Prepared Statement of Ranking Member Richard Burr

Retirement Security: Building a Better Future

May 13, 2021

Good morning. Thank you, Chair Murray for scheduling this hearing to highlight the need for Americans to save more for their futures.

I hope this bipartisan hearing is a sign that the Committee will work collaboratively on retirement legislation in our jurisdiction instead of using reconciliation again to move partisan ideas or more expensive bailouts.

Some members of the HELP Committee – like myself – serve on other committees like Finance and Aging who have held recent hearings on retirement matters.

The hook into retirement issues for our labor committee is ERISA – the Employee Retirement Income Security Act. ERISA sets standards for retirement and health plans in private industry to protect individuals in these plans. The tax committees in Congress handle the Internal Revenue Code portion.

There's overlap between Committees that gets worked out in a very smooth fashion.

That said, as a member of HELP, Finance, and Aging – I consider my office a one-stop shop on retirement and aging matters. I'll personally get engaged in any bipartisan retirement matter without worrying about jurisdiction, but for today we'll concentrate on our HELP piece.

Our particular focus today is defined contribution plans, the reliable superstar of the retirement world.

The question before us is what is working well and what is lagging and needs improvements.

The answer to that question is easy at the surface level. The system works great.

The system doesn't work great when you don't or can't participate.

What we need to do is help Americans and their employers offer, operate, and fund individual retirement plans.

We also need to make sure that the people who have screwed up nearly every other retirement plan in America don't get their hands on the freedom and flexibility Americans have in their private retirement accounts.

Many Americans who look ahead at their retirement have to look at the newspaper to see what's happening with Social Security, with their company or union defined benefit pension, or their catastrophically underfunded state and local pension plan.

Not so with the defined contribution plan. Americans in defined contribution plans pick up a piece of paper and see at least two things. Their name. And an account balance.

It's their money. And it's there. It's not a promise. It's not an accounting notation. It doesn't require a bailout.

It requires time, personal contributions, maybe an employer match, and some basic financial knowledge.

While investments must be managed well, market fluctuations must be weathered, and smart decisions made as you near retirement, no politician can steal your 401(k) or IRA. At least not yet.

Congress is good at two things – overreacting and underreacting.

Individual retirement plans haven't gotten a lot of attention in some respects because they work.

Individual retirement plans show that regular folks benefit from the success of corporate America and the stock market.

Despite the anti-business rhetoric we hear from some in Congress and the Administration, it would surprise many that the energy or pharmaceutical companies the Biden Administration intends to put out of business are mainly owned by the retirement plans of Americans.

That's you and me, and anyone else with a retirement account.

This irks some. It doesn't jive with their government-centric philosophy. It doesn't jive with their desire to demonize business when business is owned by Americans' retirement plans.

Retirement works when Americans control their own money. It goes wrong when we add middlemen with goals other than putting real money into a nest egg and growing it.

What happens when people other than you control your retirement?

In the American Rescue Plan Act passed by the Democrats and signed into law in March, they included a massive bailout for certain multiemployer pension plans.

These are retirement plans negotiated and promised by private sector employers and unions to private sector workers.

Employers and unions couldn't afford the promises they made to workers over the past several decades – so the Democrats gave them over $80 billion.

That is, they gave them $80 billion in taxpayer funds to make private agreements whole.

A bailout, pure and simple. With no reforms to these plans to make sure that promises will be able to be honored in the future.

The federal government can't afford to guarantee every retirement promise made between private companies and their workers or between poorly run states and their public unions.

We have a national debt of over 28 Trillion dollars. And that's just today.

There are numerous mismanaged pension systems that have failures looming both in the private and public sectors.

The latest data in 2018 from the Federal Reserve estimates $4.5 trillion in public plan underfunding.

Employers, states, and retirees should not and cannot rely on the government for future bailouts.

So, that means Congress needs to work together to shore up retirement options and help Americans save for their own retirement.

Americans needs to start saving more.

With fewer Americans having access to an employer-sponsored pension plan, old rules of thumb about how much to save are outdated.

The gap between the retirement savings Americans have and the savings they need is already in the trillions of dollars and likely to grow.

Not only are many Americans struggling to keep pace with their savings needs, even more alarming is how many people have no savings outside of Social Security at all.

The data we've seen says that over one-quarter of non-retirees have nothing in their retirement piggy banks, many of whom are already nearing traditional retirement age.

And while the long-term impact of the pandemic and economic lockdowns remains to be seen, we know that many Americans needed to tap into their retirement savings to pay for more immediate needs in the past year, draining assets from their intended purpose.

On the bright side of these discouraging numbers is that we know what works.

AARP says that workers are 15 times more likely to save for retirement if they have access to a payroll deduction savings plan at work – you don't spend what you don't see.

We have also seen the success of Defined Contribution plan features like automatic enrollment and employer matching, which show that most workers will not opt out of an employer-sponsored savings plan if they are already enrolled, and many will set their payroll deduction to the maximum level that earns an employer match.

So, the question of how to improve the average American's retirement outlook is not "How do we bail out the system to make up the multi-trillion-dollar savings gap?" Instead, it is "How do we help employees and employers take advantage of the savings programs that already work?"

I look forward to hearing from the panel today about some of the barriers individuals face in their retirement planning and the barriers employers face in offering retirement plans to workers, and what can be done to overcome those barriers.