



AMERICAN BENEFITS

COUNCIL

TESTIMONY OF
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ON BEHALF OF THE
AMERICAN BENEFITS COUNCIL
FOR THE ERISA ADVISORY COUNCIL
ENTITLED
GAPS IN RETIREMENT SAVINGS BASED ON
RACE, ETHNICITY AND GENDER
JUNE 25, 2021

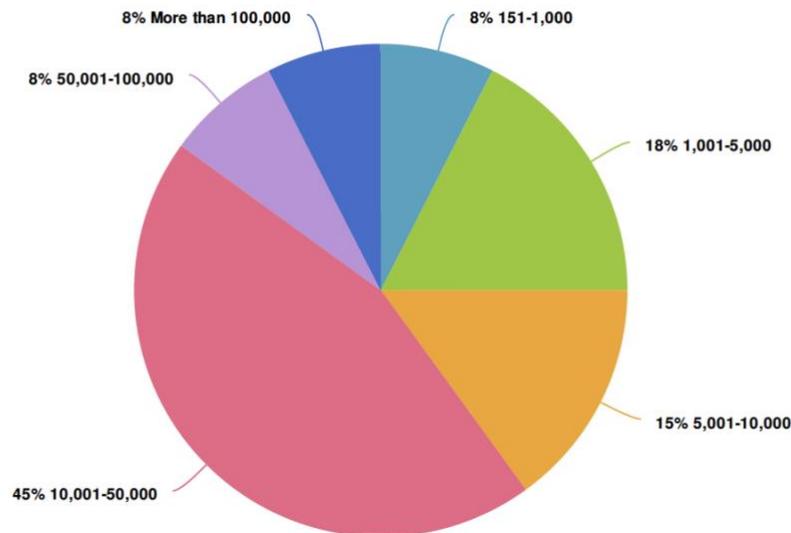
Good morning. My name is Jan Jacobson and I am senior counsel, retirement policy for the American Benefits Council. The Council is a national non-profit organization dedicated to protecting and fostering privately sponsored employee benefit plans. Its approximately 440 members are primarily large, multistate employers that provide employee benefits to active and retired workers and their families. The Council's membership also includes organizations that provide employee-benefit services to employers of all sizes. Collectively, the Council's members either directly sponsor or provide services to retirement and health plans covering virtually every American who participates in employer-sponsored benefit programs.

We really appreciate being invited today to testify with respect to Gaps in Retirement Savings Based on Race, Ethnicity and Gender. As you know, in connection with my testimony, the Council conducted an informal survey of its plan sponsor members with questions related to the topic. I want to thank members of the ERISA Advisory Council for help in drafting the questions we asked. I will briefly report on the results of that informal survey.

A total of 40 plan sponsors completed our brief survey and additional employers filled out some but not all survey questions. Responding employers tended toward larger employers with 76 percent from employers with more than 5,000 employees and 8 percent from companies with more than 100,000 employees (Figure 1).

Figure 1

11. How many full-time employees does your organization have?

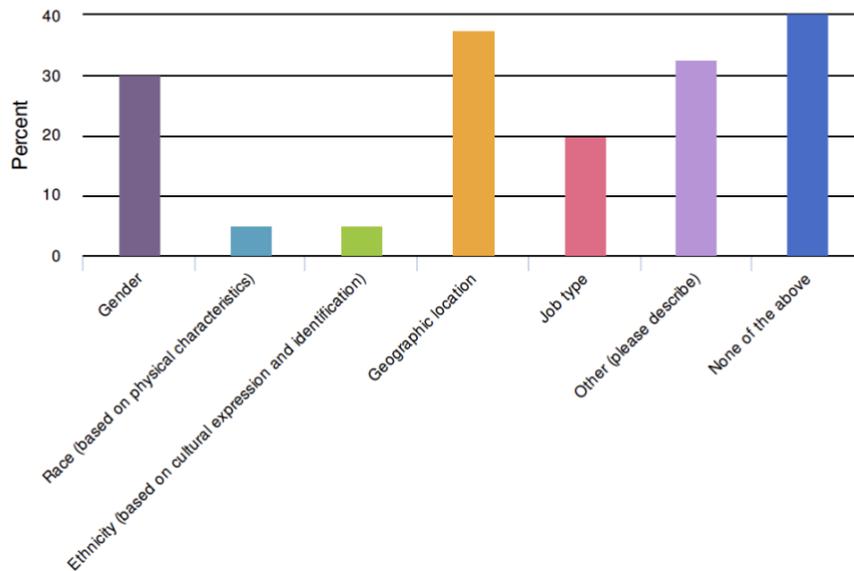


Source: American Benefits Council Disparities in Retirement Savings 2021 Member Survey Results

Interestingly, more than one third of our plan sponsor members tracked participation based on gender (30 percent) and geographic location (37.5 percent) while less than 10 percent tracked participation based on race (5 percent) or ethnicity (5 percent) (Figure 2).

