August 10, 2021

Bob Carlstrom
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The Honorable Ron Wyden
Chairman
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

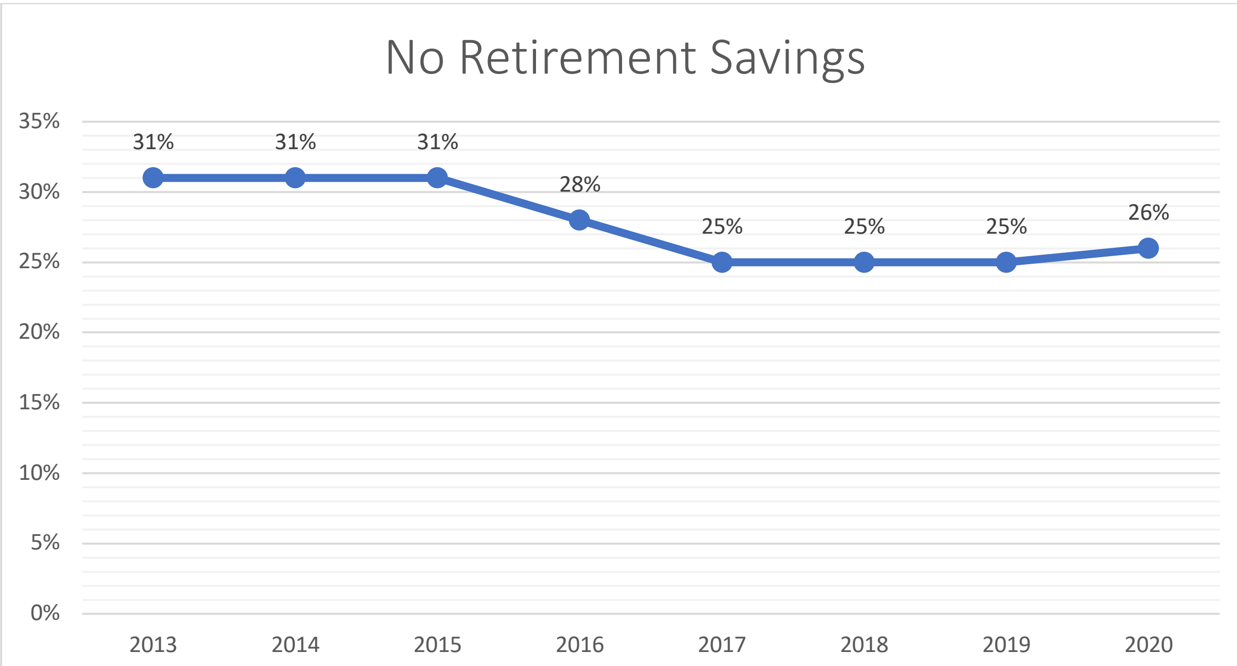
Re: Statement for the Record for the July 28, 2021 hearing entitled: Building on Bipartisan Retirement Legislation: How Can Congress Help?

Dear Chairman Wyden and Ranking Member Crapo,

On behalf of the Association of Mature American Citizens (AMAC) and their over 2.3 million members, I am submitting this statement for the record for the hearing entitled: "Building on Bipartisan Retirement Legislation: How Can Congress Help?"

AMAC is a member benefits organization supporting all Americans, especially those 50 plus in age. AMAC is centered on American values: freedom of the individual, free speech, exercise of religion, equality of opportunity, sanctity of life, rule of law, and love of family. AMAC Action, a 501(c)(4), advocates for issues important to AMAC's 2 million plus members on Capitol Hill, in state capitals, and local government. AMAC Action ensures our members' voices are heard through grassroots activism. The AMAC Foundation serves as a source of guidance for older Americans about Social Security and Medicare, completely free of charge. The AMAC Foundation has a staff of certified National Social Security Advisors to counsel retiree and pre-retirees on questions and issues relating Social Security and provides an array of educational opportunities on other issues.

As an organization supporting Americans aged 50-plus, AMAC strongly believes more can be done to help Americans to save for retirement. The complexity of the American retirement system has made it difficult for mature adults to reap the full benefits of retirement savings. The SECURE Act was a good first step in simplifying retirement savings for millions of Americans, but more can and should be done to simplify the system.



