

Statement of the Investment Company Institute
Hearing on “Tax Reform Options: Promoting Retirement Security”
Committee on Finance
United States Senate

September 15, 2011

The Investment Company Institute¹ is pleased to provide this written statement in connection with the hearing in the U.S. Senate Committee on Finance titled “Tax Reform Options – Promoting Retirement Security.” The Institute strongly supports efforts to promote retirement security for American workers. We thank Chairman Baucus and Ranking Member Hatch for their past support of retirement savings plan improvements, including provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Pension Protection Act of 2006 (PPA). Reflecting these improvements, Americans currently have more than \$18 trillion saved for retirement, with more than half of that amount in defined contribution (DC) plans and individual retirement accounts (IRAs).² About half of DC plan and IRA assets are invested in mutual funds, which makes the mutual fund community especially attuned to the needs of retirement savers.

For Americans, retirement planning has many components. Social Security is the primary element for the majority of American retirees³ and replaces significant portions of income for lower-income retirees. Social Security replaces 71 percent of average annual lifetime household earnings for the lowest lifetime household earnings quintile, and 31 percent for the highest lifetime household

¹ 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). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$12.9 trillion and serve over 90 million shareholders.

² See Tables 1, 6, and 12 in Investment Company Institute, “The U.S. Retirement Market: First Quarter 2011” (June 2011); available at www.ici.org/info/ret_11_q1_data.xls.

³ Since 1975, there has been little change in the importance of Social Security benefits in providing retiree income. Social Security benefits continue to serve as the foundation for retirement security in the United States and represent the largest component of retiree income and the predominant income source for lower-income retirees. In 2009, Social Security benefits were 58 percent of total retiree income and more than 85 percent of income for retirees in the lowest 40 percent of the income distribution. Even for retirees in the highest income quintile, Social Security benefits represented more than one-third of income in 2009. See Figure 16 in Brady and Bogdan, “A Look at Private-Sector Retirement Plan Income After ERISA,” *ICI Research Perspective* 16, no. 2 (November 2010); available at www.ici.org/pdf/per16-02.pdf.

earnings quintile.⁴ Since the enactment of the Employee Retirement Income Security Act of 1974 (ERISA), increasing numbers of retirees also receive benefits from private-sector pension plans (defined benefit (DB) and DC) and receive more in benefits from these plans. Government household survey data indicate that in 2009, 34 percent of retirees received private-sector pension income and the median amount was \$6,000 per person.⁵ In 1975, only 21 percent of retirees received private-sector pension income and the median amount was only \$4,515 (in 2009 dollars).⁶ These statistics speak to the success of the changes implemented over the past 35 years. While the system is not perfect and can be improved, Congress should not throw out decades of progress and take away the ability of American workers to make full use of the retirement vehicles they value so strongly in supplementing their Social Security benefits. Consistent with the views of the overwhelming majority of Americans,⁷ we urge Congress to maintain the current contribution limits, and allow our successful employer-provided retirement system to flourish.

Current Pension Coverage

The fact is that the majority of private-sector workers needing and demanding access to pensions as part of their compensation have pension plan coverage.⁸ Discussions about coverage, however, often rely on misleading or incomplete coverage statistics. Household surveys, such as the Current Population Survey (CPS), typically show lower rates of pension coverage than surveys of business establishments, such as the National Compensation Survey (NCS). For example, the CPS data show that more than half (or 78.4 million) of all workers were without pension coverage in 2009.⁹ The March 2011 NCS, on the other hand, shows that 64 percent of all private-industry workers and 73 percent of all full-time private-industry workers have access to a pension.¹⁰

⁴ Figures represent the median initial replacement rates for retired workers in the 1940s birth cohort. See Exhibit 10 in Congressional Budget Office, *CBO's Long-Term Projections for Social Security: Additional Information* (October 2010); available at www.cbo.gov/ftpdocs/119xx/doc11943/10-22-SocialSecurity_chartbook.pdf.

