

May 19, 2021

The Honorable Ben Cardin  
509 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Rob Portman  
448 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senators Cardin and Portman,

Thank you for your longstanding partnership and ongoing leadership to expand our retirement savings system and strengthen the retirement security of millions of Americans. Vanguard is pleased to support your bipartisan legislation, the Retirement Security and Savings Act, which would benefit retirement savers by allowing for greater choice in investments, improving participant decision making, and simplifying retirement plan administration.

Vanguard is a leading provider of investment, advisory, and recordkeeping services for defined contribution retirement plans. Our core purpose is to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success. We provide direct defined contribution recordkeeping and investment related services to nearly 5 million participants and nearly 1,400 plan sponsors. These assets account for more than \$500 billion of Vanguard's total assets under management. We also manage more than \$1 trillion through Vanguard funds for more than 7 million individual retirement account (IRA) investors.

The Retirement Security and Savings Act will provide greater choice and fairness in investment decisions and your legislation was the first to address an important inequity for public service and nonprofit employees. Currently, most 403(b) plans, the typical retirement savings vehicle for workers in public education institutions, many nonprofits, and other charitable organizations, cannot invest in low-cost collective investment trusts (CITs) which are increasingly popular investment options for 401(k) plans. CITs and mutual funds are both excellent, low-cost options in retirement plans. Allowing 403(b) plans to invest in CITs will help meet the diverse needs of their participants and ultimately improve their ability to enjoy a secure retirement.

In addition, Vanguard supports your efforts to aid in participants' decision making, including your provision to improve performance benchmarks for investments. Current disclosure regulations require a fund's performance to be compared to an appropriate market index. However, the current comparisons do not properly account for popular investments like Target Date Funds, which feature a mix of asset classes. This provision will ensure performance benchmarks are more accurate and effective, and result in more suitable comparisons when selecting an investment for unique retirement goals.

Vanguard also supports your efforts to include a new automatic enrollment option. Defaults are incredibly powerful in retirement savings, and automatic enrollment and automatic escalation have been proven to generate stronger outcomes for savers. Vanguard's *How America Saves 2020: Insights to Action* found plans that use automatic enrollment have a 92% participation rate compared with 61% for plans with voluntary enrollment and higher participation rates across all

demographic variables, most notably among those 35 and younger<sup>1</sup>. Similarly, when including nonparticipants, employees who are hired under automatic enrollment plans save an average of 10.3%, considering both employer and employee contributions. Employees under a voluntary enrollment design save an average 6.6% due to significantly lower participation<sup>2</sup>.

Your bill also includes provisions to improve the administration of retirement savings plans and ensure savers don't have to prematurely deplete hard-earned savings. As Americans are living and working longer, Vanguard supports further increasing the required minimum distribution age to 75. Your bill also addresses a growing issue related to missing participants by establishing a retirement savings lost and found database to address the longstanding public policy challenges associated with previous employer-sponsored accounts that participants may have become separated from.

Finally, Vanguard supports your provision to allow the consolidation of certain non-individualized and administrative defined contribution plan notices, which will lower costs for participants while ensuring these annual notices are helpfully aggregated and displayed in one setting. As you continue to refine your bill, we strongly encourage you to maintain the sensible and balanced rules in place that permit greater use of default electronic delivery for retirement plan documents while upholding strong consumer protections. Vanguard has long supported the right of participants to receive their documents in paper for those who prefer it, but our data clearly shows that electronic delivery leads to better information and ultimately stronger retirement outcomes across all age ranges<sup>3</sup>. We oppose ideas such as mandating paper benefits statements that ultimately would increase costs for participants, result in less timely information, and fail to encourage interaction with online tools and education that might otherwise lead to increased retirement savings over time. Conversely, electronic delivery provides a secure, convenient, and personalized way to access important information while providing more up-to-date information and interactive capabilities.

Thank you again for your bipartisan efforts to improve the current retirement savings system. We welcome the opportunity to continue working with you and your colleagues on the Senate Finance Committee on these important issues. If you have any questions or would like to discuss our views further, please contact Ben Barasky at (202) 824-1284.

Sincerely,

/s/ John James

John James  
Managing Director, Institutional Investor Group  
The Vanguard Group, Inc.

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<sup>1</sup> See Vanguard's [How America Saves 2020: Insights to Action \(Page 4\)](#).

<sup>2</sup> See Vanguard's [How America Saves 2020](#) (Page 5).

<sup>3</sup> Vanguard participants who are digitally engaged have a higher average payroll deferral of 11%, while participants who are not digitally engaged have an average payroll deferral of 6.34%. Average balances are three times higher for digitally engaged participants, outcomes consistent with the superior experience of electronic delivery.

CC: Members of the Senate Finance Committee; Senate HELP Committee