



TESTIMONY OF ROGER CRANDALL

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MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY**

**BEFORE THE HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS**

FOR THE HEARING ENTITLED

“IMPROVING RETIREMENT SECURITY FOR AMERICA’S WORKERS”

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INTRODUCTION

My name is Roger Crandall, and I am the Chairman, President, and Chief Executive Officer of Massachusetts Mutual Life Insurance Company (MassMutual). MassMutual, as you of course know, Chairman Neal, is a mutual life insurance company headquartered in Springfield, Massachusetts. Our approximately 7,500 employees strive every day to serve our more than five million customers in a holistic manner, ensuring that they have the resources and tools to build a financially secure future and to provide for their families both before and during retirement and after their death.

Chairman Neal, Ranking Member Brady, and members of the Committee, on behalf of the Massachusetts Mutual Life Insurance Company, I would like to thank you for inviting me to testify on the critically important retirement security issues being considered by the Ways and Means Committee this morning.

MassMutual. At MassMutual, our work focuses on all aspects of our customers' financial lives, including their changing needs throughout their lives. In that regard, we offer customers a wide range of financial and educational solutions and tools, including life insurance, disability income insurance, long term care insurance, annuities, retirement plans, and other employee benefits.

We also believe that our commitment to workers starts at home. We are very proud to have been the recipient of numerous awards for our own workplace, including: (1) our inclusion on the National Association for Female Executives Top Companies for Executive Women list and Diversity Best Practices Inclusion Index; (2) earning a perfect score of 100 on the Human Rights Campaign's Corporate Equity Index; (3) being named a Disability Equality Index Best Place to Work for Disability Inclusion; and (4) being honored with the 2018 Military Friendly designation. Most recently, we were honored to be named to Forbes' 2019 list of America's Best Employers for Diversity.

We also recently expanded and modernized our suite of employee benefits in recognition of our changing workforce – from caregiving and parental leaves to fertility and family planning to gender affirmation support. We aimed to provide a comprehensive suite of options that are designed to be adaptable to diverse ages, situations, and needs. We strongly believe that these are areas where the government and private sector can work together to better meet the needs of tomorrow's workforce.

As a mutual life insurance company, MassMutual operates for the benefit of our participating customers, and we manage our business with their long-term interests in mind. While dividends are not guaranteed, MassMutual has paid whole life policy dividends consistently for the last 151 years, and this year we expect to pay out our highest ever estimated dividend of \$1.72 billion to eligible customers.

Retirement security. As I will further discuss in my testimony, our nation's private retirement system – which is anchored by employer-sponsored retirement plans – has helped countless American workers achieve a financially secure retirement. Existing tax incentives for private retirement savings have been a tremendous success in encouraging American workers to save for

their own retirement and should be protected. At the same time, however, there are still significant gaps in our nation's private retirement savings system. More must be done to give more American workers the opportunity to achieve a financially secure retirement. This includes: (1) broadening retirement plan coverage, especially among small employers; (2) increasing savings, such as through enhanced automatic enrollment; and (3) facilitating guaranteed income for life, which protects retirees from outliving their retirement savings. As the House Committee responsible for designing and evaluating the tax incentives that encourage Americans to save for retirement, I would like to thank all of you for prioritizing and examining this issue with the seriousness, thoughtfulness, and care that it deserves.

For over 167 years, MassMutual has operated with a single purpose: to help people secure their future and protect the ones they love. That guiding principle is behind everything we do and every decision we make. It is how we continue to deliver products and services to help our customers achieve their financial goals, and protect those who matter most.

And it is with this guiding principle in mind that we especially appreciate the Committee's focus on: (1) the critical importance of increasing personal retirement savings; and (2) the need to eliminate any barriers that would otherwise limit the ability of hardworking Americans to achieve a financially secure retirement. Over our long history, MassMutual has helped multiple generations of Americans achieve financial security at all stages of life, including retirement, and we are very proud of the real-world impact that our products and services have had on our customers.

