Written Testimony
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Senate Health Education Labor & Pensions Committee
Entitled
Taking a Serious Look at the Retirement Crisis in America: What Can We Do to Expand Defined Benefit Pension Plans for Workers?
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Good morning. I would like to thank Chairman Sanders, Ranking Member Cassidy, and all Members of the Senate Health Education Labor & Pensions Committee for holding this hearing on American retirement security and for the invitation to testify.

My name is Eric Stevenson. As president of Nationwide's retirement plans business, I manage the team responsible for Nationwide's retirement plans operation. We protect nearly $200B in participant assets for over 2.7 million participants. I am passionate about fostering a culture that embraces collaboration to bring value to Nationwide's customers that meets and exceeds the unique retirement readiness needs of plan sponsors and participants. I have nearly 18 years of experience in the industry, starting at Nationwide in 2007 as Vice President of Marketing, then leading Sales and Distribution for Nationwide's retirement plans business and now serving as the business president since July 2019. I earned my Bachelor of Business Administration in Finance from the University of Oklahoma and my Master of Business Administration degree from Northwestern University Kellogg Graduate School of Management. I am also dedicated to public service, serving in a 7-year term confirmed by the Oklahoma Senate for the OU Board of Regents.

Nationwide is a mutual insurer and a Fortune 100 company based in Columbus, Ohio, and is one of the largest and strongest diversified insurance and financial services organizations in the United States. Nationwide is rated A+ by Standard & Poor's. An industry leader in driving customer-focused innovation, Nationwide provides a full range of insurance and financial services products including auto, business, homeowners, farm, and life insurance; public and private sector retirement plans, annuities and mutual funds; excess & surplus, specialty and surety; pet, motorcycle and boat insurance.

In 1973, Nationwide Retirement Solutions, Inc. was founded to focus on the needs of governmental employees, and we have been a major innovator in this market ever since. As one of the first companies to focus on public sector 457 plan workers, Nationwide has over 50 years of experience with this unique workforce. Today, Nationwide is the largest retirement plan provider serving the public sector with over 7,500 government sector retirement plans, ranging from small county and city plans to mega-size state plans. In addition to the public sector, Nationwide also administers over 15,000 retirement plans in the private sector defined contribution and not-for-profit marketplace, many of which representing small businesses with 100 employees or less.

Protecting nearly $200 billion in participant assets, Nationwide is the 9th largest provider of retirement plans in the US by number of plans administered (about 26,000) and 12th by number of participants, with about 2.58 million. We are the top provider of governmental retirement plans (457 plans) by number of plans and focus on meeting the needs of smaller plans. We manage 6,826 plans with less than $10 million in assets and 147 plans with more than $100 million in assets .

Nationwide greatly appreciates the efforts of the Committee to continually improve our nation's retirement system in a bipartisan manner. We commend the Chairman and Ranking Member for their leadership in this regard.

Reaching a Peak: More workers than ever turning 65

While retirement security is always a relevant topic, it is particularly important today as more American workers will turn 65 in 2024 than at any point in history. This is a momentous milestone for the Boomer generation and especially for those who will celebrate reaching the traditional retirement age this year, which is roughly 12,000 people every day.

After focusing for so long on saving for retirement, they are now facing uncertainty about generating steady retirement income and drawing down their savings. A recent Nationwide Retirement Institute® survey polled 1,000 people between the ages of 60-65, split almost evenly between those who are still working and those already retired. The results revealed that many people who have yet to retire have expectations for their futures that differ from the realities experienced by many current retirees. The survey found one-third of current retirees in this age range are considering returning to work, with half (50%) citing the fear of running out of money or currently running out of money as their top reason for doing so.

For decades, we have educated Americans on the importance of saving for retirement. That is still an absolute need, but the opportunity for the future is to help them plan for decumulation and income they won't outlive. Our survey found clear correlation between guaranteed retirement income and confidence in retirement.

