



December 23, 2013

**Statement for: “The Role of Social Security, Defined Benefits, and Private Retirement Accounts in the Face of the Retirement Crisis”**

The American Council of Life Insurers (ACLI), the American Benefits Council (ABC), and the Investment Company Institute (ICI) would like to thank Chairman Brown, Ranking Member Toomey, and the Subcommittee on Social Security, Pensions, and Family Policy for holding this important hearing.

As your committee and other policymakers consider how to help more Americans achieve financial security in retirement, we are pleased to submit for the record a summary of the white paper, “Our Strong Retirement System: An American Success Story.” (The full version of the paper is linked at the bottom of this letter.) With Social Security forming the foundation for retirement income for all workers, the U.S. retirement saving system is robust – formed by employer-sponsored defined benefit (DB) and defined contribution (DC) plans, individual retirement accounts (IRAs), homeownership, annuities, and other saving.

The paper comprises the latest research and up-to-date statistics that illustrate the current U.S. retirement system’s successes in helping Americans at all income levels achieve financial security. Employer-sponsored retirement plans are available to almost 80% of full-time workers, and more than 80% of those individuals participate in their plan. In addition, DC plans are an increasingly popular solution for employers and savers, especially in today’s mobile workforce. With consistent contributions, DC plans allow workers to accumulate significant savings over time. When looking at the combined account balances of near-retirees with 401(k)s and IRAs, the average amount is nearly \$360,000. Assets earmarked for retirement form a major share of households’ total financial assets. As of September 2013, Americans had more than \$21 trillion in retirement assets.

Americans also report a high level of confidence in the 401(k) system, and value the many features and amount of control over their assets provided by these plans. Above all, they overwhelmingly support keeping the current tax incentives, which are important to promote saving for retirement. The paper analyzes a number of recent proposals that would seek to reduce these incentives and finds them deficient in many respects.

As the paper’s research demonstrates, America’s retirement system has grown to better serve each successive generation. Innovations in plan design and various improvements, including automatic enrollment, automatic escalation, and life-cycle investing, help improve retirement security. In addition, there are numerous other enhancements that can further promote retirement security for more Americans. Accordingly, policymakers should seek to build and expand on the existing system, rather than eliminate or destabilize it.

We again thank the Committee for its consideration of this important issue, and look forward to working with the Committee in the future.

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**About [ACLI](#)**

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with more than 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums.

**About the [American Benefits Council](#)**

The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council's members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.

**About [ICI](#)**

The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). Members of ICI manage total assets of \$16.1 trillion and serve more than 90 million shareholders.

**About the Paper**

The paper, "Our Strong Retirement System: An American Success Story," is available on each organization's website:

The Council: [www.americanbenefitscouncil.org/documents2013/strong-retirement120413.pdf](http://www.americanbenefitscouncil.org/documents2013/strong-retirement120413.pdf)

ACLI: [www.acli.com/Issues/Retirement%20Plans/Pages/RP13-006.aspx](http://www.acli.com/Issues/Retirement%20Plans/Pages/RP13-006.aspx)

ICI: [www.ici.org/pdf/ppr\\_13\\_strong\\_retirement.pdf](http://www.ici.org/pdf/ppr_13_strong_retirement.pdf).

# OUR STRONG RETIREMENT SYSTEM

## An American Success Story

### SUMMARY

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The U.S. retirement system has many components: Social Security provides a strong base, complemented by employer-sponsored retirement plans, IRAs, annuities, and other savings. A growing component of that system is employer-sponsored defined contribution arrangements, such as 401(k) plans. These plans are popular and successful with employees and employers. With consistent contributions over time, defined contribution plans can generate substantial retirement benefits, especially when combined with Social Security. This report brings to bear the most recent statistical data and the results of rigorous academic research to clearly illustrate:

1. **Americans' retirement well-being has improved over time**, as successive generations of retirees have been better off than previous generations.
2. **Access to and participation in retirement plans are both strong**, with almost 80% of full-time workers having access to employer-sponsored retirement plans, and more than 80% of workers with access to plans participating. With further refinements, coverage could be increased to benefit other workers as well.
3. **Defined contribution plans can produce meaningful retirement benefits**, as evidenced by account balances that reflect combined 401(k) and IRA assets accumulated over a full working career. Near-retirees (age 60–64) have on average nearly \$360,000 in their defined contribution accounts and IRAs combined.
4. **The 401(k) is a good fit for America's mobile workforce**, in which workers tend to move from job to job, because these plans are portable. When employees accumulate savings in workplace retirement plans like the 401(k), those assets grow with them when they change jobs.
5. **Americans report high levels of confidence in the 401(k) system**—despite recent market turmoil—and appreciate its many user-friendly features including the tax benefits, the convenience of payroll deduction, their control over their own assets, and the choice of distribution options.

6. **Retirement plan contributions are tax-deferred, not tax-free**, meaning that efforts to raise money by taxing retirement plan contributions upfront are short-sighted and illusory—and could ultimately decrease retirement savings, especially for low-income workers.
7. **Retirement assets constitute a major share of U.S. households' savings and investments**, providing more than \$20 trillion (\$5.3 trillion from defined contribution plans alone) in private investment capital for American businesses.
8. **Innovation and incentives improve retirement security**, as demonstrated by initiatives that are well under way (such as automatic enrollment, automatic escalation, and life cycle investing).

The evidence is compelling: the current retirement savings system is fostering economic security in retirement for Americans across all income levels. Defined contribution plans have grown in importance in U.S. retirement accumulations, rising to be a key component of the voluntary, private-sector employer-sponsored system. Defined contribution plans, which offer workers a portable benefit that grows throughout their careers, are a flexible platform for further innovation and improvement. Defined contribution plans are not just “working,” they are strong.

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The American Benefits Council (the Council), the American Council of Life Insurers (ACLI), and the Investment Company Institute (ICI) sponsored this white paper, a compilation of research from a wide range of sources. “Our Strong Retirement System: An American Success Story” is available on each organization’s website.

The Council: [www.americanbenefitscouncil.org/documents2013/strong-retirement120413.pdf](http://www.americanbenefitscouncil.org/documents2013/strong-retirement120413.pdf)

ACLI: [www.acli.com/Issues/Retirement%20Plans/Pages/RP13-006.aspx](http://www.acli.com/Issues/Retirement%20Plans/Pages/RP13-006.aspx)

ICI: [www.ici.org/pdf/ppr\\_13\\_strong\\_retirement.pdf](http://www.ici.org/pdf/ppr_13_strong_retirement.pdf)