

**STATEMENT OF LESLIE B. KRAMERICH  
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BEFORE THE  
SPECIAL COMMITTEE ON AGING  
U.S. SENATE**

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Mr. Chairman and Members of the Committee, I am Leslie Kramerich, the Deputy Assistant Secretary for Policy at the Pension and Welfare Benefits Administration of the U.S. Department of Labor. I appreciate this opportunity to appear before you to discuss what the Department is doing to educate American workers -- particularly women, minorities and youth -- about the importance of saving for retirement. I am also pleased to have this opportunity to thank you in person for promoting retirement education through your sponsorship of the "Savings Are Vital to Everyone's Retirement Act," which has been so important in making sure that the campaign that we started in 1995 will be ongoing.

According to a 1994 survey, when asked what they have saved for retirement, one out of three Americans said that they had saved less than \$10,000 for their retirement. <sup>(1)</sup> In fact, the personal savings rate in the United States as a share of disposable income is in the negative for the first time since the Commerce Department started keeping such records in 1946. This means that individuals are taking on more consumer debt than they are saving.

DEPARTMENT OF LABOR RETIREMENT SAVINGS EDUCATION CAMPAIGN

The Department of Labor is committed to helping America's workers become better savers, and through our Retirement Savings Education Campaign, which began in 1995, we have provided workers with information about the retirement income system, and with tools that will help them build a secure retirement future.

We began our campaign with 65 public and private sector partners, united to educate American workers about why they should save for retirement. Since the beginning of the campaign, our partners

have formed the American Savings Education Council (ASEC), a non-profit organization which now has more than 250 members representing a wide spectrum of organizations.

We know there is a need for our campaign because of three key challenges workers face as they prepare for retirement. First, less than one-half of all private sector workers are earning pension benefits in their current job. And employees of small businesses, women, minorities and low-wage workers are significantly less likely to have a pension plan. Additionally, workers with pensions are more likely to be covered by a defined contribution plan -- usually a 401(k) plan -- rather than the traditional defined benefit plan. This shifts much of the responsibility for retirement planning to workers. Finally, many workers lack the information and knowledge to effectively save and plan for retirement. For everyone 65 and older, 61 percent rely on Social Security for half or more of their income.

Since its inception, our campaign has met these challenges by targeting women and minorities -- who have the lowest pension coverage rates -- and owners of small businesses because they employ over 40 million workers, yet provide pensions to only eight million. We have also implemented initiatives to teach youth that it is never too early to begin saving and planning for a secure retirement.

Last summer's National Summit on Retirement Savings, which was planned and organized by Secretary Herman working with the White House, Department of Treasury, Pension Benefit Guaranty Corporation (PBGC), and Congress, was one of the highlights of our campaign. As you know, the Summit was provided for by bipartisan legislation known as the SAVER Act, or "Savings are Vital to Everyone's Retirement."

Summit participants, including President Clinton, Vice President Gore, Chairman Grassley, Ranking Member Breaux, Senator Graham and other Congressional leaders, as well as 250 delegates, explored the barriers people face when they try to save and how those barriers can be eliminated. They also talked about how we can more effectively spread the retirement saving message to minority communities, and how we can inspire youth to begin saving early and often. The information and ideas that came out of the Summit reinvigorated our multi-faceted campaign approach to reaching our target groups, which includes public information and outreach, media and partnerships.

Youth: Mr. Chairman, we realize the real key to changing this country's savings culture and creating a Nation of savers lies in how effectively we communicate with America's young people. That is why we have taken definite strides to help young people acquire the financial skills that will help them save for a secure retirement. We are currently working with the accounting firm of Ernst & Young -- one of our campaign partners -- to develop Phase II of Moneyopolis, an interactive Internet savings game for youth. We are partnering with schools, urging them to start savings clubs, and we are renewing our partnership with the Girl Scouts, building on Secretary Herman's visit with troops to talk about the importance of saving. We also have plans within the Department to start a savings program as part of next year's "Take Your Children to Work Day."

The rapid growth in the number of our partners has demonstrated that partnerships play a clear and important role in the effectiveness of our efforts to reach our target audiences. That is why we have also created individual partnerships with organizations like the National Association of Women Business Owners, and the National Council of Negro Women. And, we have recently formed new alliances with a variety of organizations, including the Certified Financial Planners Board, the Social Security Administration, and a variety of churches and community groups.

Minorities: Last fall, we sponsored three talk shows on pensions, retirement savings and retirement planning on radio stations with large Hispanic radio audiences. Approximately 100 stations from Los Angeles to Houston broadcast those programs, reaching a potential of 73 percent of the United States' Hispanic population. To sharpen our focus on Hispanic workers, we have translated our two most popular brochures, "The Top 10 Ways to Beat the Clock and Prepare for Retirement" and "Women and Pensions" into Spanish. These materials are distributed with other Spanish materials at events across the country.