We found that 60–65-year-olds with a pension are more confident about their financial futures. Current workers who have pensions are more likely to say they're on track to retire when planned, compared to those who don't have pensions at work (78% versus 59%). When these workers do retire, that pension income results in a greater sense of financial comfort (74% versus 63% of retirees without pensions) and fewer concerns about outliving their money (64% versus 74%).

In a separate survey we conducted in 2023 of older workers participating in a 401(k) plan at work, 73% indicated that they wish their plan offered a pension-like income option.

Unfortunately, fewer Americans have access to pensions these days. That's why it's so critical for the financial services industry and policy makers to work together to create more opportunities for American workers to convert their savings into streams of income they can't outlive.

The SECURE Act of 2019 and SECURE 2.0 Act of 2022 were huge steps forward in this effort, creating opportunities for employers to offer in-plan protected retirement solutions. We've launched an entire suite of these products and are seeing strong traction in adoption among plan sponsors and participants.

As we think about the next iteration of retirement legislation, finding more opportunities to help retirement savers address the decumulation challenge should be a top priority.

Retirement Security Starts Early

At Nationwide, we aim to support Americans throughout their entire financial wellness journey, culminating in a secure and dignified retirement. We find it helpful to think about this journey in three key phases:

- Beginning Planning
- Saving for Retirement
- Living in Retirement

The Committee's ongoing work to improve our retirement system has benefited all three phases of American workers' journeys to financial wellness. The recent successes of both the SECURE Act of 2019 and the SECURE 2.0 Act of 2022 have increased access, encouraged higher savings rates, and increased innovative in-plan guarantee options for retirement savers.

Phase 1: Beginning Planning

The Beginning Planning stage of the financial wellness journey requires that workers have both an opportunity to save for retirement and the financial means to fund that savings opportunity. While anyone with income may open an Individual Retirement Account (IRA), the benefits of saving in an employer-sponsored plan are significant, including better pricing on products, lower fees, and higher contribution limits. The previous few years, including the pandemic, have shown just how important it is to have both short-term and long-term savings and what role employers can play in providing access to those benefits. Much of the work done in both SECURE and SECURE 2.0 provided opportunities to help advance coverage for employees, especially those that work for employers with 100 or fewer employees. There was also work done to make saving easier and more accessible to retirement savers, like student loan payment matching and enhancements to emergency savings.

Access is Critical

Many of the changes brought about by SECURE 2.0 are not immediately obvious but provide significant impacts. The work by Senators Hickenlooper and Collins, for example, to simplify trustee and filing requirements for Pooled Employer Plans (PEPs) and Groups of Plans remove significant bureaucratic hurdles for small employers wanting to provide retirement benefits to their employees. Senator Hassan also was a leader in this area, making PEPs accessible to charities and public educational institutions and more widely available to small businesses. And Senator Collins reformed and improved the rules for SIMPLE plans, increasing contributions for all employees and permitting more flexibility in moving from a SIMPLE plan to a 401(k) plan. When working with small businesses, it is important to understand that often the business owner is the manager, human resources, and benefits team all rolled into one. Removing red tape and making processes easier, faster, and less expensive goes a long way toward addressing the gap in coverage for employees of those small businesses.

Another area of access that has been significantly improved is long-time, part-time workers and other workers that change locations frequently, like military spouses. Among many provisions, Senator Murray's work in SECURE 2.0 to bring the long-term part-time worker requirement down from three years to two years will positively impact more seasonal and part-time employees by providing access to employer plans sooner. Senators Hassan and Collins also made progress in this area for military spouses by providing a tax credit to small employers that hire, make eligible, and provide immediate vesting to military spouses. These are two important groups that previously had limited, if any, access to employer sponsored plans.

As each of these provisions of SECURE 2.0 is implemented, we will see more and more employers adopting retirement plans for their employees.

Gaps remain in the system, however, and Nationwide supports efforts to close those gaps. Requiring employer-sponsored plans to allow 18–21-year-old employees to participate in the plan is another way to ensure access and encourage early saving. Ranking Member Cassidy and Senator Kaine's *Helping Young Americans Save for Retirement Act* would do just that. Nationwide supports this effort and applauds the sponsors for their attention to creating more access and more early savings.

