DAVID CERTNER
STATEMENT
BEFORE THE

U.S. HOUSE COMMITTEEE ON
EDUCATION AND LABOR
SUBCOMMITTEE ON HEALTH,
EMPLOYMENT, LABOR AND PENSIONS

"*Examining Pathways to Build a Stronger, More Inclusive Retirement System*"

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Introduction

On behalf of our nearly 38 million members, and all Americans age 50 and over, AARP thanks Chairman DeSaulnier and Ranking Member Allen for holding a hearing to consider needed improvements to the U.S. retirement system for American workers, retirees, and their families. AARP is committed to expanding retirement savings so that all Americans have adequate income for retirement through Social Security, pensions and private savings, and we have worked throughout our history to develop and improve America's retirement system.

We greatly appreciate the Committee's longstanding leadership on U.S. retirement system development and improvements. AARP has worked closely with the Committee over decades, from the enactment of ERISA to the most recent legislative solutions for the millions of workers and retirees covered by multiemployer pension plans that face imminent and long-term funding shortfalls. We look forward to continuing to work together to expand coverage and adequacy for all workers and retirees.

Impact of COVID-19 on Current Workers and Their Retirement

Millions of families face dire financial circumstances as a result of the pandemic and related workplace closures. In 2020, nearly 49 million Americans filed for unemployment at some point during the year.[1] In a matter of months, the national unemployment rate climbed from 3.5 percent in February to an historic high of 14.7 percent in April. And while the unemployment rate has since declined to 6.7 percent, job gains have slowed in recent months.[2] Moreover, the percentage of jobseekers who are long-term unemployed (i.e., those who have been looking for work for 27 weeks or more) has increased sharply. Older workers have been especially hard hit. In November, 35.7 percent of jobseekers ages 16 to 54, and 45.6 percent of jobseekers ages 55 and older, were long-term unemployed.[3]

As a result, many workers continue to have little choice but to take actions that reduce their long-term retirement security in order to make ends meet. Some individuals have been forced to retire earlier than planned because they were unable to return to work due to legitimate health concerns or because their jobs simply no longer exist. According to a recent survey, nearly a quarter (23 percent) of respondents age 55 to 73 have retired early, or considered retiring early,

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[1] Carmen Reinicke, Business Insider, "US weekly jobless claims hit 1.4 million, more than economist forecasts," July 2,2020, https://www.businessinsider.com/us-weekly-jobless-claims-filings-unemployment-insurance-recession-economy- coronavirus-2020-7
[2] Bureau of Labor Statistics, Economic New Release, December 2020,https://www.bls.gov/news.release/empsit.nr0.htm
[3] AARP Public Policy Institute's Employment Data Digest, November 2020, https://www.aarp.org/ppi/info-2020/employment-data-digest.html

because of the pandemic.[4] Nearly one in four adults ages 25 and older surveyed by AARP dipped into their retirement savings or stopped contributing to their retirement accounts during the height of the pandemic.[5] Earlier retirements and emergency withdrawals from retirement accounts will likely prevent these workers from accumulating additional years of wages and savings, resulting in reduced pensions and lower monthly Social Security benefits for life, as well as the need to spend down their retirement savings earlier than anticipated.

Americans of any age who are fortunate enough to have a retirement savings vehicle like a 401(k) plan or an individual retirement account (IRA) may now be unable to contribute to these accounts, or worse, have a need to tap them to pay for essentials. According to one survey, 37 and 40 percent of Millennials, 26 and 32 percent of Gen X, and 13 and 18 percent of Boomers have withdrawn, or considered withdrawing, from an individual retirement account or a 401(k) plan.[6] Doing so, however, forces them to reduce what are likely already inadequate savings, sacrificing future amounts necessary for a secure retirement. Many who have lost jobs have also lost health insurance and have faced increased costs for both health care coverage and treatment.

These COVID-related pressures only add to other challenges that have accelerated in recent decades, including diminishing employer-sponsored pensions, higher health care costs, and inadequate retirement savings. Consequently, the prospects of a secure retirement for millions of workers will be even more precarious following the pandemic, and more Americans of all ages will need to rely even more on Social Security's modest benefits for an even greater portion of their retirement security.