We have also reached out to African Americans age 25 to 65 with a news feature article and a print public service announcement that has been distributed to 140 African American newspapers. And, a broadcast news spot featuring Secretary Herman and a radio public service announcement will be distributed to 390 radio stations with large African American audiences.

Women: We are particularly proud of our efforts to reach out to women. Our "Women and Pensions" brochure continues to be one of our most requested and most popular publications. It has been featured in *Parade Magazine*, and highlighted in our public service announcements. The brochure also enjoys wide distribution by the American Savings and Education Council (ASEC), our toll-free publications hotline, and through the Consumer Information Clearinghouse operated by the Department of Commerce. We are also developing a new public service announcement to promote the brochure, and a print public service announcement that will be distributed to 100 women's publications.

Last September, we co-sponsored the successful "Every Woman's Money Conference" with the Oregon State Treasurer's Office. The event was designed to provide women with tools that would improve their knowledge of financial issues -- specifically retirement savings. The conference was so well received that other States have indicated an interest in hosting similar events. As a result, we plan to cosponsor similar conferences in conjunction with the National Association of State Treasurers in multiple States throughout the coming year.

Department of Labor representatives have also appeared at roundtables and events across the country to talk about the importance of women saving for retirement.

Small Business: We are very proud of our brand new partnership with the U.S. Chamber of Commerce and the Small Business Administration, which is specifically designed to reach thousands of small business owners throughout the country who currently do not offer retirement plans to their employees - many of whom are women and minorities. Advice from these two organizations is helping us enhance our small business materials, including our interactive website that allows employers to explore a variety of plans that may be appropriate for their employees. The site has averaged 300 hits per week since its introduction one year ago. In the coming months, we will update the site to allow small business owners to enter specific financial information that will give them an even more accurate picture of retirement plans that will fit their circumstances and their employees needs. Our overall goal is to encourage the four million small business owners who do not provide a plan for their 32 million workers to adopt one of these options.

Our interactive website links to our education campaign website which fulfills a requirement in the SAVER Act for the Secretary to establish a permanent site on the Internet dedicated to retirement savings. While we do have a website that contains all our publications and a variety of helpful consumer tools, including the Ball Park Estimate designed by ASEC, tips for consumers about preventing pension miscalculations, and many other materials, we are in the process of redesigning the site to make it more user friendly and usable.

We are also fulfilling one of SAVER's requirements through our partnership with the Certified Financial Planners Board, with whom we are producing a consumer booklet entitled "A Financial Workout: Your Guide to Financial Fitness." The booklet will explain in simple terms the concept of compound interest, describing various savings vehicles and how they work. It guides the consumer through a workout to maximize their savings and to plan for a lifetime of financial growth. The publication of this booklet will satisfy the outstanding requirements of the SAVER

Act. This booklet along with ASEC's Ballpark Estimate and our Top Ten Ways brochure provides a great toolkit for workers getting started.

To handle requests for materials related to our retirement education campaign, we have installed a toll-free publication hotline staffed with contract personnel 8:00 a.m. to 8:00 p.m., Monday through Friday. The hotline has received over 650,000 calls since it was installed in April, 1997. Participants who call the hotline looking for a benefit advisor are transferred to the closest PWBA regional office.

#### PARTICIPANT ASSISTANCE

The Department is also continuing its mission of protecting participants' retirement benefits and providing the best possible service to our customers. Focusing on our twin goals of providing high-quality customer service and thorough retirement education information has earned our participant

assistance program more credibility, elevated our visibility in the community, and increased our ability to respond quickly and effectively to participants.

And as you might imagine, the rising success of our campaign has had a significant impact on the volume of inquiries we receive. Last year, we received over 155,000 inquiries, and by May of this year we had already handled over 102,000 calls. This represents an increase of 62 percent since 1995. With the support of this Committee and others in Congress, we have been able to increase the staff dedicated to participant assistance. We have also strengthened our program by reinventing the way we serve our customers.

Today, callers to most of our field offices immediately reach a receptionist who directs them to an advisor. Callers to the National office reach an enhanced automated system, which allows them to dial "0" at any time to speak directly with the next available advisor. Calls are generally answered immediately; however, if due to volume a message must be left, staff members return those calls promptly. Last year, 99.9 percent of all callers received a return call by the end of the following business day, and we are maintaining that same rate this year.

