

Retirement Policy

Lawmakers Urge Treasury to Promote Retirement Savings

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- Democrats urge Treasury to honor commitment to myRA savings program
- Pew study says employers often won't offer retirement plans until they reach level of stability and employees
- Analyst says state-run programs may make sense given study's findings

By [David B. Brandolph](#)

Democratic lawmakers, including Sens. Patty Murray (Wash.) and Ron Wyden (Ore.), want Treasury Secretary Steven Mnuchin to have the department demonstrate its commitment to the federal-sponsored myRA program, which provides a starter retirement savings account for those not covered by a plan at work.

The July 14 [letter](#) comes on the heels of the Labor Department's recent removal of rules giving safe-harbor protections to state- and city-run retirement savings programs for private sector workers who lack a work-sponsored retirement plan. Earlier this year, Congress passed, and President Trump signed into law, resolutions reversing the rules that were issued by the Obama Administration.

The Democrats said in their letter that attempts to stop such programs are counterproductive. They cited AARP, which says that more than 55 million Americans aren't covered by an employer-sponsored plan. A Treasury Department spokeswoman told Bloomberg BNA that the agency is reviewing the letter.

Groups representing business, such as the U.S. Chamber of Commerce and the Life Insurance Council of America, say these programs may prevent employers from offering retirement programs.

A recent [study](#) from the Pew Charitable Trusts sheds light on how state- and city-run programs may complement the timeline and obstacles faced by employers that desire to offer a retirement plan.

According to the study, small and mid-size businesses are much more likely to take the plunge and establish a retirement plan only after they have been operating several years and have become stable and viable. They are also more likely to do so once their business grows to about 75 employees, the study found. The study also found that business owners believe their workers prefer higher salaries, paid time-off, and health insurance over retirement benefits.

These state-run programs can work "hand-in-glove" to help employees begin saving for retirement and then permit them to take advantage of more extensive benefits later when they're offered by their employer, John Scott, director of Pew's retirement savings project in Washington, told Bloomberg BNA July 12.

State mandatory retirement programs being implemented for private-sector workers, such as the Secure Choice savings programs in California, Connecticut, Illinois, Oregon, and Washington, would, in addition to the myRA program, give workers access to low-cost retirement savings, but they are limited.

The state-run programs give employees the ability to invest only up to \$6,500 per year in an individual retirement account, while employer-sponsored plan annual contribution limits can be as high as \$24,000, and

often include employer matching contributions.

Employers Face Variety of Barriers

Small businesses struggle to offer retirement plans due to a variety of barriers.

These include “financial cost as well as the time required to administer that type of program,” John Arensmeyer, founder & CEO of Small Business Majority, in Washington, told Bloomberg BNA July 14. They want to offer this benefit because it helps them compete with bigger businesses for top talent and also helps them retain skilled employees, he said.

One of the big problems these employers face is that the cost of offering a plan declines as the amount of assets in their plan grows, Geoffrey T. Sanzenbacher, research economist at the Center for Retirement Research at Boston College, told Bloomberg BNA July 11.

For a small employer deciding whether to offer a plan and struggling with getting their business started, this cost could be a barrier and is higher than it will be later when they have more employees, he said.

Sanzenbacher thinks it makes sense that employees prefer the immediate benefits of health insurance and salary to retirement benefits.

“People tend to discount the future, so retirement benefits tend to get discounted in peoples’ minds,” he said. Retirement is a problem “future you” can deal with, “current you” needs the help now, he said.

More education on the need for retirement savings is needed for both employees and employers, Scott said.

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