February 8, 2017

Dear Member of Congress:

On behalf of working Americans who struggle to save for their retirement, AARP urges you to vote against a Congressional Review Act resolution to overturn the Department of Labor's final rule on "Savings Arrangements Established by States for Non-Governmental Employees". AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

Today, 55 million working Americans do not have a way to save for retirement out of their regular paycheck. Despite decades of federal incentives, employer sponsorship of retirement savings plans has remained static. The lack of employer-sponsored savings plans has a direct impact on the retirement readiness of workers, because employees are 15 times more likely to save if they have access to a payroll deduction savings plan at work.

In response to the stubborn lack of growth in employer-sponsored retirement savings plans, numerous states have removed regulatory and operational barriers for small businesses who want to offer a retirement savings vehicle to their workers. These bi-partisan, commonsense solutions are known as Secure Choice or Work and Save. In the last two years more than half the states considered a variety of options to provide employers and their employees with low-cost savings options, including Arizona, California, Colorado, Connecticut, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Virginia, Washington, West Virginia, and Wisconsin.[1]

In 2016, the Department of Labor promulgated a rule providing states with guidance on how to enter into public-private partnerships aimed at increasing personal savings rates among small business employees. This rule makes it clear that any automatic IRA program established by a state must remove the operational burden of running a retirement plan from small business owners. In fact, it asserts that a small business owner's only interaction with a Work and Save plan would be to facilitate payroll deductions for these individual savings plans.

[1] Other states considering action this year include: Alaska, Arkansas, Kansas, Montana, Nevada, Oklahoma, Tennessee, and Texas.

A Congressional Review Act resolution to overturn this rulemaking will have a significant chilling effect on states, sending the political message that state flexibility is not a priority. There is successful precedent for states to take action to promote personal financial responsibility. When college savings plans, known as 529 plans, were created twenty years ago, less than $2.5 billion had been saved for college in these programs. Today, individuals have put away more than $253.2 billion for college in 529 plans. Similarly, in the retirement context, states are acting as facilitators, aggregating small businesses to get the cost benefit of pooling. All private financial firms can bid to invest the savings from employees. The only employer role is to set up the payroll deduction and forward materials to employees, a role employers already perform for unemployment insurance, workers' compensation, and other similar programs.

Often, states are the pioneers of solutions. State governments more directly interact with both workers and employers, and state policymakers are aware that growth in the number of older Americans who do not have a secure retirement will be felt most acutely in cities and states. As laboratories of change, states are often more willing and able to test creative solutions to improve the retirement security needs of their workforce while respecting the unique characteristics and demographics of each jurisdiction. The lack of options to save for retirement at work is a persistent problem that demands action today. States desire flexibility to move forward with innovative reforms -- Congress should not curtail state efforts to promote retirement savings.
Americans need easy savings options. No one wants older Americans solely dependent on Social Security. Employer plans are not growing and states are trying to meet the needs of their citizens using private investment firms. Lack of access to workplace savings plans is especially acute for people of color-- only 54 percent of African American and Asian employees and 38 percent of Latino employees work for an employer that sponsors a retirement plan, compared to 62 percent of White employees. Those who do not save enough for retirement risk becoming dependent on social safety net programs, costing taxpayers down the line. In fact, states taking action today could save taxpayers as much as $4.8 billion in the next ten years. Congress should support these important state savings programs, not take steps to end them.

AARP urges Congress to support private retirement savings and vote no on a Congressional Review Act resolution to overturn the Department of Labor's rule on Savings Arrangements Established by States for Non-Governmental Employees. If you have further questions, please feel free to contact me or have your staff contact Michele Varnhagen on our Government Affairs staff at mvarnhagen@aarp.org or 202-434-3829.

Sincerely,

Nancy A. LeaMond
Executive Vice President and
Chief Advocacy and Engagement Officer