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February 4, 2019

The Honorable Susan Collins
United States Senate
413 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Mark Warner
United States Senate
703 Hart Senate Office Building
Washington, DC 20510

Dear Senators Collins and Warner:

On behalf of AARP, we are writing in support of the SIMPLE Plan Modernization Act. The bill seeks to update and improve the rules encouraging small employers to offer retirement plans to their workers. AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50 and older to choose how they live as they age. With nearly 38 million members and offices in every state, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, AARP works to strengthen communities and advocate for what matters most to families with a focus on health security, financial stability, and personal fulfillment. AARP is committed to expanding retirement savings so that all Americans and their families have adequate income for retirement through Social Security and private savings.

Congress and interested retirement security stakeholders have worked for decades to provide simple and easy retirement savings vehicles for small employers. Small employers often struggle to establish and maintain their businesses and retirement savings is thus not the first priority. However, significant progress has been made. Since 1996, for example, employers with fewer than 100 employees have been able to create SIMPLE retirement accounts. Unfortunately, under current rules, these accounts have largely failed to reach their full potential.

Between 2000 and 2014, the proportion of US households with employer-sponsored IRAs has been largely stagnant.¹ While it rose from 6.8 percent to 8.6 percent between 2000 and 2008, it then declined to 5.7 percent in 2014, according to the latest data available.² During that period, the number of US households with these accounts grew from 7.2 million to 10 million in 2008, before dropping back to 7.2 million in 2014.

¹ Employer-sponsored IRAs include both SEP IRAs and SAR-SEP IRAs in addition to SIMPLE IRAs

² <https://www.ici.org/pdf/per23-01a.pdf> Figure A1. 2

Employees of small businesses are far less likely to be offered retirement savings accounts than those in larger companies. While over 60 percent of those who work for employers with 100 or more employees are offered these accounts, this proportion drops to about half of those who work for an employer with between 50 and 100 employees, to about a third of those working for companies with between 10 and 50 workers, and to less than 20 percent for those with 10 employees or fewer.³ Clearly, much more needs to be done to help small business workers to build retirement security.

AARP supports your efforts to further help small employers offer retirement plans. Under the SIMPLE Plan Modernization Act, employers could increase the amount saved (\$16,000, instead of \$13,000), employers would be encouraged to increase employer matching contributions, and clearer information requirements would report the number of employers and workers earning benefits under SIMPLE plans. The legislation also allows a SIMPLE plan to be converted to a 401(k) plan with higher savings limits (\$19,000).

In addition to this bill, AARP is working with the states to create appropriate savings options for workers and families without access to an employer sponsored retirement plan. We are proud that several states already have enacted supplemental programs and they are proving both popular and successful. AARP also has supported federal legislation that would encourage private organizations that agree to serve as fiduciaries to operate multiple employer plans (MEPs) to further enable small employers to offer affordable retirement savings plans.

Working together, AARP believes we can create retirement savings options to improve coverage for all Americans. We appreciate your longstanding support for adequate retirement saving options, particularly for small employers. We look forward to continuing to work with you to expand access to and the adequacy of retirement savings. If you have any questions or need further assistance, please contact me, or have your staff contact [REDACTED] on our Government Affairs staff at [REDACTED].

Sincerely,



Joyce A. Rogers
Senior Vice President
Government Affairs

³ <https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf>