



Insured Retirement Institute

1100 Vermont Avenue, NW | 10th Floor

Washington, DC 20005

t | 202.469.3000

f | 202.469.3030

www.IRionline.org

www.myIRionline.org

June 20, 2016

Honorable Michael B. Enzi
Chairman
Committee on Health, Education, Labor and Pensions
Subcommittee on Primary Health and
Retirement Security
United States Senate
Washington, D.C. 20510

Honorable Bernie Sanders
Ranking Member
Committee on Health, Education, Labor and Pensions
Subcommittee on Primary Health and
Retirement Security
United States Senate
Washington, D.C. 20510

Re: Hearing on Small Business Retirement Pooling: Examining Open Multiple Employer Plans

Dear Chairman Enzi and Ranking Member Sanders:

On behalf of our members, the Insured Retirement Institute (IRI)¹ commends the U.S. Senate Committee on Health, Education, Labor and Pensions, Subcommittee on Primary Health and Retirement Security for conducting a hearing on the topic of “Small Business Retirement Pooling: Examining Open Multiple Employer Plans”. A retirement coverage gap exists in America today, where unfortunately, tens of millions of Americans don’t have access to a retirement plan at work, leaving many ill-prepared to meet their financial needs after they stop working. This retirement coverage gap is most acute among employees of small businesses, many of whom do not sponsor plans due to concerns about costs, complexity, and fiduciary liability. As a result, IRI strongly supports Congress taking action to expand workers’ access to retirement plans through multiple employer plans.

The Subcommittee hearing is aimed at increasing access to multiple employer plans, or – MEPs – for small employers and their employees, providing millions of hard-working Americans with access to the workplace retirement plans they need to prepare for financial security in retirement. For the small employer market,

¹ IRI is the only national trade association that represents the entire supply chain of the retirement income industry. IRI has more than 500 member companies, including major life insurance companies, broker-dealers, banks, and asset management companies. IRI member companies account for more than 95% of annuity assets in the United States, include the top 10 distributors of annuities ranked by assets under management, and are represented by more than 150,000 financial professionals serving over 22.5 million households in communities across the country.

MEPs would enable many more small businesses to participate in a single, professionally administered plan that affords them economies of scale and manageable fiduciary responsibility. The plans would provide employees of these organizations the same opportunities to invest for retirement that employees of large companies already enjoy on a near universal basis through 401(k)s and similar defined contribution plans.

Currently, many small businesses are reluctant to provide their employees retirement savings plan options due to the complex financial and administrative challenges they are subjected to under federal law. In addition, they face increased legal risks if they offer a retirement plan to employees. If current federal law is changed to allow small businesses to band together in a MEP to offer their employees a retirement plan, this new option for small business employers will greatly reduce the number of workers without access to a workplace plan. It would give those workers access to professionally managed, institutionally priced retirement programs funded through convenient payroll deduction. It would also help make small employers more competitive with larger employers who can more easily assume the costs and responsibilities associated with sponsoring a retirement plan.

In sum, MEPs will: (1) reduce costs and administrative burdens often borne by the plan's participants and beneficiaries; (2) allow for greater retirement savings by employees; (3) reduce legal risks of fiduciary responsibilities for small employers sponsoring retirement plans as those will be discharged by plan and investment professionals thereby enhancing the fiduciary and other protections afforded to employees; (4) provide better retirement outcomes for employees by promoting the use of automatic enrollment and automatic escalation of their contributions; (5) offer a choice of investment options selected by investment professionals, better ensuring that plan participants will be able to tailor their portfolios to their investment goals and tolerance for risk; and (6) present enhanced opportunities for cost-effective participant education programs through pooling of resources with other employers. As an added benefit, if an employee moves between employers participating in the same open MEP, or is an independent contractor participating in a pooled plan using the open MEP structure, the employee can continue contributing to the same plan after starting work for a different company.

IRI recommends that the Subcommittee consider the recommendations contained in the Senate Finance Committee's Savings and Investment Bipartisan Tax Working Group Report in July 2015. In the report, the Tax Working Group discusses the power of MEPs to enable small employers to sponsor high-quality, low-cost plans. The working group recommended that the Senate Finance Committee consider proposals that will allow all employers to join multiple employer plans, as well as allow businesses to share administrative and other responsibilities associated with providing retirement plans to their employers. In addition, IRI recommends that the Subcommittee also consider the President's 2017 Budget which includes a proposal to remove the "common bond" requirement for using a MEP.

Access to a cost-effective, easy-to-use workplace retirement savings program is an important tool for building retirement security and reducing the numbers of workers without access to a workplace plan. Revamping the rules and regulations to allow for MEPs to meet the needs and concerns of small employers would help to close the retirement coverage gap and improve the retirement outlook for millions of working Americans.

Therefore, as the Subcommittee considers increasing options for small businesses to offer retirement savings programs for their employees, IRI strongly support efforts to expand the availability of retirement plans by small businesses, through open MEPs. We are committed to working with you and the other committee members and staff to provide research, information and additional comments to improve retirement security for all Americans.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Weatherford". The signature is stylized and cursive, with a large loop at the end.

Catherine Weatherford
President and CEO
Insured Retirement Institute

cc: Members of the Senate Health, Education and Labor Subcommittee on
Primary Health and Retirement Security