Research and practical experience have shown access to a workplace retirement plan is a key component to a successful retirement. Nationwide supports the efforts of members of this Committee and those of your House counterparts – like Ways and Means Ranking Member Neal – to enable access to workplace retirement savings options for all American workers. We look forward to continuing to work on a bipartisan basis to find solutions to the coverage gap and to help every working American build toward a secure retirement.

Competing Priorities: Emergency Savings and Student Loan Debt

As a recordkeeper for our plan sponsors, we often get feedback on the reasons that employees provide about why they choose not to participate in the employer's plan. One of the most common reasons we heard was a fear of not having access to those funds in the event of an emergency. Working with Senators Lankford and Bennet, we supported the $1,000 withdrawal provision in SECURE 2.0 because we believe that it will remove that fear and encourage more middle- and lower-income workers to begin saving earlier. We also worked closely with Senators Young, Booker, and Murray on the pension linked savings account in SECURE 2.0 because we believe that employers and employees should have options when it comes to emergency savings.

Student loan debt is another frequently cited hurdle to workers saving for retirement. However, the passage of SECURE 2.0 now allows for employers to make matching contributions into a retirement account when employees make qualifying payments to that debt, alleviating some of that burden for early savers.

It's no secret that many Americans are struggling with student loan debt. And while you could assume it's only younger people who are concerned, older generations are also feeling burdened with these payments. A 2023 survey by the Nationwide Retirement Institute® found that even seasoned employees experienced significant financial pressures due to the resumption of student loan payments on October 1, 2023. Over 1 in 10 (12%) employees ages 45+ currently have student loan debt and most of these individuals (61%) agree the reinstatement of student loan payments has negatively impacted their financial stability and long-term planning. Another two-thirds (66%) agree repayments will significantly affect their ability to save for retirement.

Our 2023 survey revealed that employees ages 45+ with student loan debt have or are considering taking several steps to manage repayments — with some being more detrimental to their long-term financial strategy than others:

- 29% are planning to adjust their retirement plan contributions in order to keep up with their student loan payments.
- 18% have already adjusted their retirement plan contributions.
- 49% are reconsidering the feasibility of their retirement goals in light of their student loan debt.

Due to the impact of student loan repayments on their long-term strategy, 85% of employees ages 45+ with student loan debt would be interested if their employer offered a match to their loan repayments for retirement savings. Offering a student loan match will be an immediate winner for employers with employees seeing it as such a valuable tool for them as they address their financial needs of today and tomorrow.

Although the retirement industry can't solve the broader societal challenges created by student loan debt, we do believe that the existing retirement system can be utilized to alleviate some of the immediate pressure and long-term financial impact on workers. In recent years, we have increasingly seen employers take a greater interest in providing for the overall financial health of their employees. At Nationwide, we believe that both the student loan employer match provision and emergency savings provisions will become popular employer-provided benefits, as they help employers both respond to workers' concerns over current financial burdens and help ensure a better retirement savings outcome for their workers.

Phase 2: Saving for Retirement

The Saving for Retirement phase of the financial wellness journey emphasizes taking advantage of tax-deferred savings opportunities to the extent possible for an individual and ensuring that any amounts saved are invested efficiently, such as through the avoidance of excessive fees. Every dollar saved must be maximized to give workers the best chance at reaching their retirement savings goals. Here, it is not only important that individuals save as much as possible, but also that plan sponsors and financial professionals provide appropriate products and solutions that put those savings to work for the benefit of the saver. Creating and cultivating beneficial behaviors early is a crucial part of this process.

Success of Auto-enroll and Need for Auto-Re-enroll

As Chairman Sanders noted in the announcement of this hearing, we know that "workers are 15 times more likely to save for retirement if they do so via payroll deduction and 20 times more likely to save if access to a workplace retirement plan is automatic." The success of auto-enroll programs has been exceptional and at Nationwide we see the benefits of this on a regular basis, both as a recordkeeper and as a plan sponsor.