Importance of Social Security

According to the Social Security Administration (SSA), an estimated 180 million Americans paid into Social Security in 2020,[7] and in May 2021, Social Security provided critical retirement, disability and survivor benefits to over 62 million individuals.[8] Social Security is already the principal source of income for over half of older American households receiving benefits and roughly one quarter of those households, or about 10 million people age 65 and older, depend on

[4] TD Ameritrade, "COVID-19 & Retirement Survey," June 2020, https://s2.q4cdn.com/437609071/files/doc_news/research/2020/covid-19-and-retirement-survey.pdf

[5] Brown, S. Kathi. *How Financial Experiences During the Pandemic Shape Future Outlook,* Washington, DC: AARP Research, April 2021. https://doi.org/10.26419/res.00450.001

[6] TD Ameritrade, "COVID-19 & Retirement Survey," June 2020, https://s2.q4cdn.com/437609071/files/doc_news/research/2020/covid-19-and-retirement-survey.pdf.

[7] Social Security Administration, "The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," April 2020; www.sss.gov/news/press/factsheets/basicfact-alt.pdf

[8] Social Security Administration, Monthly Statistical Snapshot, 2020,May 2021,https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/

Social Security for nearly all (90 percent or more) of their income.[9] The reliance in minority communities is even more pronounced; over 36 percent of African American women in families receiving benefits rely on Social Security for almost all of their income, and 34 percent of older Hispanic women do the same.[10]

Despite its critical importance, Social Security's earned benefits are modest and in May 2021 average only $1,553 per month for all retired workers. Disability benefits are even more modest, averaging only $1,280 per month.[11] Nonetheless, Social Security keeps approximately 15 million older Americans out of poverty[12] and allows millions more to live their retirement years independently, without fear of outliving their income.

For most Americans, Social Security is their only inflation-protected, guaranteed source of retirement income they have or will have. AARP believes we must therefore work together -- sooner rather than later -- to ensure Social Security remains strong not only for those who are at or near retirement, but also for younger generations who will likely rely on Social Security benefits as much or even more due to the effects of COVID-19 and other retirement trends.

The Retirement Income Gap

For more than half a century, a secure retirement in the United States centered on reliable income from three sources, the so-called "three-legged stool" of retirement – employer-provided defined benefit pension plans, personal savings, and Social Security. Together, these sources of income offered a stable financial future. Unfortunately, diminishing pensions and inadequate retirement savings – coupled with longer life expectancies and higher health costs – has endangered the dream of a secure retirement for millions of Americans, and without significant action, will likely require Social Security to play an even greater role in the lives of older Americans.

Defined Benefit (DB) pension plans once dominated the employment landscape. In 1983, roughly 60 percent of workers with an employer-sponsored retirement plan had a DB pension plan; by 2020, however, just 18 percent of full time, private sector workers had access to a DB pension.[13] At the same time that fewer workers have been offered a pension with guaranteed

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[9] Reliance estimates available at AARP Public Policy Institute Data Explorer, (https://dataexplorer.aarp.org)
[10] Ibid.
[11] Social Security Administration, Monthly Statistical Snapshot, 2020,May 2021, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/
[12] Kathleen Romig, Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's March 2019 Current Population Survey, February 2020, https://www.cbpp.org/research/social-security/social-security-lifts-more- americans-above-poverty-than-any-other- program#:~:text=Social%20Security%20benefits%20play%20a,March%202019%20Current%20Population%20Survey.
[13] https://fas.org/sgp/crs/misc/R43439.pdf (From CRS quoting National Compensation Survey of March 2020)

lifetime income, more workers have been offered defined contribution (DC) plans – such as 401(k) plans – to save for their retirement. In 1983, only 12 percent of workers offered a workplace retirement plan were exclusively offered a DC plan, but by 2020, 73 percent of workers offered a workplace retirement plan were only offered a DC plan.

