, workers who participate in a retirement savings plans, 401(k)s, are more likely to be in a defined contribution plan, such as a 401(k). These workers are responsible for selecting and managing their investments as well as paying attention to fees and market trends. In today's "do it yourself" retirement savings world, it is up to the workers to ensure that they do not outlive what they saved.

Understandably, many workers seek professional advice when making retirement investment decisions—particularly as it relates to "rolling over" their assets from their employer-provided plan to an Individual Retirement Account, or IRA. Rollovers are often the biggest one-time financial decision workers, and their families will make in their lives for their retirement.

Many retirement advisors do right by their clients—most I would say. Unfortunately, there are those who do not. Those unscrupulous advisors steer their clients to a particular financial product with high fees that is profitable for the advisor even if it is not in the best interest of the client. That is called "conflicted advice," and it has devastating consequences for retirement savers and their families—and everyone's trust in the financial system.

According to the Obama Administration, conflicted advice costs retirement savers up to $17 billion in losses every year. If a retiree spends down their retirement savings as normal but experiences a 100-basis point (1%) reduction in investment performance because of conflicted advice, the retiree's savings would be completely depleted more than five years early. President Biden's Council on Economic Advisors estimated that conflicted advice in the sale of fixed index annuities, just one of many of the products that could be affected, may cost workers as much as $5 billion in retirement savings per year.

This is enormously harmful to workers and their families. We are fortunate to have our witnesses, and our witness Mr. Joseph Peiffer, President of the Public Investors Advocate Bar Association, one of our witnesses today. Welcome.

PIABA's attorneys have seen tens of thousands of victims of conflicted advice. These are often proud workers who played by the rules and earnestly saved to build a retirement nest egg, often on middle class salaries—and they ended up losing a substantial amount of their life savings because of bad advice. This is not fair, and it is heartbreaking for them and for Americans.

Many of you may be wondering—how can this happen? Well, bad actors can get away with providing conflicted advice because the primary Department of Labor regulation, which dates back to 1975, is riddled with loopholes. And neither the SEC's Regulation Best Interest nor the National Association of Insurance Commissioners' Model Rule are sufficient to address the problem.

Fortunately, the Biden Administration has proposed a common sense, narrowly defined, and narrowly tailored rule that is aligned with the current "do it yourself" retirement savings landscape. The Biden Administration's retirement security rule levels the playing field and will ensure that workers, retirees, and retirement plan sponsors receive advice that is in their best interest.

According to Morningstar, the Biden Administration's retirement security rule would have significant benefits for retirement savers. For instance, average costs for workers covered by a small plan would drop from 93 basis points down to 75 basis points, while there would be minimal charges for most other plans. And retirement plan participants would save over $55 billion in the first 10 years of the rule and over $130 billion in the subsequent 10 years.

I strongly support the Biden Administration's retirement security rule. It will particularly help those with small account balances and since those small savers are most vulnerable to conflicted advice.

By taking action, the Biden Administration demonstrates that it understands what's at stake for American workers and their families.

As our witness put it in his testimony—quote: "the difference between getting conflicted retirement advice and receiving advice in the investor's interest is sometimes the difference between the retiree being able to visit their grandkids or not, the difference between being able to afford a retirement home close to their children or living with them."

Those are the people who will be harmed by the broken status quo and who will benefit from the Biden Administration's retirement security rule that we will discuss today.

I thank the Chair and yield back.