Automation and defaults work. The more we can integrate these features into standard plan design, the more we can help Americans save. At Nationwide we administer plans in the smaller-mid market 401(k) where the SECURE 2.0 provision around auto-enroll for new plans will have a huge impact. We also administer plans in the government/public sector where state legislative action is generally required to permit auto-enroll and auto-escalate features. One of our large state plans successfully lobbied to gain auto-enroll for their state employees in 2019, and they have seen tremendous results:

- Participants are automatically enrolled at the plan minimum of $15/pay.
- The average deferral is $42/month, well above the minimum.
- The opt-out rate is holding steady at 6%, meaning 94% participation.
- 14,000 new participants have been added to the plan since the launch of auto-enroll.
- These new participants have saved roughly $11M for their retirement.

In the private sector, we have seen significantly increased outcomes for retirement savers enrolled through auto-enroll programs. In 2007, Nationwide implemented auto-enroll and auto-escalate features in the Nationwide Retirement Savings Plan (401(k)) for our associates. We have seen enormous success. Prior to auto-enrollment and auto-escalation, the participation rate across all associates was at 74%, and following the first year of auto-enrollment the participation rate jumped 20% to 94%. With further design refinements over time, including changes to auto-escalation amounts, now just over 98% of all Nationwide associates participate in the plan at an average deferral rate of 9.27% of income. For comparison, peer companies with similar plan features average 92% participation at a deferral rate of 5.2% of income. This is a success story not just for Nationwide, but for every individual associate that is saving for their future and taking advantage of the employer match. These features have established default optimal behavior, helping even those associates who would otherwise procrastinate or put off planning to save substantially for their retirement over time with no effort required on their part.

The reason to support auto-enrollment and auto-re-enrollment is that saving earlier in one's career can significantly impact the total savings accumulated by retirement age. In 2018, Nationwide conducted a study looking at the impact of beginning retirement saving earlier in one's career. On average, employees start saving for retirement at age 31.5. If those employees consistently save until they reach Social Security's normal retirement age, they'd have about 35 years of asset accumulation and potential investment earnings at retirement. However, if they started saving for retirement eight years sooner, they could have significantly more available for retirement income. If you take a specific example where an employee is paid twice a month and contributes $50 per pay to an account that earns 6% annualized return on investment and the employee starts at age 23, they'd have $88,572 more than if they started at age 31. At $100 per pay, the difference would be $177,143.60.

The importance of getting into a retirement savings habit early on in one's career cannot be overstated. For many Americans, their retirement plan is the single largest asset and investment vehicle they have.

We strongly support Ranking Member Cassidy and Senator Kaine's Auto Re-enroll Act of 2023. Ensuring that employers can automatically re-enroll eligible employees into the retirement plan, at least once every three years, will enhance the retirement savings for those employees. As positions and wages change, employees are more likely to remain in the plan and take advantage of benefits like employer matches, student loan matches, and other benefits that increase retirement savings.

In-Plan Protected Retirement Options

The shift from Defined Benefit (DB) to Defined Contribution (DC) as the primary retirement savings vehicle has placed a lot more responsibility on the American worker, while taking away this idea that a pension – income in retirement – is provided. Nationwide is optimistic that the provisions enacted as part of SECURE and SECURE 2.0 to make in-plan guarantees more available within defined contribution plans is the first and critical step to offer American workers protected retirement solutions to provide a "pension-like" income stream in their DC plans.

The ability for retirement savers to save into and rely on in-plan protected retirement products is a high priority. We've heard from savers, employers, and other providers that more attention needs to be paid to the plan for living from one's savings before employees reach retirement age. In response to that need, Nationwide has worked to offer an expansive suite of in-plan protected income options. These are products that fit within an employer plan and provide access to a variety of guaranteed income options once the saver has reached retirement.