We have also made our participant assistance program more comprehensive and thorough. When appropriate, benefit advisors contact employers or plan sponsors to intervene on behalf of participants -- to discuss inquiries, obtain documents, advise the plan of a possible violation of the law, and to mediate a settlement of the complaint when possible. If the advisor determines that there may be a fiduciary violation, the inquiry is referred to an investigator for review.

Individual benefit disputes are often resolved as a result of our advisors' informal intervention, when, in the normal course of events the participant would not receive such willingness to cooperate from the employer or plan sponsor. Of course, not all complaints can be resolved by our advisors. If an employer or plan sponsor fails or refuses to cooperate informally, the benefit advisor has the resources of PWBA investigative staff to review the matter to determine if broader issues might require a more thorough investigation. In fact, over 600 of the 1,900 investigations opened so far this year by our enforcement staff originated as a complaint received by our participant assistance units. If the complaint does not warrant further investigation, the advisor will counsel the participant to seek legal assistance. In those few areas where pro-bono legal assistance projects are available, benefit advisors will make appropriate referrals.

While ERISA does not provide authority for us to adjudicate disputes between plans and participants, our staff informally intervene on behalf of participants if it appears their rights or benefits were denied. In fact, last year our benefit advisors recovered more than \$42 million on behalf of individual participants. (These recoveries are in addition to the monies recovered by our enforcement staff.) We are well on our way to reaching \$50 million this year, having already recovered over \$34 million through the end of May.

We have also strengthened our participant assistance program by developing and implementing an intensive training program for our benefit advisors. The annual training curriculum includes many of the same fiduciary modules used in our investigator training program. The staff are highly qualified and well-trained to assist participants in exercising their rights and obtaining benefits due, and assisting plan sponsors in understanding their responsibilities.

An essential part of the training provided to our benefit advisors includes a detailed strategy for assisting participants who believe their employee pension plan has calculated their benefits incorrectly. While our advisors do not calculate benefits, we assist participants in obtaining information about the calculation

from the plan administrator and in obtaining documents necessary to determine if the benefit was calculated properly. If informal discussions with the participant and the plan administrator are unsuccessful, referrals are made for pro-bono legal or actuarial assistance, when appropriate. We have also placed on our website under the heading *Consumer Information for Pension Participants*, tips for consumers and information on the ten most common errors in pension calculation.

Through our Retirement Savings Education Campaign, we have compiled information that is available in publications and on our website. This information includes material for participants who have a pension plan and need to understand their rights and benefits. For example, we have developed "What You Should Know About Your Pension Rights," "How to Protect Your Pension," "How to File a Claim," "A Guide to 401(k) Plan Fees," and a booklet with questions and answers for dislocated workers.

Consistent with the Government Performance and Results Act, we have implemented customer service standards to improve the consistency and quality of service to our customers. We now have uniform standards for responding to telephone calls and letters. Telephone calls are returned by the end of the next business day and letters are answered within 30 days. These performance standards are published in a booklet and are on display to help customers understand what they can expect in the way of services from our agency. Meeting these standards is one of the criteria we use to evaluate PWBA managers' performance. Through the end of the second quarter of Fiscal Year 1999, we met these standards with 99.9 percent of our total inquiries.

Customer satisfaction surveys have provided us with valuable information about how our customers feel about our service. In our latest survey, customers rated our overall service at 1.9 on a scale of one to five, with one being the highest possible rating. We are currently developing our fourth survey which will be conducted during 1999.

In Fiscal Year 1995, we implemented a tracking system to follow public inquiries received in the National and field offices by type, subject of inquiry, response time and disposition/recovery. Data gleaned from the tracking system provides a wealth of information that has been used by the agency for policy development and enforcement initiatives.

PWBA staff regularly review the nature of inquiries received over a period of time to determine National trends that may impact our overall enforcement strategies or regulatory policies and initiatives. For example, in 1995, as a result of identifying a significant number of participant inquiries alleging that employers had withheld plan contributions from workers' pay but failed to deposit them into the plan in a timely manner, PWBA initiated its 401(k) participant contribution enforcement project. This highly successful project, which is still ongoing, has resulted to date in the opening of 3,746 investigations and the recovery of \$53.1 million. In addition, PWBA amended its plan asset regulations as they relate to participant contributions to significantly reduce the maximum 90-day holding period within which an employer must deposit the contributions withheld into the plan.

## LEGISLATIVE INITIATIVES

In addition to encouraging workers to save more, the Administration is committed to expanding the pension system overall, and, in February, the President unveiled several initiatives to strengthen, simplify and expand the pension system so more workers can save for retirement.