Notwithstanding all of these successes, however, we also know that more can, and must, be done by the private sector and Congress to make it easier for all Americans to achieve a financially secure future. And although the bulk of my testimony today will focus on ways to improve the private retirement savings system, MassMutual believes increased retirement security will require a comprehensive public/private approach – including support for and a commitment to our nation's Social Security system, in addition to improvements to the private retirement savings system. This is an important issue today for all generations; we recognize that a lack of retirement preparedness is truly a lifelong issue, as personal concerns over retirement income replacement are often a source of chronic stress for American workers throughout their careers. In fact, one MassMutual survey found that less than half of respondents were confident about being ready to retire at their intended retirement age.¹

In this regard, we believe that strengthening the private retirement system is critical for many reasons. Such strengthening will allow far more Americans to retire with the dignity they deserve, and it will also relieve a source of everyday stress for workers and their families. Improving the private retirement system will also take much pressure off already strained government programs, like Medicaid.

¹ *MassMutual State of the American Family Survey 2018*, available at: <https://www.massmutual.com/~media/files/State-of-the-American-Family-Retirement-Fact-Sheet.pdf>.

In my testimony today, I will briefly review what MassMutual views as the most significant barriers limiting the ability of American workers to adequately save for retirement. Next, I will discuss some of the solutions and innovations that MassMutual is currently working on to improve overall financial wellness and retirement preparedness. And finally, I will conclude by discussing the ways that MassMutual believes policymakers in Congress can most significantly help more Americans get on track for a financially secure retirement.

BARRIERS TO ADEQUATE RETIREMENT SAVINGS

Workplace retirement plans, like 401(k) plans, are tremendously effective in enabling American workers to save for retirement. According to a 2016 study from the U.S. Government Accountability Office (“GAO”), 86 percent of working households participate in a defined contribution plan when provided access through work.² Thus, when employees have a chance to save for retirement at work, they are overwhelmingly taking a step in the right direction for a financially secure future. At MassMutual, we are proud to provide over 28,000 retirement plans to more than 2.5 million participants.

Despite these well-known benefits, however, millions of Americans still do not have access to a workplace retirement plan. In fact, it is estimated that roughly one-third of private-sector American workers did not have access to a workplace retirement plan in 2016.³ This retirement plan “coverage gap” is concerning and it is a significant factor contributing to our nation’s overall lack of retirement preparedness.

There are many longstanding variables that have contributed to this coverage gap, but the costs and complexity associated with starting a retirement plan have been noted as the biggest obstacles preventing more employers, especially small employers, from offering a retirement plan to their employees. According to a 2017 survey conducted by the Pew Charitable Trusts, 37 percent of small-to-medium businesses pointed to financial cost as a barrier to plan creation. In fact, cost was the most common reason stated for not offering a plan.⁴

These barriers are further reflected in data from the United States Bureau of Labor Statistics, which reported that while 91 percent of workers employed by companies with 500 workers or more have access to retirement benefits, only slightly more than half of employees of small businesses with fewer than 100 employees (52 percent) have such access.⁵ These figures are

² GAO-16-408, *Retirement Security: Low Defined Contribution Savings May Pose Challenges*, at 12.

³ GAO-18,111SP, *The Nation’s Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security*, at 23.

⁴ *Employer Barriers to and Motivations for Offering Retirement Benefits: Insights from Pew’s National Survey of Small Businesses* (June 2017), available at: https://www.pewtrusts.org/-/media/assets/2017/09/employer_barriers_to_and_motivations.pdf.

⁵ U.S. Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States* (March 2015), available at: <https://www.bls.gov/ncs/ebs/benefits/2015/ebbl0057.pdf>.

even more troubling when considering that 47.8 percent of the private-sector workforce is employed by small businesses with fewer than 500 employees, according to the Small Business Administration (“SBA”).⁶ As I will discuss in more detail later, MassMutual believes that private-sector innovations will significantly expand workplace retirement plan coverage over time, and in partnership with Congressional and regulatory action, we can rapidly accelerate that progress and give more American workers the opportunity to achieve a financially secure retirement.

