Senator Harkin’s New Retirement Savings Plan

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It aims to ensure that nearly all workers have access to an employer-based retirement plan.

Days after the President introduced the administration’s myRA proposal in his State-of-the-Union speech, Senator Tom Harkin (D, IA) introduced his **Universal, Secure, Adaptable (USA) Retirement Funds Act**. Both initiatives are aimed at providing coverage for those without an employer-sponsored retirement plan. The initiatives are a response to increasing public concern about retirement. **A study of recent polls** released by the Center for American Progress showed that Americans are deeply concerned about retirement security and feel that Washington should put a high priority on helping people save for retirement.

The centerpiece of Senator Harkin’s new plan is USA Retirement Funds. These funds would be privately run, managed and administered by a board of trustees that represents the interests of employees, employers, and retirees. The funds could be started by non-profits, associations of employers, financial institutions, or other organizations. The trustees would be fiduciaries, required to act in the best interest of plan participants and beneficiaries. The trustees would be required to disclose the fund's performance and fees and to provide participants with estimates of their monthly benefit in retirement. The funds would be overseen by the Department of Labor.

All employers with more than 10 workers that do not have a retirement plan with automatic enrollment and a lifetime income option would be required to automatically enroll their employees in a USA Retirement Fund. The default contribution rate would be 6 percent of pay. Individuals could contribute up to $10,000 per year pre-tax, and their employers could contribute up to $5,000. Low-income participants would be eligible for a refundable savers credit. (Employees of very small companies and the self-employed could voluntarily sign up and contribute to the funds.) Participants would have the option of changing their USA Retirement Funds once a year.

Since the Department of Labor will oversee the USA Retirement Funds and a board of trustees will run them, employers would not have any fiduciary responsibilities for selecting, administering, or managing the funds. Their only job would be to auto-enroll their employees and use their payroll system to transfer monthly contributions to the funds.

The assets in each USA Retirement Fund would be pooled and professionally managed by the trustees. I assume the pooling is within cohorts because the plan summary states that the trustees would reduce the level of volatility as participants approach retirement. The write-up also suggests some form of risk pooling. For example, in the face of a long and severe economic downturn, benefits could be gradually reduced (no more than 5 percent per year); alternatively, after a period when assets performed better than expected, excess returns could be allocated “conservatively” to both employees and retirees.

Benefits would be paid out as annuities based on the assets in each individual’s account and the performance of the market.

This plan seems very similar to **SAFE** proposed by the Center for American Progress. Both establish third-party platforms, reduce the role of employers, automatically enroll participants, pool investments, improve portability and pay out benefits as annuities. We have no shortage of good ideas. What we lack is the political will to actually do anything.