⁵ Overall, in 2009, 47 percent of retirees had income from private-sector pensions, government pensions, or both. Data are ICI tabulations of the Current Population Survey (CPS). See Figure 17 in Brady and Bogdan, "A Look at Private-Sector Retirement Plan Income After ERISA," *ICI Research Perspective* 16, no. 2 (November 2010); available at www.ici.org/pdf/per16-02.pdf; and Figure A7 in Brady and Bogdan, "Appendix: A Look at Private-Sector Retirement Plan Income After ERISA," *ICI Research Perspective* 16, no. 2-A (November 2010); available at www.ici.org/pdf/per16-02_appendix.pdf.

⁶ Ibid.

⁷ See Figure 6 in Holden, Bass, and Reid, *Commitment to Retirement Security: Investor Attitudes and Actions*, Investment Company Institute (January 2011); available at www.ici.org/pdf/ppr_11_com_ret.pdf and discussed later in this statement.

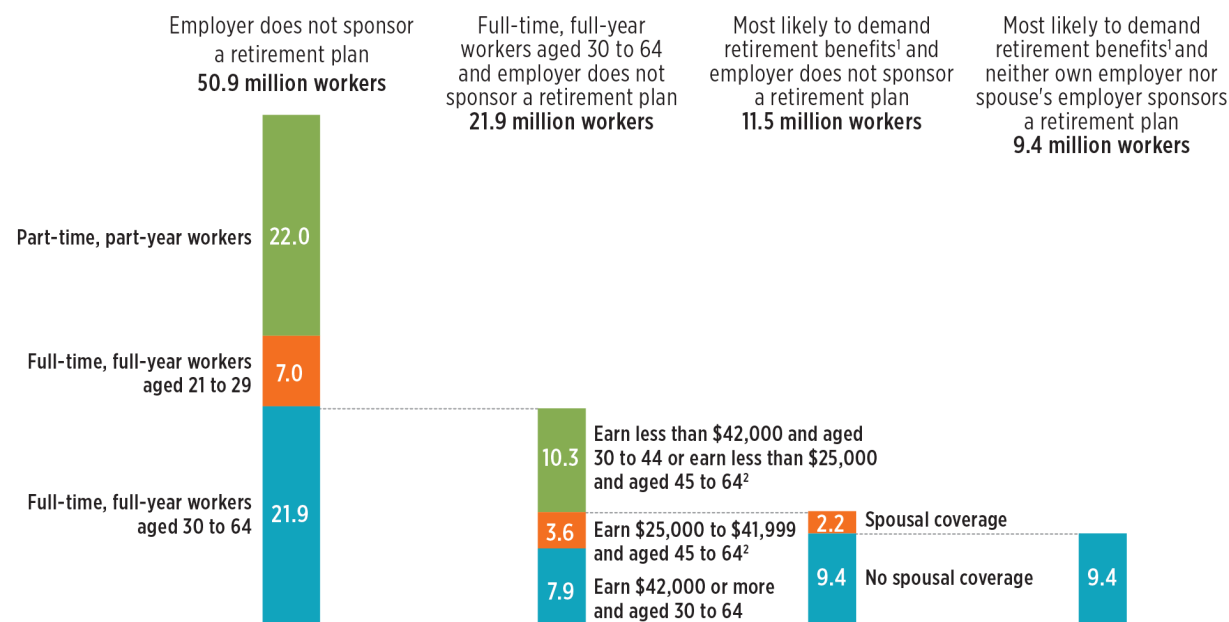
⁸ See Brady and Bogdan, "Who Gets Retirement Plans and Why: An Update," *ICI Research Perspective* 17, no. 3 (March 2011); available at www.ici.org/pdf/per17-03.pdf.

⁹ Ibid (Figure A7). Pension coverage includes DB and/or DC plans.

¹⁰ See Table 1 in U.S. Department of Labor, Bureau of Labor Statistics, "Employee Benefits in the United States – March 2011," News Release USDL-11-1112 (July 26, 2011); available at www.bls.gov/ncs/ebs/sp/ebnr0017.pdf. Pension coverage includes DB and/or DC plans.