Over the past 3 years, Nationwide has demonstrated significant growth by partnering with other firms to expand the reach of these protected retirement options so that they are available on Nationwide's platforms as well as other plan providers. As of January 2024, Nationwide has helped nearly 7,000 employer-sponsored plans to add a guaranteed income solution inside their retirement plan for their participants. While this progress is notable, it's not enough. Nationwide is supporting the industry coming together to provide and adopt these solutions for all employer sponsored retirement plans. We believe that the option should be available to all employees to have a portion of their hard-earned retirement savings guaranteed to cover essential living expenses in retirement.

We encourage the members of this Committee to support the Lifetime Income for Employees Act (LIFE Act) which expands the ability for annuitized products to be offered as qualified default investment alternatives (QDIAs) within employer plans.

Collective Investment Trusts in 403(b) Plans

Collective investment trusts ("CITs") are an investment option that often have lower costs than mutual funds. Although CITs may be used in 401(k) and certain other retirement plans, US Securities laws currently prevents 403(b)(7) custodial accounts, which are often used by nonprofit, healthcare, and higher education employers, from investing in CITs.

The nonprofit and higher education worlds employ over 12.5 million people saving for their retirement, and those savers should have the same access to proven and low-cost vehicles within their institutional plans that their private-sector taxable counterparts enjoy. Nationwide therefore supports *Retirement Fairness for Charities and Educational Institutions Act of 2023* that would permit 403(b)(7) custodial accounts to invest in CITs (in addition to the stock of regulated investment companies, which is permitted under current law). We are pleased to partner with our friends at National Association of Government Defined Contribution Administrators (NAGDCA) in supporting this important provision and encourage the Senate to take up this bill.

Caregiver Assistance Through Tax Credits and Additional Catchups

Throughout many people's working lives there are times when one may need to step away from employment to act as a primary caregiver to a family member, young or old. It is vital for the health of the caregiver's retirement savings that that time away from work be recognized. The *Credit for Caring* Act, introduced by Senators Collins, Hassan, and their cosponsors would provide caregivers with a tax credit that offsets some of the cost of providing care.

Another example of caring for caregivers is the *Expanding Access to Retirement Savings for Caregivers Act*, introduced by Representatives Tenney and Pappas. This bill provides catchup contributions to caregivers before age 50, providing one year of additional catchup contributions for each year the caregiver was out of employment due to their role.

Nationwide supports these innovative and important considerations for workers that must take time away to provide care for a family member.

Electronic Delivery, Safer and More Engaging

As account interaction and communications have moved into the digital age, more and more plan participants are electing to receive plan documents electronically. Recent innovations in electronic delivery of these documents have given us the opportunity to provide critical financial planning tools and education for participants. At Nationwide, and across the industry, we have seen significantly higher engagement and better financial savings behaviors from plan participants who utilize electronic delivery and visit their accounts online. Through these methods of communication, they are able to make use of the tools and education available to them, providing them with the information that they both want and need in a timely manner.

Electronic delivery also allows us to better communicate to unique populations, such as non-English speakers, people with visual impairments, or individuals that move frequently and have regular physical address changes. Each of these things, which with paper delivery create significant hurdles, is not an issue when utilizing the tools available with electronic delivery.

As mentioned earlier, more people than ever are turning 65 each day in 2024. With age can come limiting factors particularly with eyesight. Receiving electronic statements and accessing account information online has benefits, not only due to information and account balances being current, but that font size can be increased or zoomed in on to make materials easier to read. The benefits of engaging with electronic delivery are clear, and at Nationwide we support efforts to make electronic delivery the default for retirement savers.

Portability

The reality of the workplace and employees in 2024 is that most individuals no longer remain with an employer for the entirety, or even majority, of their working life. The importance of portability of retirement benefits is one that cannot be overstated. While many in the Boomer generation, those reaching retirement or in early retirement now, remained with a single employer for most of their career, the generations following them have not continued that trend.

