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John Hillkirk
Editor
USA TODAY
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To the Editor:

Your recent article titled “Group seeks answers for retirement ‘crisis’” (October 20, 2009) expresses concerns about the effectiveness of 401(k) plans as retirement savings vehicles. Although we agree that there are concerns that need to be addressed, the American Society of Pension Professionals & Actuaries (ASPPA) believes that the 401(k) system has been remarkably successful at getting working Americans to save for retirement, and any changes should enhance the current system, not weaken it.

401(k)-bashing has become fashionable lately, but blaming the plan design itself is unjustified. 401(k) plans are savings vehicles – and as a savings vehicle, 401(k) plans have worked extremely well. In fact, 401(k) plans are the only effective way we have ever gotten working Americans to save. According to the Employee Benefit Research Institute, over 75 percent of workers making between \$30,000 and \$50,000 contribute when covered by a 401(k)-type plan. These workers are 20 times more likely to save as compared to those workers not covered by an employer plan. For that reason, ASPPA is a strong supporter of expanding the availability of workplace savings through automatic individual retirement accounts (auto-IRAs) such as those proposed by the Obama administration. ASPPA believes payroll deduction auto-IRA arrangements will ultimately encourage more employers to sponsor 401(k) plans, and contribute on the employee’s behalf.

It also is true that lower income workers are the primary beneficiaries of 401(k) and profit sharing plans. Based on Internal Revenue Service data, 65 percent of the estimated federal tax expenditures for private employer-sponsored defined contribution plans benefit those earning less than \$100,000. In addition to providing this direct tax benefit, the exclusion benefits rank and file employees by encouraging employers to contribute to 401(k) arrangements. Although some employers have reduced or eliminated matching contributions in the current economic downturn, many of those employers have announced their intention to reinstate matching contributions. Many other employers contribute more than just matching contributions to 401(k) plans, and federal law imposes non-discrimination requirements that assure benefits under these arrangements are being shared by a broad cross-section of workers – not just highly compensated employees.

We believe the issues mentioned in the article can be successfully addressed within the context of existing 401(k) plans, without diminishing any of the value offered by existing plans. For example, ASPPA is a strong supporter of improving 401(k) fee disclosure to plan sponsors and participants. Fees and expenses charged to 401(k) plan accounts can add up over time to take a big bite out of retirees' 401(k) savings. Therefore, ASPPA supports proposals that require plan sponsors and participants be provided with information on 401(k) plan fees to allow them to make informed decisions. ASPPA also believes that working Americans should have access to independent investment advice provided by qualified advisers, and strongly supports proposals which promote independent investment advice for retirement plans and participants.

The 401(k) system was intended to supplement Social Security, not replace it. The 401(k) system is worth improving because it has been successful at creating retirement savings for millions of workers. ASPPA believes payroll deduction IRAs will expand coverage, and improved fee disclosure and the availability of independent investment advice will improve the long-term benefits. ASPPA will continue to work with Congress and the administration to incorporate these improvements into the private retirement system.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Dobrow". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Stephen L. Dobrow, CPC, QPA, QKA, QPFC
President