Figure 2

1. Please indicate whether your organization's defined contribution retirement plan tracks employee participation by any of the following categories (please select all that apply)

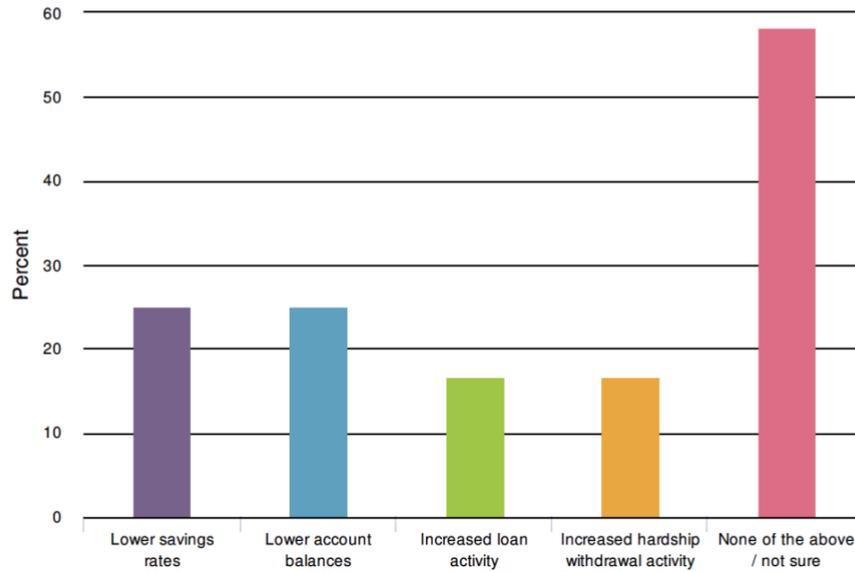


Source: American Benefits Council Disparities in Retirement Savings 2021 Member Survey Results

For those plan sponsors who tracked participation based on gender, 25 percent noted lower savings rates and lower balances for female participants compared to the rest of the participants and slightly less cited increased loan activity and hardship distributions among females (16.7 percent each) (Figure 3).

Figure 3

2. You indicated that your organization's defined contribution retirement plan tracks employee participation by gender. Please indicate whether female plan participants have demonstrated any of the following (select all that apply):

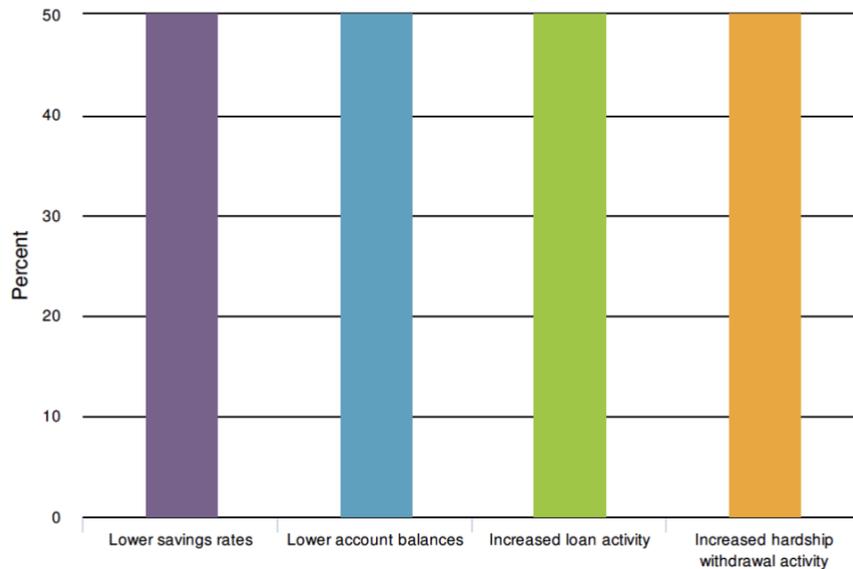


Source: **American Benefits Council Disparities in Retirement Savings 2021 Member Survey Results**

For plan sponsors who tracked participation based on race and ethnicity, half (50 percent) noted that ethnic or racial minority participants have lower savings rates, increased loan activity and increased hardship withdrawals. However, these percentages came from a small number of employers partially because very few employers tracked this participation (Figure 4).

