



American Federation
of Teachers, AFL-CIO

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February 15, 2017

United States House of Representatives
Washington, DC 20515

Dear Representative:

For many Americans, the ability to maintain their living standards in retirement continues to be a source of anxiety and concern. Two-thirds of participants in the Employee Benefit Research Institute's 2016 Retirement Confidence Survey indicated that they had no retirement plan, and more than 50 percent reported they had less than \$25,000 in retirement savings.

As a result, a large number of states are moving legislation to help employees of small employers to access retirement savings plans. The Department of Labor has assisted this effort by excluding such plans from ERISA. In light of these facts, the AFT urges you to vote no on Congressional Review Act resolutions (HJ Res 66 and HJ Res 67) that would reimpose ERISA standards on governments and only serve to chill state and city innovation.

Although most jobs are created by small businesses, most small business workers are not offered any retirement plan. According to the Center for Retirement Initiatives (CRI), 98 percent of all firms in the U.S. employ fewer than 100 workers,¹ and about two-thirds of these workers lack access to any retirement plan.² Many small-business owners who were contacted by the Government Accountability Office reported shying away from sponsoring any retirement plan because of all of the administrative requirements and fiduciary responsibilities for selecting investment funds and managing plan assets.³ Unless something is done to improve the retirement prospects of the small-employer workforce, these individuals will fall into poverty in retirement, and place emotional stress on their families and financial stress on their government sponsors.

In response to this retirement savings gap, a large number of states have removed regulatory and administrative barriers for small businesses that want to offer a retirement savings vehicle to their workers. These bipartisan common-sense

¹ U.S. Census Bureau, Data Tables by Enterprise Employment Size: U.S. State Totals, 2012.

² National Institute for Retirement Security, "The Continuing Retirement Savings Crisis," March 2015.

³ GAO-13-748T, "Retirement Security: Challenges and Prospects for Employees of Small Employers," July 2013.

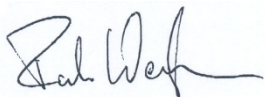
approaches are collectively known as “Secure Choice.” In the last few years, about half of all states have considered ways to provide small employers and their employees with low-cost, professionally managed savings options. Seven states already have enacted legislation and are preparing to implement their plans.

In 2016, the DOL promulgated a rule providing states and cities with guidance on how to enter into public-private partnerships, with the goal of increasing savings rates among employees of small businesses. The rule clearly states that an automatic IRA program established by a state or city must remove the burden of administering the retirement plan from small-business owners. The rule puts in place only one requirement: Small employers that do not offer any other retirement plan to their employees must offer a payroll deduction for employees who voluntarily choose to participate in the savings plan. In short, the DOL rule eliminates much federal red tape, and gives governments more flexibility to innovate. This allows states and cities to provide a glide path for small employers to offer a retirement savings plan to their workers.

Just as states facilitated the pooling and investing of 529 college savings plans in partnership with private investment firms, the same convention is being employed in a retirement savings context. Private investment companies can bid to invest the pooled savings from employees of small employers. Workers will enjoy the twin benefits of low-cost and well-managed investments. Small employers are only required to provide payroll deduction and forward the program information to employees.

Again, the AFT urges Congress to support these state-sponsored, public-private retirement savings programs—collectively referred to as Secure Choice—by voting against Congressional Review Act resolutions HJ Res 66 and HJ Res 67.

Sincerely,

A handwritten signature in black ink, appearing to read "Randi Weingarten". The signature is fluid and cursive, with a long horizontal stroke at the end.

Randi Weingarten
President

RW:sah opeiu#2 afl-cio