A Closer Look at Workers Who Are Not Covered by an Employer Plan

Millions of private-sector wage and salary workers age 21 to 64, 2009



¹ Full-time, full-year workers who earn \$42,000 or more and are aged 30 to 64 or earn \$25,000 to \$41,999 and are aged 45 to 64.

² Among full-time, full-year workers aged 35 to 44, \$25,000 represents the top earnings of the 20th percentile of annual earnings and \$42,000 represents the top earnings for the 50th percentile of annual earnings.

Note: Components may not add to the total because of rounding.

Source: Investment Company Institute tabulations of March 2010 Current Population Survey; see Brady and Bogdan, "Who Gets Retirement Plans and Why: An Update," *ICI Research Perspective* (March 2011)

However, even if one uses the CPS data for analysis, looking below the aggregate statistics paints a significantly different picture. Of the 78.4 million workers who report that their employer does not sponsor a pension plan, 18.5 million are either federal workers, state and local workers, self-employed, or work without pay.¹¹ This leaves 59.9 million workers who are private-sector wage and salary employees. Yet this still overstates the number on which to focus. Of these, 6.2 million are under age 21 and 2.7 million are age 65 or older. This leaves 50.9 million private-sector wage and salary employees age 21 to 64 who report that their employer does not sponsor a pension plan.¹² Of these, 22.0 million are part-time, part-year workers¹³ and 7.0 million are full-time, full-year workers age 21 to

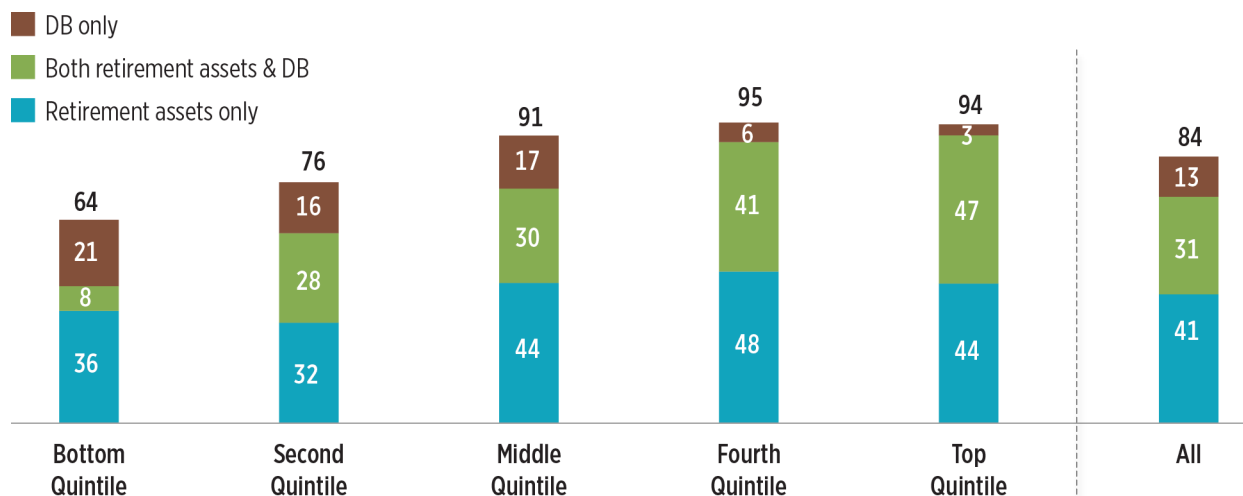
¹¹ Federal, state, and local government employees are excluded from the analysis because the focus of public policy typically has been to increase access to pensions among private-sector workers. Self-employed workers are excluded because, being their own employer, they can access an employer-provided plan by exercising their option to establish a plan. See Figure A7 in Brady and Bogdan, "Who Gets Retirement Plans and Why: An Update," *ICI Research Perspective* 17, no. 3 (March 2011); available at www.ici.org/pdf/per17-03.pdf. Pension plans include DB and/or DC plans.

¹² Ibid (Figure 19).