The switch from DB to DC plans has important implications for retirement security. First, employees now must take responsibility for determining if and how much to save, and must manage their retirement funds, even though most have little or no investment experience. As discussed below, automatic enrollment and similar features help with these decisions, but not all DC plans include these mechanisms. Second, retirees run the risk that they may either outlive the savings in a DC plan because account balances run out, or they fail to spend them for fear that the money will be needed for some future emergency, resulting in a lower retirement standard of living than possible.[14] Third, despite the increased use of DC plans, financial experts generally agree individual savings and earnings may not fully compensate for the loss of employer provided DB pensions.[15]

Most workers who only have access to a workplace savings plan are not saving enough to adequately fund a secure retirement. For middle-income households ages 55-64 with a DC plan or IRA, the median balance is roughly $144,000, not nearly enough to ensure a secure retirement, especially given that the average number of retirement years has increased markedly from 12 in the 1960s to almost 20 today.[16] It is no wonder that surveys persistently show that Americans do not feel financially prepared to retire. A Financial Health Network poll, funded in part byAARP, found that only 18 percent of respondents felt very confident they could meet their long-term financial goals, including retirement.[17]

Of course, access to a workplace retirement plan is better than none at all. Remarkably, just over half of all workers in the United States do not have access to a retirement plan at work,[18] a

[14] Chris Browning, Tao Guo, and Yuanshan Chen, SSRN, The Retirement Consumption Gap: Evidence from the HRS,November 2014, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2479021

[15] Center for Retirement Research (2015), "Investment Returns: Defined Benefit vs. Defined Contribution Plans,"https://crr.bc.edu/wp-content/uploads/2015/12/IB_15-211.pdf.

[16] Center for Retirement Research (2019), "401(k)/IRA Balances for Median Working Household with a 401(k)/IRA, Age 55-64, By Income Quintile, 2019," http://crr.bc.edu/wp-content/uploads/2019/10/Table-17.pdf; Center for Retirement Research (2019), "Average Years in Retirement, 1962-2050," http://crr.bc.edu/wpcontent/uploads/2015/10/figure-10.pdf.

[17] Thea Garon, Andrew Dunn, Katy Golvala, and Eric Wilson (2018), "U.S. Financial Health Pulse: 2018 BaselineSurvey Results," Center for Financial Services Innovation, https://s3.amazonaws.com/cfsi-innovation-files- 2018/wpcontent/uploads/2019/02/25191008/Pulse-2018-Baseline-Survey-Results.pdf.

[18] When comparing coverage and participation statistics, it is important to look at which populations are being considered. Most studies cover private sector workers only but differ on including only full-time employees or both full and part time. Similarly, studies focusing just on employees don't include the millions of contingent workers of differing types, who may be paid by an employer, but who are not considered as employees and thus are not eligible to participate in a retirement plan.

percentage that has remained largely unchanged for three decades. The coverage gap in communities of color is even greater; 66 percent of Latino workers, 52 percent of Asian American workers, and 50 percent of Black workers work for an employer that does not offer a retirement savings plan.[19] Workers without a plan are more likely to work part-time or work in a small business, tend to have less formal education, and are more likely to be lower paid.[20] Many middle and higher-income earners also lack access to a workplace retirement plan; people earning more than $40,000 represent about 23 percent of the 55 million employees without a plan.[21]

The Future of Retirement Savings

For decades, Congress has enacted laws with the aim of making retirement saving easier. Congress has created many different types of plans for employers to offer their workers, including IRAs, SIMPLEs, Simplified Employee Pensions (SEPs), and Multiple and Pooled Employer Plans (MEPs/PEPs). Congress has also authorized a number of automatic features – including automatic enrollment, automatic deferral amounts, automatic escalation, and automatic default investments – to help workers who do not make affirmative decisions to begin saving for their retirement. Such automatic features and payroll deductions have resulted in significant higher savings. Among new hires, participation rates nearly double to 93 percent under automatic enrollment, compared with 47 percent under voluntary enrollment. Over time, 8 in 10 participants increase their contribution rates, either automatically or on their own, while three quarters of participants remain exclusively invested in the default investment fund.[22] Furthermore, plans with automatic enrollment had an 87 percent participation rate as of the end of the second quarter, whereas plans without automatic enrollment had a participation rate of 52 percent. Since 2008, the average savings rate among employees automatically enrolled has risen from 4 percent to 6.7 percent, and 63 percent of automatically enrolled participants in the past 10 years have increased their savings rate.[23]

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[19] https://www.aarp.org/content/dam/aarp/ppi/2017-01/Retirement%20Access%20Race%20Ethnicity.pdf

[20] Center for Retirement Research (n.d.), "Pension Participation of All Workers, By Type of Plan, 1989-2016," http://crr.bc.edu/wp-content/uploads/2015/10/Pension-coverage.pdf; Craig Copeland (2014), "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013," Employee Benefit Research Institute (EBRI), Issue Brief 405, p. 27, Washington, DC.