Just looking at JCT's analysis[1] for this hearing, which spans more than 60 pages, shows the need for a simpler system. Currently private sector and governmental employees have access to nearly a dozen different retirement savings systems depending on the type of employment, defined contribution or defined benefit, single employer or multi-employer, and existence of collective bargaining agreements. Even with all these various types of qualified retirement plans, 33 percent of private sector workers do not have access to an employer sponsored plan and only 76 percent of those with access choose to use it. A study by the Federal Reserve found that 26 percent of non-retirees had no retirement savings in 2020.[2] This high number of non-savers can be distilled down to two reasons:

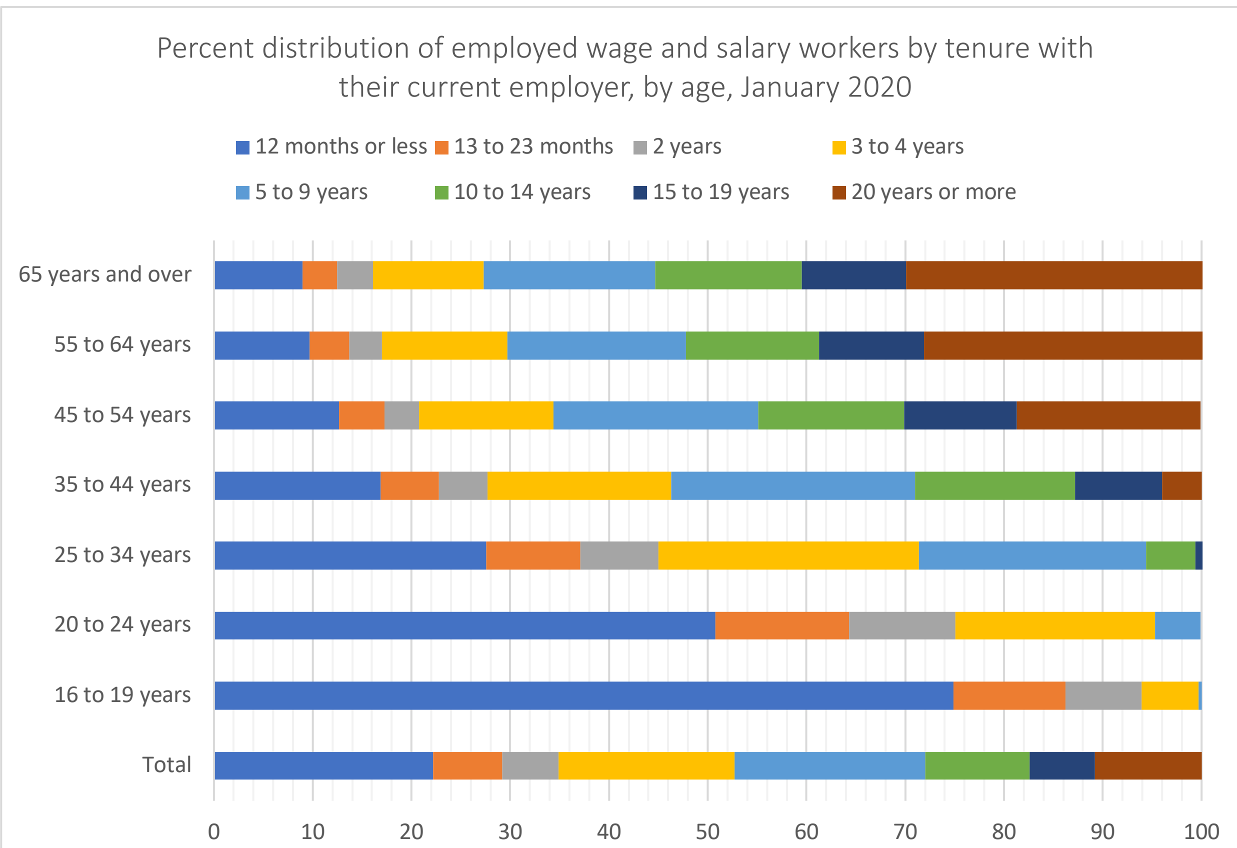
1. The complexity of the retirement savings systems leads many to skip saving for retirement.[3]

[1] Joint Committee on Taxation. *Present Law and Background Relating to Retirement Plans* (JCX-32-21), July 26, 2021.
[2] Federal Reserve. "Report on the Economic Well-Being of U.S. Households in 2020." May 2021.
[3] Washington Post. "Why it's so hard for Americans to save for retirement." September 15, 2017.

