March, 2012

Dear ,

On behalf of the National Association of Government Defined Contribution Administrators (NAGDCA)*, we thank you for your ongoing support of sound and stable retirement benefits for all public employees. Due to the uncertainty that state and local governments are facing in these very difficult economic times, we believe that it is increasingly important for NAGDCA to work with you to ensure the continued security of public employees' retirement savings programs.

We ask Congress to continue to support us in our efforts to ensure that governmental defined contribution plans are protected and able to meet the retirement needs of public employees nationwide.

At this time, we would like to take this opportunity to highlight NAGDCA's priorities with respect to state and local government defined contribution plans.

FEDERAL, STATE/LOCAL PARTNERSHIP

We look forward to continuing the cooperative and collaborative relationship with this Administration and the 112th Congress on retirement issues for all public employees nationwide. Our members appreciate the ongoing partnership that state and local governments have with the federal government.

SAVINGS IN STATE AND LOCAL DEFINED CONTRIBUTION PLANS

Since the inception of public employer defined contribution arrangements as supplemental retirement savings plans, there has been tremendous growth in access to these plans, employer sponsorship, employee participation and assets at every level of government throughout the United States.

The data collected by NAGDCA from our membership demonstrates that, over the years, there has been:

- increased participation in the plans, which demonstrates that more individuals are taking personal financial responsibility for preparing for their retirement,
- increased deferrals made by state and local government employees,
- greatly improved satisfaction with the benefit payment process, and
- increased consolidation of retirement assets.

*NAGDCA was founded in 1980 and is the leading professional public employer-sponsored organization of deferred compensation and defined contribution plan administrators. NAGDCA represents administrators from the 50 states and over 200 local governmental entities, as well as private industry plan providers. NAGDCA is an organization in which its members work together to improve state and local government defined contribution plans including §457(b), §401(k), §401(a), and §403(b) through a sharing of information on investments, marketing, administration and laws relating to such plans. Altogether the public sector defined contribution retirement plan market consists of approximately 12 million state and local government employees and 5.6 million public school district employees and administer approximately three trillion dollars in assets.

The numerous changes that have been made to the laws and regulations that govern public-employer defined contribution plans have been essential to these increased participation rates. We appreciate your continued support of these improvements.

SHARED RESPONSIBILITY FOR RETIREMENT SECURITY

NAGDCA believes that to achieve retirement security—and to ensure that millions of public employees will be self-supporting during their retirement years—it is imperative to maintain a shared responsibility between employers and employees. Thus, defined contribution plans should not be viewed merely as supplemental savings plans but as a critical component of an individual's overall retirement security.

It is in this spirit that NAGDCA advocates for policies that enhance defined contribution plans. State and local governments are proud of the supplemental retirement savings plans that have been created by working jointly with the federal government. The existence of these plans has resulted in higher savings rates and increased retirement preparedness. The goal of any proposal to alter or significantly change employer-sponsored retirement savings plans should be to enhance or simplify the current procedures, and to ensure that the administrative costs to employers and participants are reasonable.

2012 NAGDCA LEGISLATIVE PROGRAM

NAGDCA looks forward to a continued cooperative and collaborative relationship with the 112th Congress and to presenting our 2012 Legislative Program, as follows:

- **"National Save for Retirement Week" Resolution:** NAGDCA promotes its goal of increased participation in and education about supplemental retirement savings plans through a National Save for Retirement Week (NS4RW) campaign. We greatly appreciate the support for NS4RW Resolutions, first passed in the Senate in 2006 and by both the House and the Senate in 2007 through 2010, and then by the Senate in 2011. We request that a NS4RW resolution be introduced and passed by the Senate in 2012 and ultimately urge Congress and the Administration to work toward making NS4RW permanent. NS4RW is a solid example that Congressional recognition of this issue enables state and local government employers to create a heightened awareness of the importance of taking personal responsibility for retirement saving. Our members hold workshops, forums and one-on-one counseling sessions with employees seeking information and understanding of the economic situation during NS4RW. State and local government administrators, also, work with participants to help them analyze the impact, not only on their current assets, but on their decisions regarding savings and investments going forward. NS4RW has afforded us a heightened opportunity to address these very real concerns.