Expanded coverage is a critical first step towards increased retirement savings. Expanded coverage alone, however, will only address one barrier that is preventing many Americans from retiring with the financial security they deserve. American workers need to start saving earlier, saving more, and increasing contributions over their careers. From our substantial experience helping employees save and manage assets for retirement, we know that it can be difficult for many workers to set money aside for future needs when they are faced with immediate expenses – like housing, transportation, food, and family care. This is why innovations like automatic enrollment and automatic escalation have played such a critical role in boosting Americans’ savings.

Increased student loan debt levels and rising health care costs, among other factors, have also made this personal commitment to retirement savings increasingly more difficult. And even for those employees who have been able to consistently save throughout their careers, longer life expectancies have made it more difficult for Americans to: (1) reasonably predict how much money they will actually need to save in order to last throughout retirement; and (2) manage those savings over an unpredictable period of time.

These coverage and savings challenges impact all aspects of the American workforce. At the same time, we also know that certain populations within the workforce experience disproportionately lower retirement plan participation and savings rates – most notably, women, minorities, low-income employees, and small business employees. For example, one GAO study found that women age 65 and older are twice as likely to be living in poverty than men in the same age group and this group of women receives a median income that is 25 percent lower than men in the same group. Additionally, that GAO study found that women had lower retirement plan participation and contribution rates than men, despite the fact that women were more likely to work for an employer that offered a retirement plan.⁷ More must be done to increase retirement participation and savings rates for all American workers, but additional efforts should be made to increase retirement savings for these particular populations.

⁶ U.S. Small Business Administration, Office of Advocacy, *Small Business Profile* (2017), available at: https://www.sba.gov/sites/default/files/advocacy/United_States_1.pdf.

⁷ GAO-12-699, *Retirement Security: Women Still Face Challenges*, at 10, 17, and 18.

MASSMUTUAL SOLUTIONS AND INNOVATIONS TO INCREASE RETIREMENT SAVINGS

MassMutual's mission is to help all Americans achieve financial well-being. Our innovation is aligned with that mission and is focused on addressing three key industry challenges: (1) improving financial wellness through better guidance and education; (2) investment options focused on helping protect assets, particularly for those in and closest to retirement; and (3) increasing the number of Americans covered by a workplace retirement plan.

We have developed detailed and innovative programs to address all of these challenges, including helping small businesses with their retirement plans, and helping individuals achieve the right balance of growth and principal protection in their investing. But this is not about MassMutual. It is about a public/private effort to help Americans achieve the retirement security they deserve. In that context, we thought that it might be helpful to simply mention two programs that we have developed for which we will not charge a fee. It is our hope that these innovations can spark a dialogue about how Congress and the private sector can work together to build on the array of innovations taking place in the private sector.

For nearly a decade, we have been providing a retirement readiness score to help retirement savers understand how their savings and investing behaviors contribute to their future retirement outcomes. While we have been able to help many people improve their retirement outcomes, our research and experience have shown that urgent shorter-term financial needs often get in the way of saving for retirement.

In recognition of these barriers, MassMutual is introducing a new workplace financial and benefits planning tool -- MapMyFinancesSM -- to help workers assess their personal financial needs and make the best choices regarding short- and long-term financial goals. In line with our mission, MapMyFinances will be offered at no charge to the millions of Americans we serve, and provides much needed guidance that prioritizes emergency funds, college funding, life and income protection, healthcare, and retirement savings.

This solution is unique in its breadth of guidance, but also in its recognition of the fact that people have limited dollars to cover a variety of financial needs. MapMyFinances is designed to optimize the allocation of the consumer's wallet (i.e., available dollars for benefits and savings) to achieve the best financial outcome for the individual and their family. This is measured through our Financial Wellness Score, which is based on our customers' ability to cover basic financial needs, manage debt, and live within their means. A full 78 percent of Americans report living paycheck-to-paycheck.⁸ As such, MassMutual's focus on financial wellness is not a departure from our decades-long work on driving retirement readiness, but rather a recognition that if we do not help Americans with more near-term financial issues, it is more difficult for them to work on long-term objectives, such as retirement.