2. The voluntary nature of employers offering access to retirement plans leaves some employees without easy access to retirement savings.[4]

Since 2013[5] the number of respondents to the Federal Reserve survey with no retirement savings has decreased marginally, however the high number still leads AMAC to believe a retirement savings crisis exists.

In addition to the current system's inability to deal with this crisis of non-savers, changes in employee preferences will also be impacted by the complexity of the retirement savings system. According to data from the Bureau of Labor Statistics, more than 70 percent of workers aged 25- to 34-years-old have less than four years of tenure with their current employer whereas the inverse is true, over 70 percent of 55- to 64-year-old workers have worked more than four years with the same employer and over half have tenure of more than 10 years.[6] The preference for younger employees to move jobs more often will have an impact on retirement savings. Employees with multiple former employers are often left with multiple retirement savings accounts, some of different types. While many employees consolidate retirement



[4] Pew Charitable Trusts. "Employer Barriers to and Motivations for Offering Retirement Benefits." June 2017.
[5] Federal Reserve. "Report on Economic Well-Being of U.S. Households" 2013-2020. 2014-2021.
[6] Bureau of Labor Statistics. "Median tenure with current employer was 4.1 years in January 2020." September 29, 2020.

accounts, consolidation can have major tax implications or impact fees paid to the retirement plan provider.

Another concerning action being taken is the number of employees either borrowing from or cashing out retirement savings. According to the Federal Reserve's 2020 data, 24 percent of non-retirees surveyed had removed money from self-directed retirement savings in the previous 12 months.[7] While tax penalties[8] are designed to reduce permanent withdrawal of funds from retirement accounts, a significant portion of employees still viewed retirement savings as a source of extra funds instead of as a nest egg necessary for the future. These reductions in savings are likely part of the reason 45 percent of employees believe their retirement savings is not on track to reach their goals.[9]

Reductions in retirement savings will have a greater impact on future retirees due to the shortfall of future Social Security revenue used to pay benefits. According to the 2020 Social Security Trustees Report, the Old-Age and Survivors Insurance Trust Fund, commonly called the Social Security Trust Fund, will move to a cash basis in 2034 and is expected to only be able to meet 76 percent of scheduled benefits.[10] Because of the pandemic caused recession in 2020 and resulting high unemployment, it is likely this date will be sooner than the most recent report suggests.

Without adequate retirement savings, or Congressional action to stop or delay the shortfall, many retirees will face economic hardship. This economic hardship could be made worse by rising inflation that makes many of the products retirees need more expensive while living on fixed incomes if adequate savings that provide increasing income do not exist. While not an issue covered by this hearing, AMAC strongly encourages Congress to make improvements to the Social Security program that will hold off insolvency and improve benefits for those without retirement savings to minimize the impact of increasing costs.

AMAC has created to the Social Security Guarantee[11] to help deal with these issues and can serve as a blueprint for Congress to pass real Social Security improvements without the need to make unnecessary tax increases or cut benefits for those that need them most. To help ensure

[7] Ibid.
[8] 26 U.S.C. 72(t)(1)
[9] Ibid.
[10] Social Security Administration. "The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds." April 22, 2020
[11] Association of Mature American Citizens. "The Combined Social Security Guarantee and Social Security Plus Initiative." August 2020.

retirees can afford retirement, especially those with little to no savings, AMAC suggests changing the way the annual cost of living adjustment is made:

> Implement a tiered approach to the calculation of Cost-of-Living Adjustments (COLA) as follows:
> 1. For beneficiaries with a household income (Modified Adjusted Gross Income) level less than 150 percent of the federal poverty threshold (FPT, 150% FPT limit would be $25,860 for 2020), set an annual COLA range of 3 percent minimum – 4 percent maximum.
> 2. For beneficiaries with a household income (MAGI) between 150 percent and 300 percent of FPT ($25,860 - $51,720 for two-person households in the continental U.S.) set an annual COLA range of 1.5 percent minimum and 3 percent maximum.
> 3. For beneficiaries with a household income (MAGI) exceeding 300 percent of federal poverty threshold ($51,720 for two-person households in the continental U.S.), set an annual COLA range of .5 percent minimum and 1.5 percent maximum.