- **Elimination of Required Minimum Distribution (RMD) for Roth 457, Roth 401(k) and Roth 403(b) plans:** Current law requires that minimum distributions be taken from Roth 457, 401(k) and 403(b) accounts after age 70½ in the same manner as from the pre-tax portion of the account. In contrast, the RMD requirement does not apply to assets in Roth Individual

Retirement Accounts (IRA). Importantly, if participants do not want to be forced to take required minimum distributions on plan assets that have already been taxed at age 70 1/2, they will roll their Roth account to a Roth IRA. This goes against the principles of The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which encouraged consolidation of retirement assets rather than maintenance of multiple retirement savings accounts. Governmental plan sponsors traditionally encourage their retired participants to leave their assets in the plan rather than rolling them to an IRA, which is often more costly. It may also be more costly for the defined contribution plan since rollovers out of the plan decrease plan assets, which may lead to an increase in the fees that all plan participants pay. Typically, the larger the plan in terms of assets, the smaller the record keeper fee structure. Lower fees benefit all participants in the plan, not just those with a Roth account.

- **Permit Non-Spousal Beneficiaries to Roll Assets to 457, 401(k) and 403(b) Plans:** The Pension Protection Act of 2006 (PPA) permitted non-spousal beneficiaries to roll assets they obtain as a beneficiary to an IRA but not to their 457(b), 401(k) or 403(b) accounts. EGTRRA acknowledged that the consolidation of retirement assets is valuable to those with multiple retirement savings accounts. It would be very beneficial to permit non-spousal beneficiaries to consolidate their beneficiary assets in their 457(b), 401(k) or 403(b) accounts rather than forcing them to open an IRA and maintain multiple retirement savings accounts.

- **Eliminate the "first day of the month" requirement:** Participants in a 457(b) plan must request changes in their deferral rate prior to the beginning of the month in which the deferral will be made. This rule does not exist for other defined contribution plans. This rule has a negative impact on participants and is no longer necessary to carry out the purposes of a 457(b) plan. We urge its repeal.

- **Maintain Penalty Free Benefit Eligibility Upon Separation from Service:** Under current law, government 457(b) plan participants are allowed to receive benefit distributions after a separation from service that are not subject to a 10 percent early withdrawal penalty. This rule recognizes the fact that many public employees are eligible to retire prior to age 59½ and may need immediate access to their defined contribution assets. Many retirees rely upon their ability to receive benefit payments to pursue retirement income security, phased-retirement options, or to cover health care costs during early retirement.

- **Increase Eligibility for Low Income Savers Tax Credit:** The addition of a provision for indexing income limits on the Savers Tax Credit is valuable and would allow more low-income individuals the opportunity to receive a tax credit which would encourage them to save more.

- **Fee Disclosure:** State and local governments have open procurement processes. Fee disclosure helps plan sponsors evaluate fees fairly and encourages competition in the industry that ultimately benefits the participant. Fee disclosure also provides participants the ability to understand the various costs associated with the investment options and enables them to make informed choices. NAGDCA is very willing to work with Congress on this issue.

NAGDCA regularly conducts surveys of our membership on current and topical issues, such as how the current economic circumstances are impacting the number of participants seeking hardship withdrawals and other types of financial relief. NAGDCA will continue to monitor the effects of the economic situation on public employees throughout the year and looks forward to sharing this valuable information with the Administration and Congress.

We thank you in advance for your consideration of our interests and our goal of working with you to enhance retirement savings for public employees. Please call upon us as a resource and a reference on any governmental defined contribution issues. You can always reach us through our Legislative Counsel's office, Susan J. White and Associates, at 703-683-2573.

Sincerely,

Julia Durand, President
NAGDCA