¹³ Most part-time, part-year workers have low income and high replacement rates from Social Security. They are unlikely to save for retirement in the current year if they work full-time or year-round in other years. Ibid (Figure 19).

29.¹⁴ This leaves 21.9 million full-time, full-year private-sector wage and salary workers age 30 to 64 who report that their employer does not sponsor a pension plan. Of these, 6.6 million earn less than \$25,000 a year¹⁵ and 3.8 million earn \$25,000 to \$42,000 a year and are age 30 to 44.¹⁶ The result is 11.5 million private-sector wage and salary employees who are likely to desire to save in the current year and who do not have access to an employer plan. But 2.2 million of these have a spouse whose employer sponsors a plan. The final result is 9.4 million private-sector wage and salary employees who are likely to desire to save in the current year and who do not have access to an employer plan through their own employer or a spouse.

Percentage of Pre-Retiree Households with Retirement Assets and/or DB Pension, 2007
Households with working head age 55 to 64, by income quintile, excludes top and bottom one percent of the income distribution



Source: ICI tabulations of Federal Reserve Board Survey of Consumer Finances

Many more workers have access to an employer plan at some point during their working careers than is implied by looking at a snapshot of coverage at any point in time. This can be seen by examining data on households approaching retirement age. The figure above shows tabulations from the Federal

¹⁴ Few in this age group save primarily for retirement. Workers age 21 to 29 save primarily for education, the purchase of a home, or for precautionary reasons. Ibid (see ICI tabulations from the 2007 Survey of Consumer Finances in Figures 1 and A1).

¹⁵ The primary concern for workers earning less than \$25,000 per year is they do not have enough to spend on food, clothing and shelter. In fact, many are eligible for government income assistance so that they will be able to spend more than what they earn on these items. Social Security replaces a high percentage of their lifetime earnings. In retirement, they may be considered well-off relative to their standard of living when they were working. Ibid (Figure A5).

¹⁶ Workers age 30 to 45 who earn between \$25,000 and \$42,000 a year may have the ability to save, but have other saving priorities, such as starting a household and having children. Given that they get a substantial replacement rate from Social Security, they are likely to delay saving for retirement until later in life—perhaps after age 44. Ibid (Figure A5).

Reserve Board's 2007 Survey of Consumer Finances (SCF) for households approaching retirement (i.e., households with a working head age 55 to 64), including both private- and public-sector employees.¹⁷ Eighty-four percent of these pre-retiree households had DB benefits and/or retirement account assets, and such retirement resources are spread across the income distribution. More than 90 percent of pre-retiree households in the top three income quintiles (with total household income over \$55,500) had such retirement resources; three-quarters of pre-retiree households in the second income quintile (with income of \$32,900 to \$55,500) had such retirement resources; and almost two-thirds of pre-retiree households in the lowest income quintile (with household income of \$7,200 to \$32,900) had such retirement resources. Although lower-income households are less likely to have both DB plan promises and retirement account assets, this group also has less of a need to supplement Social Security with workplace or private savings to maintain their pre-retirement standard of living.

Pension Income Increasing

Retirement policy discussions often start from the premise that retirees' pension income has fallen over time. Looking at the entire period from 1975 to 2009, the data show that, contrary to conventional wisdom, private-sector pension income has become more, not less, prevalent over time. Across all income groups, retirement income from employer-sponsored retirement plans is more prevalent among retirees today than in the mid-1970s, when sweeping new retirement plan regulations were enacted under ERISA.¹⁸ In 2009, 34.0 percent of retirees received income—either directly or through a spouse—from private-sector retirement plans, compared with 21.3 percent in 1975 (see figure below).¹⁹ The median income received by those with private-sector pension income increased to \$6,000 per person in 2009 from \$4,515 in 1975 (in 2009 dollars). Further, because the survey data used to analyze retiree income do not fully capture payments from DC plans and IRAs, the increase in pension income since ERISA is likely understated.²⁰

¹⁷ Figures are ICI tabulations of the 2007 Survey of Consumer Finances. Retirement assets include DC plan accounts (e.g., 401(k), 403(b), 457, thrift plans) and IRAs.