Figure 4

4. You indicated that your organization's defined contribution retirement plan tracks employee participation by race or ethnicity. For these purposes, the term "racial or ethnic minority" can refer to Blacks/African-Americans, Hispanics/Latinos, Asians and Pacific Islanders, and American Indians and Alaska Natives. Please indicate whether ethnic or racial minority plan participants have demonstrated any of the following (select all that apply):



Source: **American Benefits Council Disparities in Retirement Savings 2021 Member Survey Results**

It is interesting to note that large percentages of the surveyed employers have either adopted or considered different approaches or plan features to encourage or address different employee groups' participation in their 401(k) plan. For example, more than 65 percent have targeted employee communications and more than 20 percent are considering it. Almost three fourths of responding employers have provided access to financial wellness education (72.5 percent) and another fifth of employers are considering it (22.5 percent). We did not ask a follow-up question regarding whether those that are offering these programs had higher savings rates for females and people of color. More than two thirds have implemented automatic enrollment and/or automatic escalation (69.2 percent). And more than half have provided access to financial or investment advisors (53.8 percent), or easy (i.e., one-click) enrollment (56.4 percent). (Figure 5).

Figure 5

	Adopted	Considered	Neither adopted nor considered	Responses
Targeted employee communications Count Row %	26 68.4%	8 21.1%	4 10.5%	38
Access to financial wellness education Count Row %	29 72.5%	9 22.5%	2 5.0%	40
Access to financial or investment advisors Count Row %	21 53.8%	13 33.3%	5 12.8%	39
Automatic enrollment/escalation Count Row %	27 69.2%	5 12.8%	7 17.9%	39
Easy (i.e., one-click) enrollment Count Row %	22 56.4%	5 12.8%	12 30.8%	39
Emergency savings "sidecar" account Count Row %	0 0.0%	12 34.3%	23 65.7%	35
Matching contribution based on student loan repayments Count Row %	1 2.6%	11 28.9%	26 68.4%	38
Non elective company contribution of 2% Count Row %	1 100.0%	0 0.0%	0 0.0%	1

Profit sharing and dollar for dollar company match, 9.3%	1	0	0	1
Count	100.0%	0.0%	0.0%	
Row %				
Self Directed Brokerage	1	0	0	1
Count	100.0%	0.0%	0.0%	
Row %				
Student Loans-(considering pre-pandemic)	0	1	0	1
Count	0.0%	100.0%	0.0%	
Row %				
savings program for down payment for house with an employer contribution	0	1	0	1
Count	0.0%	100.0%	0.0%	
Row %				

Source: **American Benefits Council Disparities in Retirement Savings 2021 Member Survey Results**

We should also note that a significant number of the plan sponsors would like to study the issue more before taking action (40 percent) and would appreciate and seek out tips or other guidance from the Department of Labor (30 percent).

One thing we have heard anecdotally (and the survey results bears that out) is that plan sponsors are very interested in providing the most effective communications to all their participants, which may mean communicating in different ways to different parts of their workforce. However, plan sponsors are concerned about providing this type of segmented education and life planning for fear of such education being construed as investment advice because of its targeted nature. We believe it would be helpful in this respect for the Department of Labor to provide clarification that such segmented education continues to be classified as education and not investment advice that could open plan sponsors up to new potential fiduciary liability.

While outside the purview of the Department of Labor, we also believe several provisions in Retirement Security and Savings Act of 2021 (RSSA) S. 1770 Cardin / Portman or the Securing a Strong Retirement Act of 2021 (SSRA) H.R. 2954 Neal / Brady (also known as SECURE 2.0) could help alleviate savings gaps for all low and middle-income individuals, such as use of promotional items to encourage participation, enhancements to auto enrollment and auto escalation and facilitating matching contributions on student loan payments. The original SECURE bill also had a provision that will encourage the development of new plan structures that facilitate adoption by small employers through open multiple employer plans now called Pooled Employer Plans or PEPs, which provide economies of scale. Expansion of and advertising the saver's credit could also help encourage people of color and women to

participate as well.

Another development that could be helpful in closing the savings gap would be emergency savings programs that plan participants could access in the event of emergency expenditures. There are many possible ways to structure such programs and we look forward to a vibrant public policy dialogue around how best to legislate in this area. In that regard, in another recent survey of our plan sponsor members, only one out of the 48 companies responding to the survey had an emergency savings program and less than 10 percent of that company's employees were participating in the program. Regulatory and legislative encouragement to establish and participate in these programs could be very helpful.

Before concluding, I would like to reiterate a very critical point that while many employers would appreciate tips and other guidance on this issue from the Department of Labor, it is important to provide such guidance in a way that does not increase potential litigation exposure. Flexibility is key in a voluntary retirement system so that small employers especially are not discouraged from sponsoring retirement plans.

Thank you again for providing the opportunity for me to present the Council's testimony from the perspective of plan sponsors. I welcome any questions you may have.