

ARA Opposes Unfair Federal Government Retirement Fund for the Private Sector

In October, a bipartisan group of Members of Congress re-introduced the *Retirement Savings for Americans Act* ([H.R. 6065/S. 3102](#)). This legislation would create a new federal government-managed retirement fund, called the American Worker Retirement Fund ("Fund"), for all qualifying workers. The proposal, which purports to address the retirement plan coverage gap in the private-sector workforce, is impractical, unfair, prohibitively expensive, and ripe for political abuse.

This misguided legislation would create more problems for retirement savers, employers, and taxpayers than it would solve:

- The bill contains an Obamacare-like mandate requiring employers to enroll their employees in the Fund if they do not otherwise offer a retirement plan, or else be subject to significant monetary penalties;
- The bill also provides a taxpayer-funded Government Match, but only for individuals saving in the federally-run Fund and an additional contribution regardless of how much the individual is saving, creating an unfair advantage over private sector employer-based retirement alternatives;
- The Government Match is more than twice as generous (and expensive) as the Saver's Match in the SECURE 2.0 Act for private sector 401(k) plans;
- The Government Match would be available to 150 million workers, which is over twice the number eligible for the Saver's Match;
- Extending government-subsidized matching and other contributions to over a hundred million eligible workers, but only if they use the Fund, will incentivize employers to shutter their existing plans (which, in many cases, have more generous employer contributions for rank-and-file employees);
- Ultimately, this will result in the nationalization of America's robust employer sponsored retirement system, which, according to the authors of the white paper this proposal is based on, would accomplish the goal of "get[ting] the employer out of [retirement]"¹ and letting the government take over;
- The Government Match provision would cost taxpayers hundreds of billions of dollars, rapidly accelerating the national debt and creating a needlessly duplicative government program; and
- This bill would enable unelected officials to pursue Environmental, Social, and Governance (ESG) pet projects by leveraging the retirement savings of millions of Americans. Specifically, the bill creates American Worker Retirement Investment Board (Board) to administer the Fund. The Board is responsible for appointing an Executive Director who oversees the Fund's investment selection process. The current fight between the political parties over ESG investing should be a red flag cautioning against the creation of a new federal government retirement fund with politicized leadership.

There are plenty of retirement products available to small employers

The legislation is based on the erroneous premise that small employers and gig workers do not have access to affordable retirement plans. The retirement plan marketplace in the United States is vibrant and competitive. Small business employers can currently find reasonably priced retirement plan products of all types from many providers. Congress has enacted two major retirement policy bills in recent years – the SECURE Act and the SECURE 2.0 Act – with provisions specifically catered to encouraging small employers and gig workers to adopt retirement plans. These provisions include the creation of new small business friendly retirement plan designs, like pooled employer plans (PEPs) and the Starter K plan, as well as provisions that provide robust tax credits to small businesses for the adoption of new plans that may cover the entire cost to administer a plan. Many of these provisions have not yet gone into effect and should be given a chance to succeed.

The *Retirement Savings for Americans Act* might make for a good sound bite, but it is dangerous and unnecessary for the reasons stated above and should be rejected.

¹ Jessica Hall, *Working longer won't solve the retirement crisis*, Yahoo Finance, January 30, 2024, <http://tinyurl.com/2mndcbjp>