[21] https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf

[22] https://nam05.safelinks.protection.outlook.com/?url=https%3A%2F%2Finstitutional.vanguard.com%2Fiam%2Fpdf%2FCIRAE.pdf&data=02%7C01%7C%7C34dd87bd990145d2669c08d6d3fd5585%7Ca395e38b4b754e4493499a37de460a33%7C0%7C0%7C636929482340429841&sdata=SuhVz6d8Xc9OYzTEKINqQe817YWi0gH8zpEYW3XgEZM%3D&reserved=0 (February 2018)

[23] Fidelity data - August 2018 https://nam05.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.planadviser.com%2Fautomati c- enrollment-helping-participants-increase-retirement-savings%2F&data=02%7C01%7C%7C34dd87bd990145d2669c08d6d3fd5585%7Ca395e38b4b754e4493499a37de460a33%7C0%7C0%7C636929482340429841&sdata=FQXZs0ELy8txGgDLlfREGecvdvjKIpmFighaFYer8rA%3D&reserved=0

However, these automatic savings features can only help workers whose employers offer a workplace retirement plan, and as noted earlier, over 50 percent of the workforce lacks any workplace retirement coverage. Expanding coverage for the tens of millions of workers without coverage continues to be a high priority, and AARP supports several approaches to extend retirement coverage in the workplace at both the federal and state levels.

State Work and Save Programs

To complement our work at the federal level to help address the coverage gap, AARP has focused on passing what are called state-level Work and Save programs, which are intended to provide employer facilitated access to payroll deduction retirement savings options for workers who don't otherwise have a way to save for retirement at work. State-facilitated Work and Save programs, such as Oregon Saves, CalSavers, and Illinois Secure Choice, are providing critical access to large, currently underserved populations, such as women, workers of color, and much of the contingent workforce, including gig workers. Such access is essential to addressing the retirement income gap because workers are 15 times more likely to save for retirement simply by having access to payroll deduction at work. While participation rates in traditional retirement plans have not budged in decades, Work and Save programs are leading a change for the better.

Nationwide, the majority of states have considered laws to address the retirement gap in their states through program legislation or studying the issue.[24] Oregon was the first state to launch a Work and Save program, followed by California and Illinois. These programs have had tremendous success. As of April 30, 2021, assets under management between these three states exceeded $234 million, with more than 330,000 funded accounts and more than 33,000 employers registered.[25] The momentum is not slowing down, and other states continue to pursue enactment and implementation of programs. Last year, even during the pandemic, Colorado and New Mexico passed full program legislation. This year, Virginia passed new program legislation, New York and Illinois passed significant program improvement bills dramatically increasing future participation rates, and California successfully defeated a lawsuit. States with program legislation like Vermont, Maryland, and Connecticut continue to work towards implementing a full and comprehensive program. Meanwhile, efforts are underway in a number of additional states, including, Maine, North Carolina, Pennsylvania, Wisconsin, and Delaware.

These retirement savings programs generally operate much like 529 college savings plans and are operated through public-private partnerships. Notably, while employers facilitate payroll deductions, the retirement programs are not operated or overseen by employers, and are not employer-sponsored retirement plans. Rather, employers are afforded the ability to offer access

[24] https://www.aarp.org/ppi/state-retirement-plans/savings-plans/
[25] https://cri.georgetown.edu/wp-content/uploads/2020/05/Infographic-20-05.pdf

to a simple, plug-and-play retirement program to their workers, which only requires employers to disseminate information packets to their workers and facilitate payroll deductions, similar to what they must already do to remit taxes. Worker participation is easy and contributions are typically automatic; however, worker participation is completely voluntary, as they always retain the option to opt-out of the program at any time. How much a worker saves, if at all, is entirely up to them, as are investment decisions. Workers choose if they want to participate, how much they want to contribute, and the way in which they invest their money. When a worker changes jobs, their accounts are portable and can be taken with them.

