

Congress Needs to Wake Up and Embrace Retirement Security Goals

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By Paul Schott Stevens

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Americans are living longer today than in past generations, and it's encouraging to see Congress take steps to ensure US retirement policy keeps up with this reality.

Just think: the average American lifespan was slightly under 72 in 1974 and a little more than 73 in 1978—the years, respectively, that saw the creation of the individual retirement account (IRA) and the 401(k).

These two innovations are the backbone of the defined contribution system, which successfully helped American workers build a strong foundation for their futures. Since 1975, retirement assets per household, after inflation, have grown by 600 percent.

But when it comes to Americans' retirement security, we can't rest on past achievements. That's why the Setting Every Community Up for Retirement Enhancement Act (SECURE Act), currently working its way through Congress with strong bipartisan support, is so important. It's the first big overhaul of the retirement system since the Pension Protection Act in 2006 bolstered the system with automatic enrollment, automatic escalation, and other reforms.

The SECURE Act addresses today's challenges. The average American life expectancy reached 78.7 years—for women, just over 81—in 2017. This is great news for all of us. But it's important to ensure the laws governing our retirement system are updated to reflect the reality of longer lives, so retirees and their families can avoid undue financial strain during their golden years.

While the SECURE Act isn't perfect, the Investment Company Institute strongly supports it.

First, the SECURE Act recognizes the successes of the current private, voluntary defined contribution system and builds upon its strengths. That's a welcome change from calls to impose government-run plans.

Second, the SECURE Act recognizes today's demographic challenges. For example, the act repeals the maximum age for making traditional IRA contributions (now 70 1/2). It also allows savers to delay taking required minimum distributions from their account to age 72, up from 70 1/2.

Third, SECURE will promote formation of new retirement plans, particularly among small businesses. It allows companies—regardless of industry—to join together to offer their workers 401(k)s as multiple employer plans. Under current law, only companies in the same industry or geographic area can join together on multiple employer plans. This change will help smaller businesses overcome cost and paperwork hurdles and offer employees meaningful ways to save and plan for retirement.

The SECURE Act provides further incentives for small businesses to utilize 401(k) plans by increasing the credit limit for startup costs and creating a new auto-enrollment credit to defray associated startup costs. Tens of millions of Americans work at small businesses, so these incentives, combined with open multiple employer plans (MEPs), will help more companies offer their employees meaningful ways to save—and plan—for retirement through a 401(k).

Finally, the SECURE Act builds upon the historic record of bipartisan retirement policy, with a strong consensus building on both sides of the aisle.

Leaders in Congress should seize on this momentum and consider additional reforms, such as the Retirement Security and Savings Act introduced in the Senate last month by Senators Rob Portman (R-OH) and Ben Cardin (D-MD). Their bill includes provisions to increase 401(k) "catch-up" contribution limits for individuals over age 60 and to allow employers to make an additional contribution on behalf of employees in a small business SIMPLE plan, a tax-advantaged retirement savings tool for employees of small businesses.

As they enjoy the prospect of longer life expectancies, America's workers want and deserve the tools they need to help them achieve a financially secure retirement. Taken together, the SECURE Act and the Retirement Security and Saving Act can provide those tools, building on the strong foundation of the current system.

Congress should seize this historic opportunity to improve and modernize the US retirement system.

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