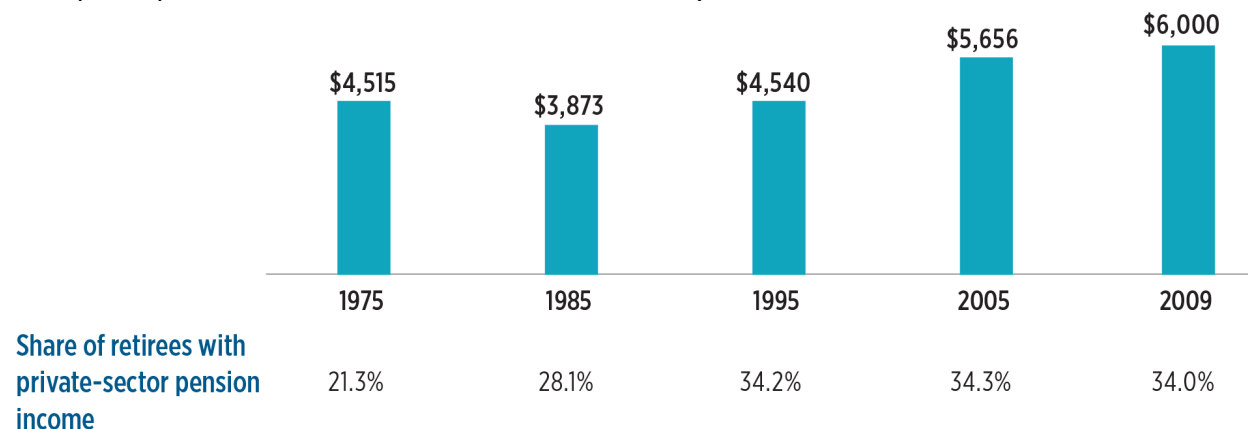
¹⁸ See Brady and Bogdan, "A Look at Private-Sector Retirement Plan Income After ERISA," *ICI Research Perspective* 16, no. 2 (November 2010); available at www.ici.org/pdf/per16-02.pdf.

¹⁹ See Figure A7 in Brady and Bogdan, "Appendix: A Look at Private-Sector Retirement Plan Income After ERISA," *ICI Research Perspective* 16, no. 2-A (November 2010); available at www.ici.org/pdf/per16-02_appendix.pdf.

²⁰ The CPS understates DC plan distributions and IRA withdrawals. Ibid and see discussion and Figure 20 in Sabelhaus and Schrass, "The Evolving Role of IRAs in U.S. Retirement Planning," *Investment Company Institute Fundamentals* 15, no. 3 (November 2009); available at www.ici.org/pdf/per15-03.pdf.

Retirees Receive More Income from Private-Sector Pensions (DB and DC)

On a per capita basis, median, 2009 dollars, selected years



Source: ICI tabulations of the March Current Population Survey; see Brady and Bogdan, “A Look at Private-Sector Retirement Plan Income After ERISA,” *ICI Perspective* (November 2010)

This rise in private-sector pension income likely reflects changes in the pensions offered. Since ERISA, an increasing share of private-sector workers has worked for employers that sponsor DC plans, offsetting a decreasing share that has worked for employers that sponsor DB plans.²¹ This rise in DC plan coverage has resulted in a rising number of households with retirement assets. In addition, stricter vesting requirements and other rule changes have led to more DB plan participants receiving benefits.²²

DB plan coverage does not always translate into receipt of pension income. Many retirees may have worked for companies that offered DB plans, but, because private-sector workers change jobs often, the combination of long vesting periods and back-loaded benefit accrual resulted in many retirees receiving little or no retirement income from the plans. The belief in a golden age of pensions—a time in our history when most private-sector workers retired with a monthly pension check that replaced a