As you know, Mr. Chairman, the President's Fiscal Year 2000 budget would transfer 62 percent of the projected budget surplus over 15 years and invest a portion of the transferred surplus in the private

sector to keep Social Security solvent until approximately 2059 and pave the way for working with Congress for other reforms to save Social Security until at least 2075. The President's framework would also create universal savings accounts to help working individuals and families save for retirement. In addition, the Administration has developed initiatives to help expand coverage by making it easier for businesses to create new plans, increase portability of private pensions, improve retirement security for women, expand workers "right-to-know" about their pensions, increase the security of private pension plans, and simplify private pension plan administration.

The President's legislation would increase portability by allowing employees to fully vest in an employer's matching contributions after three years of service. And it would make it easier to consolidate retirement savings by permitting rollovers between various types of plans. It would also allow newly-hired Federal employees for the first time to immediately participate in the Thrift Savings Plan and receive agency automatic and matching contributions. And it would expand the PBGC missing participant program.

As you know, women generally live longer than men, which means they tend to spend a longer time in retirement than men. To help more women count on financial security during their retirement years, the President's plan also includes a 75 percent "joint and survivor annuity" option that will pay a lowered benefit to couples while both are alive, but provide 75 percent of the annuity amount to the surviving spouse of the participant.

Finally, the President's proposal also takes into account the role many women play as their families' primary caregiver by ensuring that workers who take time away from work under the Family and Medical Leave Act (FMLA) to care for an ill relative, a newborn, or adopted child can count that time toward retirement plan eligibility requirements.

Under the President's pension right-to-know initiative, spouses would receive information about a worker's plan, and participants in defined benefit plans would receive statements explaining the benefit they would receive if they left their employment on the statement's date. Finally, participants in defined contribution plans would automatically receive a statement at least annually.

The legislation also includes the pension audit bill, which would subject more pension assets to audit. The President has also proposed to ensure greater pension benefits for low- and moderate-income workers in simplified 401(k) plans, and to simplify the definition of "highly compensated employee."

Under the President's plan, a three-year tax credit would serve as an incentive for small businesses to establish retirement plans. And a simplified defined benefit plan, the Secure Money Annuity or Retirement Trust, would involve simple rules and reporting, provide for broad coverage by allowing employers to make contributions for all eligible workers, and guarantee participants a minimum monthly benefit upon retirement. The legislation also calls for the PBGC to charge small businesses no variable rate premium, and \$14 less than the traditional \$19 flat rate, per capita premium typically charged to ensure workers will get most or all of their benefits if the plan has inadequate resources to meet its obligations. Finally, the Administration is meeting its ongoing goal of broadening pension coverage by expanding opportunities for employers to help their workers plan for retirement.

I am pleased to announce, Mr. Chairman, that the Labor Department is actively supporting that initiative today with the release of an interpretive bulletin issued by PWBA to make it easier for employees to save for retirement on their own through payroll deduction contributions to IRAs.

This bulletin encourages employers -- particularly small business owners who are not ready to sponsor

corporate pension plans --to create automatic payroll deduction systems their employees can use to make their own contributions to individual IRAs. The bulletin explains existing Departmental guidance on what employers can do to help employees save through IRAs without creating pension plans subject to the requirements of Federal pension law, and it fulfills the Administration's ongoing goal of broadening pension coverage by expanding opportunities for employers to help their workers plan for retirement.

We are confident that all of the Department's efforts -- from our retirement education program and our interpretive bulletin to our continued focus on participant assistance -- will help more Americans, particularly women, minorities and this Nation's youth, begin planning for a secure retirement.

## CONCLUSION

Our campaign has been remarkably effective in fulfilling its mission of encouraging working Americans to save for retirement. We have developed and distributed thousands of copies of our publications designed to assist participants in understanding their rights and benefits and the need to save for their retirement. We have reached over three million readers with our print public service announcements. Major media, including the *Washington Post*, *Parade Magazine*, *Money Magazine*, Hispanic Radio Network, and other outlets, have carried our message. To broaden our reach to youth, women, minorities, and small business owners, we have formed successful partnerships with the State Treasurers Association, the U.S. Chamber of Commerce, the Small Business Administration, the National Association of Women Business Owners, Ernst & Young, the Girl Scouts, and others. Finally, our website continues to attract thousands of participants and small business owners each week. And our benefit advisors are assisting 62 percent more participants than in 1995, and we increased our recoveries for individual participants from \$12.5 million in 1995 to over \$42 million in 1998.

Thank you, Mr. Chairman, I would be pleased to answer any questions that you or the other members of the Committee may have.

1. "Promises to Keep: A Report from Public Agenda in Collaboration with the Employee Benefits Research Institute" (1994).