⁸ CareerBuilder, *Living Paycheck to Paycheck is a Way of Life for a Majority of U.S. Workers* (Aug. 24 2017), available at: press.careerbuilder.com/2017-08-24-Living-Paycheck-to-Paycheck-is-a-Way-of-Life-for-Majority-of-U-S-Workers-According-to-New-CareerBuilder-Survey.

Within MapMyFinances, the retirement recommendation includes Social Security estimates and the impact of employer contributions to any workplace retirement plan. Social Security remains a primary support system for Americans with lower income, and is thus a critical part of all long-term financial planning.

We recognize that people absorb financial data and information differently. Thus, we use adult learning techniques embedded within MapMyFinances to help improve outcomes and financial literacy. There are blogs, short videos, articles, and white papers on a variety of topics to help drive understanding on key financial decisions that consumers need to make. Perhaps most importantly, MapMyFinances includes a simple, actionable game plan that takes the participant from where they are to where they want to be with regard to financial security.

Turning to a second innovative program, you will not find better use for the phrase "knowledge is power" than when you are talking about financial knowledge. After all, the more you know, the better prepared you are to create a strong and financially secure future. Young people who are financially literate grow into adults who are prepared to make smarter choices about money and finances. That is why we have leveraged our expertise to develop a national program called FutureSmartSM to bring critical financial education to middle and high school students. The MassMutual Foundation is committed to addressing this issue by providing live interactive seminars that inspire and empower students with critical money management skills and cutting edge digital curricula delivered in schools across the U.S.

The success of FutureSmart Challenges brought us to the realization that we can do more to enhance financial literacy amongst children. FutureSmart Digital is an online education program for middle and high school students across the U.S that provides an interactive and fun user experience that highlights the importance of sound financial decisions. Our goal is to impact the financial education of two million students by 2020, having reached over half a million since launching in 2015.⁹

FutureSmart Challenge events are arranged in conjunction with select teams in the National Basketball Association where in interactive seminars, students learn the importance of savings, career choices, staying in school, and going to college, and how each has a profound impact on their future financial success. The program extends a long-time collaboration with Junior Achievement to provide additional financial education in the classroom. To date, FutureSmart Challenge has educated more than 40,000 students in 17 major cities.

As noted, we and other companies are developing many innovations to address the retirement challenges of our customers. It is our hope that, by sharing these innovations with Congress, we can find ways to work together on public policy initiatives that incorporate and build on the innovations that we and others are developing.

⁹ For more information, visit futuresmart.massmutual.com.

MASSMUTUAL SUPPORTS CONGRESSIONAL EFFORTS TO EXPAND COVERAGE AND INCREASE RETIREMENT SAVINGS

MassMutual is very optimistic about the private-sector solutions I have just discussed and we believe that these products and services will play an important role in getting more Americans on track for a financially secure retirement. At the same time, we also believe that Congress should take action to accelerate this process by reducing barriers that are currently preventing too many Americans from achieving a secure retirement. Accordingly, I am here today to convey MassMutual's strong support for the Committee's efforts to eliminate barriers to workplace retirement plan coverage and increase retirement savings. And as discussed earlier, because lower participation and savings rates are disproportionately experienced by women, minorities, low-income employees, and employees of small businesses, we also urge the Committee to take actions that are designed to increase retirement savings for those populations.

RESA. For these reasons, I would like to reiterate MassMutual's longstanding support for enactment, as soon as possible, of the legislative proposals in the Retirement Enhancement and Savings Act, or "RESA" – which includes many ideas that have long been championed by Chairman Neal, Ranking Member Brady, and other members of this Committee, and many of which were also included in last year's Family Savings Act.

More specifically, MassMutual supports RESA's provisions that would expand workplace retirement plan coverage – like (1) its open multiple employer plan ("open MEP") proposal, (2) its expanded small employer tax incentives designed to help offset the costs associated with establishing a new workplace retirement plan, and (3) its provisions designed to simplify and streamline plan administration. MassMutual also supports RESA's provisions that would help increase individual retirement savings rates by creating new tax incentives for small employers that adopt automatic enrollment and permitting employers to automatically contribute more money on behalf of their employees. And finally, MassMutual supports RESA's provisions that would help facilitate lifetime income solutions by making lifetime income products more portable and creating new protections for employers that choose to include lifetime income solutions as part of their plan.