²¹ By 1998, 56 percent of active participants in private-sector retirement plans were covered by a primary DC plan, and 36 percent had a supplemental DC plan. In contrast, in 1975, 87 percent of active participants in private-sector retirement plans had primary coverage through DB plans, dropping steadily over time to below 50 percent by the mid-1990s. Data reported are from reports published by the U.S. Department of Labor. Primary plan status and secondary plan status are not reported on Form 5500. For firms with multiple pension plans, the status was inferred by DOL analysts. Data are available through 1998; after 1998, DOL no longer inferred primary and secondary status for plans. For the 1975 data, see U.S. Department of Labor, Pension and Welfare Benefits Administration (now Employee Benefits Security Administration), *Private Pension Plan Bulletin, Abstract of 1992 Form 5500 Annual Reports*, no. 5 (Winter 1996). See also U.S. Department of Labor, Pension and Welfare Benefits Administration (now Employee Benefits Security Administration), *Private Pension Plan Bulletin, Abstract of 1998 Form 5500 Annual Reports*, no. 11 (Winter 2001–2001); available at www.dol.gov/ebsa/pdf/1998pensionplanbulletin.pdf. These data are summarized in Figure 2 in Brady and Bogdan, “A Look at Private-Sector Retirement Plan Income After ERISA,” *ICI Research Perspective* 16, no. 2 (November 2010); available at www.ici.org/pdf/per16-02.pdf.

²² See discussion on page 28 of Brady and Bogdan, “A Look at Private-Sector Retirement Plan Income After ERISA,” *ICI Research Perspective* 16, no. 2 (November 2010); available at www.ici.org/pdf/per16-02.pdf.

significant amount of their salary—is not supported by the facts. Furthermore, the typical amount of private-sector pension income observed in the historical data can be generated by relatively modest accumulations in DC plans or IRAs. Indeed, Congressional Research Service analysis of pre-retiree households' balance sheets finds that the median accumulation in DC plans and IRAs is \$100,000, which is estimated to generate \$8,400 per household per year in retirement income.²³

Success of Defined Contribution Plans

With most households having accrued DB promises, retirement assets, or both by retirement age, and with the overall pension income of retirees rising, the data suggest the shift to DC plans has been beneficial to American workers.²⁴ Nevertheless, DC plans continue to attract criticism and unfavorable comparisons to DB plans. As noted earlier, the reality is that workers never were universally covered by the DB system, and even those who were covered did not accrue significant benefits unless they stayed at one employer for an entire career. In contrast, because of their portability, DC plans are well-suited to a mobile workforce.²⁵ DC plans also serve households across all ages and incomes. There are a number of other indicators of the success of the DC plan system.

- 401(k) plan design provides discipline to save for retirement paycheck-by-paycheck and a range of investment options. On average, research conducted in a collaborative effort with EBRI finds that 401(k) plan participants have age-appropriate asset allocations.²⁶ ICI research finds that

²³ CRS analysis of Survey of Consumer Finances data: “For example, if the median retirement account balance of \$100,000 among households headed by persons 55 to 64 years old in 2007 were converted to an annuity, it would provide a monthly income of \$700 per month (\$8,400 annually) to a man retiring at age 65 in 2009.” See Purcell, “Retirement Savings and Household Wealth in 2007,” *CRS Report for Congress*, RL30922 (April 8, 2009).

²⁴ It is too soon to evaluate fully the impact of 401(k) plans because today’s retirees have not had full careers with such plans. However, academic research finds that full careers with DC plans generate significant nest eggs: “Our projections suggest that the advent of personal account saving will increase wealth at retirement for future retirees across the lifetime earnings spectrum.” See Poterba, Venti, and Wise, “The Changing Landscape of Pensions in the United States,” *NBER Working Paper*, No. 13381 (September 2007); available at www.nber.org/papers/w13381. Furthermore, research between ICI and the Employee Benefit Research Institute (EBRI), the EBRI/ICI 401(k) Accumulation Projection Model, projects that 401(k) balances will be able to provide significant income in retirement after a full career with 401(k) plans. See Holden and VanDerhei, “The Influence of Automatic Enrollment, Catch-Up, and IRA Contributions on 401(k) Accumulations at Retirement,” *ICI Research Perspective* 11, no. 2, and *EBRI Issue Brief* (July 2005); available at www.ici.org/pdf/per11-02.pdf.