Work and Save programs are designed to be self-sustaining and participant-funded – what an individual contributes to their account is what they get out of it, plus or minus gains and losses in the market. These are not employer pension programs -- States play the role of aggregating smaller employers who otherwise would have to sponsor, pay for and manage a retirement plan, including choosing the investments and providers and incurring fiduciary responsibility. Work and Save programs can ultimately help U.S. taxpayers as well. By affording workers access to a simple way to save for retirement, fewer households will need to rely on social services, ultimately foregoing additional expenditures by the government. The U.S. could save an estimated $33 billion on public assistance programs between 2018 and 2032 if lower-income retirees save enough to increase their retirement income by just $1,000 more per year.[26]

Policies to Increase Retirement Savings

In addition to our state work, federal policies that further encourage automatic payroll deduction savings for workers who lack retirement coverage should be enacted. AARP has supported various efforts – at both the federal and state levels – to ensure individuals nationwide are covered by an automatic retirement savings system. AARP has been a long-time supporter of federal Automatic IRA legislation, most recently proposed by House Ways and Means Chairman Neal. We believe state programs should work in tandem with federal legislation to be most effective at offering enhanced coverage and more appropriate retirement investments. AARP has emphasized that federal legislation and regulations regarding retirement security should continue to encourage and allow for state enactment and implementation of these programs.

AARP also supports Chairman Neal and Ranking Member Brady's recently introduced and committee-approved Securing a Strong Retirement Act, HR 2954, also known as SECURE 2. Among other changes, the bill would extend greater coverage to more part-time workers and automatically enroll workers in new employer retirement savings plans once they have been in business for three years and employ more than 10 employees. As previously noted, automatic payroll deduction is a proven method of increasing coverage and participation.

[26] https://mcspolicycenter.umaine.edu/wp-content/uploads/sites/122/2017/03/final-aarp-report.pdf

AARP urges Congress to improve coverage for the 27 million part-time workers who generally are not covered by retirement savings plans. This is especially important for older workers and caregivers who often shift from full-time to part-time work or return to the workforce less than full-time due to caregiving responsibilities. Moreover, women are far more likely to work part-time than men -- two-thirds of part-time workers are women.[27] AARP supports Rep. Underwood and Senator Murray's Women's' Pension Protection Act, Reps. Neal and Brady's Securing a Strong Retirement Act and Senators Cardin and Portman's Retirement Security and Savings Act, all of which would offer coverage to part-time workers after two years of employment.

In addition to extending coverage to more workers, Congress should also act to encourage greater savings for those who participate in workplace retirement plans. While defined benefit plans are generally designed to provide more adequate retirement benefits to longer service employees, defined contribution plans – like 401(k) plans – do not always lead to adequate retirement savings. The 2006 Pension Protection Act permitted employers to enroll employees automatically at a three percent contribution level, but this has proven to be too low to fund a secure retirement.[28] AARP supports increasing the default contribution level to five or six percent, provided individuals always have the ability to select a different level. Retirement plan sponsors should also offer automatic escalation of employee contributions.

AARP is especially supportive of initiatives to improve the Saver's Tax Credit. Created in 2001, the Saver's Credit is available to low- and moderate-income taxpayers who contribute to a retirement savings plan. Unfortunately, the Saver's Credit is woefully underutilized. From 2006 through 2014, between 3.25 percent and 5.33 percent of eligible filers claimed the credit, and the average value of the credit ranged from $156 to $174 over this time period. A series of changes – some small and others more substantial – would enable more of the tax credit's target population to benefit from the Saver's Credit to help build significant retirement resources. One beneficial change for low- and moderate-income savers would be to make the Saver's Credit refundable. This reform would especially reward saving among Latinos, who are least likely to be covered by a workplace retirement plan and are more likely to earn low incomes.[29] Another way to strengthen to the Saver's Credit is to raise the income thresholds to reach more moderate-income filers.

We also note the need to establish a national retirement Lost and Found office to help workers locate retirement accounts with previous employers. This has become increasingly important as more and more workers change jobs several times over the course of their careers. There will be

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[27] Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Household Data Annual Averages, Table 8: Employed and unemployed full- and part-time workers by age, sex, race, and Hispanic or Latino ethnicity (Jan. 18, 2019) *available at* https://www.bls.gov/cps/cpsaat08.htm.