With regard to RESA's signature open MEP proposal, it is time to make open MEPs a reality. Open MEPs would permit unrelated employers to join together under a single retirement plan to harness new economies of scale and reduce unnecessary administrative burdens on employers. For too long, unrelated employers have unnecessarily been prevented from joining together to offer important retirement benefits to their employees. This barrier to expanded access to workplace retirement plans unfortunately persists despite bipartisan support for open MEPs in both houses of Congress and support across Democratic and Republican administrations in the White House.

Beyond RESA. While RESA would certainly represent a significant leap forward in our nation’s efforts to increase workplace retirement plan coverage and savings rates, it should not be the end of Congress’ efforts to improve the retirement preparedness of the American workforce. Accordingly, MassMutual strongly supports additional legislative efforts that would similarly reduce barriers to workplace retirement plans and promote personal retirement savings, like Chairman Neal’s Retirement Plan Simplification and Enhancement Act.

Through creative and thoughtful provisions, Chairman Neal’s retirement proposals would significantly increase retirement plan participation and savings rates for the American workforce as a whole, while also eliminating barriers and promoting retirement savings for populations that currently experience disproportionately lower coverage and savings rates. We commend Chairman Neal for his unwavering and long-term commitment to these critical retirement savings issues.

MassMutual supports the provisions in Chairman Neal’s bill that would increase coverage and savings by reducing the costs and administrative burdens typically associated with starting a retirement plan. These provisions include tax incentives for small businesses, like the small employer start-up credits improved by RESA, but also include new and innovative proposals that would: (a) make it easier for employers to correct inadvertent plan administration errors; (b) consolidate and simplify the wide range of disclosures that must be provided by plans to their participants; and (c) make it easier for employers to comply with complex contribution testing rules that can be difficult and costly to administer under current law. Each of those changes would make it less costly for employers of all sizes, but especially small employers, to offer workplace retirement plans.

MassMutual also supports the provisions in Chairman Neal’s bills that would make it easier for workers to increase their retirement saving rates through enhanced retirement credits for employees who contribute to their retirement accounts, and through other changes that promote greater usage of automatic enrollment, automatic re-enrollment, and automatic escalation. Through these automatic contribution features, employees automatically contribute a portion of their paycheck to their workplace retirement plan – and potentially increase savings rates over time – unless the employee expressly elects not to have contributions made on their behalf. Automatic enrollment and automatic escalation have been powerful tools in overcoming the problem of employee inertia, which makes it much less likely for an employee who is not currently contributing to a retirement account to start contributing in the future. In fact, a study by the Pew Charitable Trusts found that plans that auto-enroll have participation rates that exceed 90 percent—depending on plan features, industry, and employee demographics—compared with rates in the 50 percent range for plans in which workers must opt in.¹⁰

¹⁰ *Automatic Enrollment Can Boost Retirement Plan Participation* (Aug. 15, 2018), available at: <https://www.pewtrusts.org/en/research-and-analysis/articles/2018/08/15/automatic-enrollment-can-boost-retirement-plan-participation>.

MassMutual would also like to take this opportunity to emphasize its support for the changes Chairman Neal is advancing to eliminate coverage barriers and increase savings for populations that currently experience disproportionately lower retirement savings rates. For example, Chairman Neal's bill would make it easier for employers offering 401(k) plans to allow long-term part-time workers to contribute to the plan. This measure would provide a particularly helpful boost for women working towards a financially secure retirement, as women are twice as likely to work part-time as men.¹¹

I would also like to express MassMutual's strong support for Chairman Neal's retirement savings proposals that would facilitate and encourage lifetime income solutions. With ever increasing life expectancies and the shift away from traditional defined benefit plans, it has become increasingly difficult: (1) to predict how much money any given employee will need in order to meet his or her financial needs throughout retirement; and (2) to make those savings last a lifetime. These problems, like others already discussed, can be particularly troubling for the retirement security of women because women tend to live longer than men.