²⁵ As an indicator of workforce mobility, consider average job tenure among American wage and salary workers. In January 2010, the median tenure that wage and salary workers age 25 or older had at their current employers was 5.2 years and ranged from 3.1 years among those age 25 to 34, to 7.8 years among those age 45 to 54, to about 10 years among those age 55 or older. See U.S. Department of Labor, Bureau of Labor Statistics, “Employee Tenure in 2010,” News Release USDL-10-1278 (September 14, 2010); available at www.bls.gov/news.release/pdf/tenure.pdf.

²⁶ See Figures 21 and 30 in Holden, VanDerhei, and Alonso, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009,” *ICI Research Perspective* 16, no. 3, and *EBRI Issue Brief* (November 2010); available at www.ici.org/pdf/per16-03.pdf.

401(k) investors have concentrated their mutual fund investments in lower-cost funds.²⁷ In recent years, the availability and use of target date funds have expanded.²⁸

- Even though 401(k) plans have been around for about 30 years—not even a full working career—Americans have accumulated more than \$3 trillion in these plans.²⁹ This figure does not include hundreds of billions of dollars saved in 401(k) plans and rolled over into IRAs.³⁰ Median 401(k) account balance statistics are often cited as evidence of inadequacy, but these statistics are misleading because they tend to ignore other accounts that an individual might have, including other 401(k) plan accounts and IRAs. It is important to judge the retirement system as a whole. Not all workers have the same need to save in DC plans, as some will receive higher replacement rates from Social Security and some will have DB plan benefits.
- DC plans have the potential to replace significant income in retirement. In 2002, EBRI and ICI projected what 401(k) plans could accumulate across a full career.³¹ The EBRI/ICI 401(k) Accumulation Projection Model moves 401(k) participants through their careers, with decisions as they age that reflect actual participant behavior on contributions, asset allocations, job changes, rollovers, withdrawals, and loans. The study focuses on 401(k) participants who will turn 65 between 2030 and 2039 (now aged 37 to 46). For more than 60 percent of this cohort, their 401(k) accumulations are projected to replace more than half their salaries. Accounting for Social Security, the majority of the lowest income quartile of this cohort is projected to fully replace their salaries.
- DC plan participants and traditional IRA-owning households are responsible stewards of their retirement nest eggs. A common criticism of DC plans is that retirees relying on this type of plan could run out of money before death.³² Anecdotally, many believe most distributions from

²⁷ See Holden, Hadley, and Lutz, “The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2010,” *ICI Research Perspective* 17, no. 4 (June 2011); available at www.ici.org/pdf/per17-04.pdf.

²⁸ See Holden, VanDerhei, and Alonso, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009,” *ICI Research Perspective* 16, no. 3, and *EBRI Issue Brief* (November 2010); available at www.ici.org/pdf/per16-03.pdf. A target date fund pursues a long-term investment strategy, using a mix of asset classes, or asset allocation, that the fund provider adjusts to become less focused on growth and more focused on income over time as the fund approaches and passes the target date, usually mentioned in the fund’s name.

²⁹ At the end of the first quarter of 2011, 401(k) plans had \$3.2 trillion in assets. See Table 4 in Investment Company Institute, “The U.S. Retirement Market: First Quarter 2011” (June 2011); available at www.ici.org/info/ret_11_q1_data.xls.

³⁰ See Figure 8 in Brady, Short, Lutz, and Holden, *The U.S. Retirement Market: Third Quarter 2010*, Washington, DC: Investment Company Institute; available at www.ici.org/pdf/ppr_11_retire_q3_10.pdf.

³¹ See Holden and VanDerhei, “Can 401(k) Accumulations Generate Significant Income for Future Retirees?” *ICI Perspective* 8, no. 3, and *EBRI Issue Brief* (November 2002); available at www.ici.org/pdf/per08-03.pdf. See also note 24.

