AMERICAN PAYROLL ASSOCIATION

December 4, 2020

The Honorable Richard E. Neal
Chairman
House Ways and Means Committee
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: In Support of the Securing a Strong Retirement Act of 2020

Dear Chairman Neal and Ranking Member Brady:

The American Payroll Association (APA) supports the *Securing a Strong Retirement Act of 2020* (SECURE Act 2.0 or Act) that expands the *Setting Every Community Up for Retirement Enhancement Act of 2019*. This legislation would provide American workers with greater access to retirement plans, offers incentives and defrays costs for small employers to establish retirement plans for their employees, and removes the need for state governments to create private-sector retirement programs. In turn, this proposed measure could improve uniformity for businesses with employees located in multiple states.

EXPLANATION OF SUPPORT FOR THE SECURE ACT 2.0

The APA supports the SECURE Act 2.0 for the following reasons:

1. **Sec. 101, Expanding automatic enrollment in retirement plans (for new plans).** The APA believes that by mandating most employers to automatically enroll employees in a retirement plan when the employees become eligible, more employees will participate. Once employees are enrolled, they are more likely to continue contributing. In addition, employers could set an initial auto-enrollment contribution level between 3% and 10% during the first year employees are eligible, and then increase the contribution percentage by 1% annually until it reaches 10%. Employees retain the option to choose a different percentage or not to contribute at all. This has the potential to encourage economic empowerment to those least likely to save for retirement through their own initiative.

1. **Sec. 102, Modification of credit for small employer pension plan startup costs.** Research sanctioned by state governments and private organizations shows that smaller employers are least likely to be able to offer employees retirement options. The Act should significantly help these employers by increasing the tax credit from 50% to 100% of costs (capped at $5,000) for establishing new plans.

2. **Sec. 103, Simplification and increase in the Saver's Credit.** The Act simplifies the credit for retirement plans or IRA contributions by increasing the maximum credit and the eligibility income limits. This will open opportunities for those individuals who do not have access to an employer plan and allow employees to save more toward their retirement.

3. **Sec. 105, Increase in age for required mandatory distributions.** By increasing the age by which individuals must receive retirement plan distributions from age 72 to 75, they will be more secure in managing their finances now and when they retire.

4. **Sec. 108, Higher catch-up contribution to apply at age 60.** This provision allows employers to offer eligible employees a second catch-up contribution when they reach the age of 60. The current catch-up limit of $6,500 per year for employees age 50 or older would be retained and would increase to $10,000 when employees reach 60 years of age. This will provide employees greater flexibility in securing their retirement goals. Similarly, the catch-up contribution limits for SIMPLE plans would remain $3,000 for employees over 50 and increase to $5,000 for employees when they reach 60 years of age. The increased limits would be subject to similar annual cost of living adjustments as the current limits.

5. **Sec. 109, Multiple employer §403(b) plans.** The Act allows smaller nonprofit employers to participate in multiple employer §403(b) plans (MEPs), which will allow these employers to obtain more investment options, promote retirement-plan efficiency, and reduce the expensive management fees that are currently higher than on §401(k) plans. These changes to MEPs benefit employers by cutting costs and employees by increasing opportunities to save.

6. **Sec. 110, Treatment of student loan payments as elective deferrals for purposes of matching contributions.** The Act will allow employers to make matching contributions for employees who have qualified student loan debt. This will help employees to pay down their debt and still contribute to §401(k) or §403(b) plans with receipt of their employer's matching contribution.

7. **Sec. 115, One-year reduction in period of service requirement for long-term, part-time workers.** The Act will make it easier for long-term, part-time employees to

participate in retirement plans by reducing the measurement period from three to two years. The provision expands eligibility for a variety of part-time employees, including women, students, and temporary workers employed by staffing agencies.

ABOUT THE APA

The APA is a nonprofit professional association representing 20,000 payroll professionals in the United States. APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers while complying with applicable federal, state, and local laws. In addition, APA's Government Relations Task Force (GRTF) works with the legislative and executive branches of government to find ways to help employers satisfy their legal obligations, while minimizing the administrative burden on government, employers, and individual workers. The GRTF supports legislative initiatives that guide payroll professionals in positioning their employers to help employees save for retirement.

The APA urges you to pass the SECURE Act 2.0 to provide incentives for individuals and employees to save for retirement and help employers to offer employees opportunities to save. The Act helps fill the gap in securing savings for everyone. Thank you for sponsoring this legislation.

To reach APA to discuss this support further, please contact Alice Jacobsohn by email at ajacobsohn@americanpayroll.org or phone at 202-669-4001.

Sincerely,

Alice P. Jacobsohn

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Director, Government Relations

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