Additional changes to the program are also necessary to avoid insolvency and more details about the Social Security Guarantee are available at the end of these comments.

One of the most important parts of the Social Security Guarantee is helping to increase retirement savings for non-retirees. To accomplish this AMAC recommends the creation of a new "Social Security Plus" ("SSP") account to be a supplemental voluntary companion benefit retirement account to provide access to additional funds for all workers at age 62.[12]

According to a February 2018 Pew Research report:[13]

> "[M]ore than one-third of all private sector workers lack access to a workplace plan. Moreover, 31 percent of those whose employers offer retirement benefits do not participate. Some may decide they are unable to afford regular contributions, while others may be ineligible because of plan rules, such as requirements for a minimum number of hours worked each year."

In sum, tens of millions of Americans have no retirement plan, and the average person receiving retirement benefits collects slightly more than $16,000 per year. Accordingly, the majority of retired workers rely on Social Security as the largest portion of their retirement

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[12] Ibid.

[13] Pew Charitable Trusts. "Workplace Retirement Plans Tend to Sharpen Focus on Financial Futures Survey." February 2018.

income. For many Americans, Social Security is their only source of income. There is an urgent need to help workers save more for retirement.

AMAC recommends the creation of a simple voluntary employer-offered companion retirement savings option that can be easily and inexpensively implemented by small employers – a Social Security Plus (SSP) account. SSP employee accounts would be managed for the employee(s) by established financial services firms and accountable to an industry board functioning under the auspices of the Social Security Administration.

Recommended core elements of the SSP:

- It must be offered by the employer to all employees (full and part-time), but participation will be a voluntary account for both employee and employer.
- When new employees are hired, they must opt out of the SSP account, or they will be enrolled at $10/week.
- The individual is the owner of this supplemental retirement savings account.
- Tax deduction for employer contributions, after-tax contribution for employee with income sheltered.
- Employee not taxed on receiving funds (similar to a Roth IRA).
- Paid via payroll deduction, employer provides the contribution slot to employee.
- The weekly minimum is $5, the weekly maximum is $100 or $5,200/year.
- Employer may elect to contribute to employees' SSP accounts in any amount or percentage of pay they choose up to $50 per week ($2,600 per year).
- The employer may start or stop their contribution at any time.
- Portability, if wage earner changes jobs, new employer must add payroll access for the SSP.
- Funds only available to wage earner at age 62 unless death or total disability occurs.
- Wage earner may elect to start receiving payouts at any age between 62 and 70 1⁄2.
- Death benefit is the accrued value of account at time of death.
- SSP account benefits, including earnings, are tax-free.
- Contribution should be indexed for inflation at 4%.

Investment options for the Social Security Plus retirement savings account

- 80% of the funds must invested in stock funds and bonds and the other 20% may be invested in any approved conservative investment (i.e. S & P 500 index).

- A volunteer board of investment experts creates lists of approved investments to assure quality.
- Investment choices would be similar to those used in 401k plans and IRAs and the cost of administration would be borne by the same providers who offer those plans, not the federal government.

A program such as the Social Security Plus account or other automatic IRA approach would ensure more Americans are able to save for retirement. Under this proposal, a 23-year-old employee contributing only $25/week in the first year and an employer contributing $15/week, with both adding 4 percent annually thereafter, in a mix of 80 percent stock funds and 20 percent conservative investments, would accumulate over $1 million by age 65. Having an extra $1 million in retirement savings would greatly reduce reliance on Social Security income for many retirees.

Ensuring our members have a smooth transition into retirement is a top priority for AMAC. Previous legislation to improve retirement security have been valuable, but continued bipartisan improvements are needed to increase retirement savings with a less complicated system. We appreciate the bipartisan efforts in working towards a solution to help preserve retirement savings for seniors.

Sincerely,

Bob Carlstrom

Bob Carlstrom
President
AMAC Action