³² The danger of running out of money is not unique to DC plans. For example, just because a benefit plan payment may be regular or guaranteed for the life of the participant does not mean that the payment is sufficient to support the participant’s retirement income needs.

DC plans are lump sums that are spent, which contributes to this popular belief that people will run out of money. Research shows that a majority of individuals do not spend their lump-sum payments upon distribution, but rather roll over these funds to IRAs or other tax-deferred plans.³³ At the juncture of retirement with a DC plan balance, households indicate that they consult multiple sources of advice and information when making the distribution decision.³⁴ Traditional IRA-owning households typically postpone withdrawals, take withdrawals based on life expectancy, and use withdrawals to pay for living expenses.³⁵

Congress Should Continue to Foster DC Plans

Americans highly value their DC plans and the features typically associated with them. A 2010 household survey demonstrated American households' strong support for key features of DC plans, including their tax benefit, and their appreciation for the investment opportunity these plans provide.³⁶

- **Overwhelming support for preserving the tax incentives for retirement saving:** Eighty-eight percent of all U.S. households disagreed when asked whether the tax advantages of DC accounts should be eliminated. Eighty-two percent opposed any reduction in account contribution limits.³⁷
- **Many oppose altering key features of DC plans:** Nearly 90 percent of all U.S. households disagreed with the idea that individuals should not be permitted to make investment decisions in their DC accounts. More than eight in 10 disagreed with the idea of replacing all retirement accounts with a government bond.³⁸
- **Investors like choice and control of investments:** Ninety-six percent of all DC account-owning households agreed that it was important to have choice in, and control of, the investment options in their DC plans. Eighty-three percent said their plan offers a good lineup of investment options.³⁹

³³ In addition, individuals also may leave the balance in the DC plan until a later date. For example, see the experience of The Vanguard Group in the DC plans that they recordkeep (Figures 90–95 in *How America Saves, 2011*; available at <https://institutional.vanguard.com/iam/pdf/HAS11.pdf>).

³⁴ See Sabelhaus, Bogdan, and Holden, “Defined Contribution Plan Distribution Choices at Retirement: A Survey of Employees Retiring between 2002 and 2007,” *Investment Company Institute Research Series* (Fall 2008); available at www.ici.org/pdf/rprt_08_dcdd.pdf.

³⁵ See Holden and Schrass, “The Role of IRAs in U.S. Households’ Saving for Retirement,” *Investment Company Institute Fundamentals* 19, no. 8 (December 2010); available at www.ici.org/pdf/fm-v19n8.pdf.

³⁶ See Holden, Bass, and Reid, *Commitment to Retirement Security: Investor Attitudes and Actions*, Investment Company Institute (January 2011); available at www.ici.org/pdf/ppr_11_com_ret.pdf.

³⁷ Ibid (Figure 6).

³⁸ Ibid (Figure 6).

³⁹ Ibid (Figure 5).

- **Most households continue to have positive attitudes toward the 401(k) system:** Sixty-four percent of all U.S. households in 2010 had favorable impressions of 401(k) and similar plan accounts, similar to 2009.⁴⁰ Three-quarters of households expressed confidence DC plan accounts could help participants reach their retirement goals.⁴¹

ICI's household surveys during the past three years find that even in the depths of a bear market and despite a broad economic downturn, Americans continue to be committed to saving for retirement and value the characteristics, such as the tax benefits and individual choice and control, that come with DC plans.

* * *

One Labor Day more than three-and-a-half decades ago, with the enactment of ERISA, Congress made the call to place private retirement saving—whether through employer-sponsored plans or IRAs—on firm footing. More recently, Congress strengthened the private-sector retirement system by raising contribution limits in 2001 (EGTRRA) and making those provisions permanent in 2006 (PPA). It would be a mistake to reverse course now and begin to radically alter a successful system that tens of millions of U.S. households rely on to help them achieve retirement security.

⁴⁰ Ibid (Figure 3).

⁴¹ Ibid (Figure 7).