

May 28, 2021

The Honorable James Lankford
United States Senate
316 Hart Senate Office Building
Washington, DC 20510

The Honorable Michael Bennet
United States Senate
261 Russell Senate Office Building
Washington, DC 20510

Re: Letter of Support for the *Enhancing Emergency and Retirement Savings Act*

Dear Senators Lankford and Bennet:

On behalf of the more than 30,000 members of the American Retirement Association (ARA), we hereby express our support for the *Enhancing Emergency and Retirement Savings Act*.

The ARA is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of America's private retirement system – the American Society of Enrolled Actuaries (ASEA), the American Society of Pension Professionals and Actuaries (ASPPA), the National Association of Plan Advisors (NAPA), the National Tax-Deferred Savings Association (NTSA), and the Plan Sponsor Council of America (PSCA). The ARA's members include organizations of all sizes and industries across the nation who sponsor and/or support retirement saving plans and are dedicated to expanding on the success of employer-sponsored plans. The ARA and its underlying affiliate organizations are diverse but united in their common dedication to the success of America's private retirement system.

The ARA recognizes that American workers are not saving enough, therefore are vulnerable to unexpected financial shocks. The Federal Reserve found that nearly 4 in 10 adults in 2019 would have difficulty covering a \$400 unexpected expense using cash or its equivalent,¹ a situation that has likely grown worse for a significant portion of the population due the impact of the COVID-19 pandemic.

The *Enhancing Emergency and Retirement Savings Act* smartly leverages the existing workplace-based retirement plan system to address this emergency savings problem while ensuring Americans continue to save for a secure retirement following an emergency. The legislation creates a new category of distribution in a 401(k) or similar plan that would allow workers who have a certain balance in these accounts to quickly access their savings to address a personal financial emergency without an additional tax penalty and a minimal amount of paperwork.

Our members specialize in facilitating well-designed workplace-based retirement savings plans to bolster the retirement security of the American workforce. Employers will be more inclined to adopt this new financial emergency safety valve feature due to its simplicity and the guardrails imposed to prevent abuse. Employers are already familiar with processing similar distribution requests since 401(k) and similar plans already have built in rules allowing access to savings on account of certain financial hardships or other obligations. The financial incentives to save through and fund a 401(k) plan remain in place and those funds remain protected through the Employee Retirement Security Act (ERISA), so long-term retirement savings are not undermined.

The ARA has concerns with the other approaches to encourage savings for financial emergencies that propose to create and automatically enroll employees into an entirely new and separate savings account

¹Board of Governors of the Federal Reserve System, Report of the Economic Well-Being of U.S. Households in 2019: May 2020

program. The ARA believes that this approach would create an unnecessary administrative burden for employers and would potentially expose employers to more liability if something goes wrong. In addition, separate accounts would also discourage long-term retirement savings as workers would be less likely to save in their 401(k) plans if they are already automatically saving in their separate emergency savings account.

The American Retirement Association thanks Senators Lankford and Bennet for introducing this important piece of legislation. The *Enhancing Emergency and Retirement Savings Act* addresses this important policy problem and deserves serious consideration from the Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "B.H. Graff".

Brian H. Graff, Esq. APM
Executive Director/CEO
American Retirement Association