[28] https://www.cnbc.com/2017/08/02/the-problem-with-too-low-401k-contribution-rates.html

[29] http://publications.unidosus.org/bitstream/handle/123456789/888/32551_file_Retirement_security_brookings_Fact_Sheet_Final.pdf

an estimated 25 million lost 401(k) accounts by the end of this year, valued at about 20 percent of the total assets held in 401(k) plans.[30] Representatives Bonamici, Messer, Banks, Neal and Brady have introduced bipartisan bills to help workers find "lost" accounts. A Lost and Found office could help savers reclaim their investments and combine accounts to more appropriately invest their assets and lower their fees and expenses.[31] The Pension Benefit Guaranty Corporation (PBGC) is starting a preliminary effort to help match individuals with former retirement accounts. Several other countries with similar types of retirement systems also are setting up such low-cost matching programs.

The bill also makes improvements to the required minimum distribution rules, including exempting a threshold amount, that will both simplify distribution rules and help preserve savings. And the bill expands catch-up contributions enabling older participants to make extra contributions when they typically are more financially stable.

AARP is also continuing to examine provisions related to multiple/pooled retirement plans for employers, which were established in SECURE 1, including a new proposed expansion to 403(b) non-profit plans. AARP supported pooled plans in large part because the SECURE Act required the Department of Labor to issue rules for the operation of these plans, including a model plan. However, while DOL several times solicited public comments, it has not yet issued any rules. As a result, some firms have registered to sell pooled plans, but without rules, neither the plans, nor employers or consumers know how they should operate or if they are operating fairly. Congress may need to take further action to ensure appropriate guidance for pooled plans. Similarly, standards are also needed for non-profit 403(b) retirement providers, who are also interested in adopting pooled plans. Separately, the U.S. Supreme Court just agreed to take up litigation affecting 403(b) plan compliance with ERISA. AARP looks forward to working with Congress to ensure fair and adequate pooled plan standards for all providers.

AARP also looks forward to working with the Committee and interested members on a wide range of promising and needed additional retirement improvement ideas. As retirement savings has become more individualized and technology improved, new ways to create and maintain accounts over a lifetime are emerging. Retirement experts are just starting to understand the many ways in which economic and racial disparities affect retirement savings. A larger role for participants in retirement plan design and oversight is likely to improve coverage of marginalized groups and improve benefits. From the ERISA Advisory Council to individual plan committees, a greater role for covered employees and retirees would be beneficial to the system. Regular agency reporting on what works and better interagency coordination also should be considered. Further, the most critical component of retirement savings programs are low aggregate fees and prudent investments, and the Committee has long worked to ensure

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[30] https://hicapitalize.com/resources/the-true-cost-of-forgotten-401ks/
[31] https://www.brookings.edu/wp-content/uploads/2020/10/Retirement-Security-Project-Dashboards-Oct-2020.pdf

consumers are informed about appropriate fees and investment options. The Committee should consider requiring disclosure of all paid fees in a single prominent place. Also, relatedly, the Committee should ensure that spouses are always protected and fully apprised of their benefit rights. Finally, workers should always have full legal protections to their benefits, including de novo legal review, prevailing attorney fees, and no preemption of more protective State laws.

Maintain Essential Fiduciary and Disclosure Protections

For the millions of Americans who have access to a workplace savings plan and started to save for their retirement, Congress can do more to protect their hard-earned nest eggs. All tax-preferred retirement savings should be prudently invested, with reasonable fees and without conflicts of interest. While ERISA is clear that any person who exercises discretion over employee benefit plan assets must do so in a fiduciary capacity, efforts have been made to lower the important standards that protect retirement investors. Recently, the Securities and Exchange Commission (SEC) weakened financial adviser investment advice standards, and the Department of Labor adopted similar proposals. AARP strongly opposed those efforts and urges both agencies and Congress to restore ERISA's longstanding protections. A strong fiduciary standard should include the core principle that when providing personalized investment advice to customers, financial professionals must always act in the sole interests of those customers – whether they be employers acting on behalf of workers or the workers themselves. That fiduciary standard should be uniform for all financial professionals and should apply to all types of accounts to rectify the existing confusion among investors in the marketplace because of standards that are not uniform. These rules are especially important when workers terminate employment and help protect workers who may be considering rollovers from their ERISA protected savings to often less protected individual retirement investments.