The Defined Contribution system is built in such a way that changes in employers, careers, and even time away from the workforce do not pose significant challenges. The ease with which employees can rollover vested retirement savings into an IRA or a new employer's plan is a necessary and vital feature of the system. Changes in SECURE and SECURE 2.0 also made finding lost plans easier and raised thresholds for cash-outs, helping retirement savers to keep more of their money in long-term savings when they move from one employer to another. Research tells us that the average worker will change jobs 5 to 7 times throughout their career, with the majority of those changes occurring when they are younger and when their savings may be smaller. Finding ways to keep individuals connected to their savings is one crucial way to help them accumulate and grow those savings further.

Savers Credit

The tax deferral of retirement savings has and continues to be a significant incentive for workers saving for retirement. However, lower income workers have not always felt the immediate benefits of that deferral. The Savers Credit was designed to offer that incentive to retirement savers, but for those that did not have tax liability the credit did not actually help. It is vital that all participants reap the benefits of saving for retirement, so something needed to change.

As part of SECURE 2.0, the Savers Credit will soon be refundable in the form of a match directly into the saver's retirement account. Nationwide applauds Chairman Wyden and his cosponsors for including this important provision in the new law. Retirement savers that meet particular income thresholds, both as single individuals or married couples, will see direct deposits from the federal government into their retirement account, whether that is an employer-sponsored plan or an IRA.

Phase 3: Living in Retirement

The goal of the third and final phase of the financial wellness journey, Living in Retirement, is for savers to experience a financially secure retirement for the remainder of their lives. Although the planning, preparation, and saving that occurred during the first two phases are critical to achieving a financially secure retirement, it is equally important that savers be equipped to make wise decisions and have the appropriate products and tools available in their retirement years to make their savings last.

Income In Retirement

As mentioned in the section above (In-Plan Protected Retirement Options), Nationwide is working hard to build and distribute a variety of options to retirement plan participants so that they can plan and save with confidence. Knowing that one is saving into a product that will ultimately produce a predictable, reliable stream of income in retirement takes a significant burden off of many workers as they deal with the financial needs of today and tomorrow.

Not all workers currently have access to a protected retirement solution in their employer plan. Some employers do not yet offer this type of feature, some workers have a career that doesn't come with employer-sponsored benefits, but they can save in an IRA or similar type of account. These future-retirees can still access protected retirement products in the form of a qualified or nonqualified annuity which can be structured to meet a variety of income needs in retirement.

Social Security

Social Security is a vital part of planning for and living well in retirement. While every working American can log-in to view their *my Social Security* account, few do with regularity. To address this potential short-fall in planning, Ranking Member Cassidy, Senators Kaine, Collins, and Coons have introduced a bill updating Social Security Administration (SSA) standards. First, SSA would be tasked with updating the language used to describe different benefits elections schedules; changing "early eligibility age", "full retirement age", and "delayed retirement age" to "minimum benefit age", "standard benefit age", and "maximum benefit age." We agree that this distinction will better communicate the choice being made by recipients of Social Security benefits during retirement. The bill also requires that paper statements be mailed to workers at various intervals, providing the opportunity to view estimated benefits, make corrections to wage history, and keep Social Security in mind as they plan for their future retirement.

Most recordkeepers, like Nationwide, provide employer-sponsored plans with the ability to include outside benefits, like Social Security or other pension benefits in an online dashboard for planning purposes. Having a full picture of one's retirement savings and benefits is a critical piece of planning for a successful retirement.

Conclusion

Once more, thank you Chairman Sanders, Ranking Member Cassidy, and all Members of this Committee for holding this important hearing and for extending an invitation to Nationwide to testify. Although the journey to retirement security is one that lasts nearly a lifetime, many opportunities exist today to improve our current retirement system and make that journey less arduous for savers.

We commend each of you for your ongoing, bipartisan work to improve every phase of Americans' financial wellness journey, culminating in a secure and dignified retirement. We look forward to continuing to work with you and supporting your efforts to make achieving a financially secure retirement an attainable goal for all Americans.