

Floor Statement on the Retirement Security and SIMPLE Plan Modernization Acts
Senator Susan M. Collins

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Mr. President, as Chairman of the Senate Aging Committee, ensuring that more Americans are secure financially in their retirement years is one of my highest priorities. Later this week, our Aging Committee will hold a hearing on this very topic, following up on previous work we have done in the last Congress.

Today, I rise to introduce two bipartisan bills that would help to promote greater retirement security. Together, these bills would encourage more small employers to offer retirement plans, provide incentives for employees to save more for their retirement, and make it easier for low- and middle-income taxpayers to claim an existing tax break for their retirement savings.

According to the non-partisan Center for Retirement Research, there is an estimated \$7.7 trillion gap between the savings that American households need to maintain their standard of living in retirement and what they actually have saved. Think of that, Mr. President. We're not talking about billions here, we're talking about a \$7.7 trillion gap. A recent Gallup poll found that only 54 percent of working Americans believe that they will have enough money to live comfortably in their retirement years. We must therefore continue to work to ensure that more Americans will have sufficient resources that they need to enjoy, what is supposed to be, their "golden years."

There are many reasons why Americans have struggled to have sufficient funds for their retirement. One is the shift away from employer-based "defined benefit" plans, known as pensions, to defined contribution plans, in which the risk is placed more on the employee. Another is the severity of the 2008 financial crisis. Yet another is rising health care costs, including the need for expensive long-term care. But Mr. President, the number one factor is that Americans are living far longer than they did in the past. Many Americans reaching retirement age with more debt than retirees in past generations. Many Americans are worried that they will outlive their retirement savings.

There's another contributing factor and that is employees of small businesses, which are the majority of businesses in this country, are much less likely to participate in, or even have access to, employer-based retirement plans. According to a study by the PEW Charitable Trusts, more than 30 million U.S. workers lack access to a work-based plan to save for retirement.

Making it easier for smaller businesses to offer retirement plans would make a significant difference in the financial security for many Americans. That is why the first bill of the two retirement security bill that I am introducing today, the *Retirement Security Act*, would focus on

reducing the cost and complexity of retirement plans, especially for our small businesses, and on encouraging individual employees to save more for retirement.

I'm delighted that my friend and colleague from New Hampshire, Senator Hassan, has agreed to be the lead Democratic cosponsor on this bill. My colleague from New Hampshire has great compassion for those who are struggling to make ends meet. She and I both represent states with an aging population and we know how difficult it is for many older Americans when they are struggling with high health care costs, heating their homes, affording their medications, and trying to get by in their retirement years.

Our bill would make it easier for businesses to enter into multiple employer plans, known as MEPs, in order to offer retirement programs to their employees. MEPs permit small companies to share the administrative costs and burden of a retirement plan, and that helps to lower costs overall. Current law discourages the use of MEPs, however, because it requires a connection, or a "nexus," between unrelated businesses in order to join together as a MEP, such as membership in the same trade association. Our bill would waive that nexus requirement for businesses and would prevent employers from losing their tax benefits if one member of the MEP fails to meet the minimum requirements necessary to obtain these tax incentives.

In addition, the bill would reduce the cost of maintaining a plan by directing the Department of Treasury to consolidate notices and other required documentation. In other words, to reduce all of the onerous paperwork. The *Retirement Security Act* would also modify the existing safe harbor for "automatic enrollment" plans to allow employees to receive an employer match of contributions of up to ten percent of their pay. Employees would be able to contribute more than ten percent of their wages or salary, albeit without an employer match for contributions above ten percent. This is an example of a provision that would encourage employees to save more for their retirement by giving them this tax incentive.

I realize that businesses that choose to adopt this plan with the new optional safe harbor may face additional costs due to the increased employer match. That is why our bill would also help the smallest businesses—those with fewer than 100 employees—to offset this cost by providing a new tax credit equal to the increased match. So, what we want to do in our bill is to provide incentives for employers to establish these plans by waiving the requirement that they have to be in a related industry and we would also encourage both employees and employers to increase, if they can, the amount of money they are donating to these retirement plans.

The new retirement plan options for businesses that are included in our bill are just that—they're options. They're opportunities. No business, large or small, would be required to offer its employees a retirement plan under our bill. This is an opportunity, not a mandate. But, it's an opportunity that I would hope that more and more small business would consider, because I know they share the concern about the financial security of their employees once they reach their retirement years.

Building on this comprehensive effort to strengthen retirement security, I am also introducing a second bill today with my friend and colleague from Virginia, Senator Mark

Warner. It would provide greater flexibility and access to both employees and their employers seeking to use the popular SIMPLE plans for saving for retirement.

Established in 1996, SIMPLE plans can help small businesses provide their employees with a retirement plan that is less costly and easier to navigate than a 401(k) plan, which many small employers simply cannot afford.

Our bill, the *SIMPLE Plan Modernization Act*, would help expand access to SIMPLE plans by increasing the contribution limit for most small companies. This would achieve two important goals.

First, it would encourage more small businesses to offer a retirement savings benefit to their employees. Second, it would allow employees of small businesses to save even more for retirement each year on a tax-deferred basis.

This legislation is also a win-win proposition for retirement security. It encourages small business employers and their employees to take additional steps to save for retirement. For many small employers, this legislation would provide enhanced savings opportunities. At the same time, it is carefully constructed to prevent employers that already have a 401(k) plan from dropping that plan to adopt a SIMPLE plan. In other words, we want to broaden the number of employers who are able to offer retirement plans to their employees. It also preserves strong incentives for small businesses that become more successful to move from a SIMPLE plan to a 401(k) plan as they become bigger, more profitable, more secure.

In light of the positive effects that these bills would have in strengthening retirement security for millions of Americans, I would urge my colleagues to join in supporting the *Retirement Security Act of 2019* and the *SIMPLE Plan Modernization Act*.

Mr. President, this is a crisis that is looming on the horizon. It used to be that we could count on the three pillars that made up the retirement system: social security, a pension from an employer, and also personal savings. All three of those pillars are shaking right now. The two bills that I introduced today attempt to strengthen two out of three of the legs of this three-legged stool. And we need to do that to ensure that Americans can enjoy a financially secure retirement and not end up retiring in poverty. Thank you, Mr. President.

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