Congress should also discourage pre-retirement cash-outs of retirement funds and instead encourage account portability and stable lifetime income streams, such as periodic withdrawal options and fixed lifetime annuities at retirement age. Too many workers cash out their savings when they change jobs or experience financial emergencies. While this may provide short-term relief, cash-outs create significant risk for diminished financial security for retirees and their spouses in the future. Cash-outs related to emergencies could be reduced if individuals could save in more liquid accounts or have greater access to accounts that have been created through regular payroll deduction.[32] Research shows that individuals with emergency savings accounts are 2.5 times more likely to be confident in their long-term financial goals.[33]

In addition, most defined contribution plans do not accept former account rollovers or permit

[32] https://www.nber.org/system/files/working_papers/w26498/w26498.pdf
[33] Harvey, Catherine S. *Unlocking the Potential of Emergency Savings Accounts.* Washington, DC: AARP Public Policy Institute, October 2019. https://doi.org/10.26419/ppi.00084.001

contributions to be made to portable accounts to help workers consolidate savings. Most DC plans also do not offer fixed annuities or periodic payment options to help ensure that retirees have more adequate distribution options and do not outlive their money. AARP looks forward to working with the Committee and other groups to encourage asset preservation, portability, and to provide low-cost distribution and spend-down options that meet workers' needs.

AARP has been strongly supportive of efforts to educate and better inform workers about their retirement savings plans. ERISA and the tax code require many disclosures to workers about the actions they need to take and the benefits they are earning. We agree with many critics that disclosures could be shorter, simpler and timelier. We support efforts to streamline retirement plan documents and disclosures.

However, we strongly oppose efforts to primarily provide disclosures through generally time-limited website postings. Employers already may automatically provide electronic disclosures to workers who typically work with computers, but most plan participants prefer paper delivery of retirement information. A 2016 FINRA study showed that only 31 percent of respondents preferred receiving disclosures by email or through internet access; the remainder preferred physical mail (49 percent) or in person meetings (14 percent). Older respondents preferred paper documents, while younger respondents preferred in person meetings. There was no age differential between those who preferred to receive disclosures by email.[34] Moreover, the Pew Research Center found that a third of individuals age 65 and older do not use the internet, only half have broadband at home, and only approximately 40 percent own a smartphone. Among all adults, a third do not have high-speed internet at home and 13 percent only own a smartphone. Disadvantaged populations have even less access – approximately only half of rural Americans, African Americans, and Americans with a high school degree or less have broadband internet at home.

With such discrepancies in access, and a generally greater preference for paper copies of important financial documents, it is crucial that important material be distributed in paper form and that electronic disclosure not become the default method of delivery. Full and meaningful disclosure is critical to retirement security and pension law, and Congress needs to ensure workers will receive and can review important retirement plan documents. An annual benefit statement, similar to the Social Security and Federal Employee statement of earned benefits, is essential to help employees better understand and successfully manage their plans and determine if they are on track for retirement. AARP supports default paper delivery of disclosures and supports the availability of electronic disclosures when a participant chooses to opt into it. SECURE Act 2 includes an important requirement for an annual paper retirement earnings benefit statement, which AARP strongly supports.

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[34] FINRA, Investors in the United States 2016 at 14 (Dec. 2016), https://www.usfinancialcapability.org/. downloads/NFCS_2015_Inv_Survey_Full_Report.pdf.

Finally, AARP commends the Congress for earlier this year enacting important legislation to protect the earned benefits of millions of workers and retirees counting on multiemployer pensions for their retirement security. We commend Chairman Scott and the many Committee members who focused their attention on this issue. While most multiemployer pension plans are well funded, over 100 plans – due to industry changes and market downturns, among other reasons – do not have enough assets and contributing employers to pay out full, earned pensions. Many retirees have already been devastated by significant reductions to their earned benefits, and over one million retirees and their families were at substantial risk of losing needed retirement income. While this was a difficult problem with no easy solution, the legislative support was critical to protecting the benefits of workers and retirees who had worked hard, earned their benefits, and were put at risk through no fault of their own.

AARP would again like to thank the Committee for considering the challenges and needs for a secure retirement and for the opportunity to share our policy priorities to improve the retirement savings of Americans and their families. We stand ready to work with the Committee to improve Americans' retirement security.