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Editor
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Dow Jones & Company, Inc.
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New York, NY 10281

To the Editor:

The *Money Matters* report "How to Fix 401(k)s" (December 14) described a number of ways that defined contribution retirement plans can be improved. The American Society of Pension Professionals & Actuaries (ASPPA) believes the 401(k) system has been successful, but would benefit from several of the suggestions outlined in the article, such as making fee disclosure a prominent legislative effort in the 111th Congress and with the Obama administration. ASPPA also supports expanding the availability of workplace savings through automatic individual retirement accounts such as the proposal included in President-elect Obama's retirement policy platform, which we believe will ultimately encourage more employers to sponsor 401(k) programs for their workers.

However, the statement that the tax benefits of the 401(k) plans "disproportionately benefit high earners" is misleading. It is true that with a progressive tax system, a dollar excluded from income for a high wage earner is more valuable than for someone in a lower income bracket, but that is not the whole story. As your report stated, annual tests applied to 401(k) plans are designed "to ensure that a broad cross-section of the workforce – and not just highly paid executive – are saving for retirement." Based on Internal Revenue Service data, 65 percent of the estimated federal tax expenditures of private employer-sponsored defined contribution plans, like 401(k) plans, benefit those earning less than \$100K.

A modest tax credit would not come close to replacing the employer contributions millions of workers receive under the current tax structure, which encourages employers to contribute on behalf of employees. More than 75 percent of moderate-income earners (annual income between \$30K to \$50K) who have access to plans from their employers participate in the plan, according to the Employee Benefit Research Institute. The participation rate for those with only individual retirement account access is less than 5 percent - a stunning difference.

The 401(k) system is worth improving because it is working so well for so many. ASPPA looks forward to working with the new Congress and the Obama administration to make the 401(k) system even better.

Sincerely,

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Executive Director and Chief Executive Officer