To combat these uncertainties, steps must be taken to promote lifetime income solutions. Chairman Neal's proposals would do that by not only making lifetime income options more portable like RESA does, but also by including other innovative solutions. Those other solutions include making it easier for retirement savers to purchase longevity insurance and preventing retirement savers from having to unnecessarily withdraw their savings at age 70 ½, as required under current law, unless they are ready to do so.

Ranking Member Brady and the other members of this Committee have also been great champions in this area. So many of you have been at the forefront of efforts to expand retirement plan coverage and enhance retirement security. We look forward to working with all members of this Committee toward real progress for retirees.

Automatic Retirement Plan Act. We applaud Chairman Neal's leadership in introducing the Automatic Retirement Plan Act ("ARPA"). This is a bold and innovative solution – based entirely on a private-sector solution – to reduce the coverage gap. The bill also takes great strides to minimize the existing burdens on small businesses that prevent them from offering retirement plans to employees.

We believe that a robust dialogue and legislative action on this bill are very much needed. We need to find a way to cover the employees of small employers without burdening those employers, and the Chairman's bill offers intriguing opportunities to work together on this. It is my hope that the private sector, including the small business community, can participate constructively with the Chairman to identify ways to move this bill forward in a bipartisan manner that broadens retirement plan coverage. We thank the Chairman for his wise leadership in taking this critical step forward.

¹¹ U.S. Bureau of Labor Statistics, *Percentage of Employed Women Working Full Time Little Changed Over Past 5 Decades* (December 1, 2017), available at: https://www.bls.gov/opub/ed/2017/percentage-of-employed-women-working-full-time-little-changed-over-past-5-decades.htm?view_full.

Addressing the needs of the gig economy. I would also add that the open MEP legislation in ARPA and RESA would provide an excellent tool to address a growing need to address the retirement security of gig workers. As we all know, there has been dramatic growth in the gig economy.¹² The Federal Reserve Bank of Minneapolis found a “growing body of evidence finds that the prevalence of these alternative work arrangements has increased since 2005.” The study cites additional studies that found a 37.5 percent increase in gig work in just two years (from 2013 to 2015) from 40 percent to 55 percent. Data on how many gig workers there are, however, varies because of the various definitions for “gig worker,” but it is clear that there has been a dramatic recent increase in the number of gig workers.¹³ On the other hand, retirement plan coverage for gig workers is very low. According to GAO, gig workers “are about two-thirds less likely than standard workers to have a work-provided retirement plan.”¹⁴ Notably, an increasing number of women are in the gig economy.¹⁵

A solution is right in front of us: open MEPs, as permitted under ARPA and RESA. Gig workers are technically a separate employer with one “employee” – themselves. As such, gig workers, as employers, would be eligible to join open MEPs and obtain high-quality low-cost retirement savings opportunities, providing yet another reason for moving forward with enactment of open MEPs.

CONCLUSION

MassMutual strongly supports the Committee’s efforts to eliminate barriers to workplace retirement plan coverage and increase retirement savings. We also commend the Chairman for advancing these priorities through a thoughtful and appropriate process – by first introducing bills for public discussion, listening to concerns from affected stakeholders, and holding this hearing, to ensure that everyone’s voice has been heard. As the Committee continues to develop new ways to help more American’s adequately save for retirement, we look forward to working with Chairman Neal, Ranking Member Brady, and other Committee members to help all Americans reach a financially secure retirement.

¹² Bracha and Burke, *Who Counts as Employed? Informal Work, Employment Status, and Labor Market Slack*, Federal Reserve Bank of Minneapolis (June 2017).

¹³ Bracha and Burke, *Who Counts as Employed? Informal Work, Employment Status, and Labor Market Slack*, Federal Reserve Bank of Minneapolis (June 2017).

¹⁴ *Contingent Workforce: Size, Characteristics, Earnings, and Benefits* (Apr. 20, 2015).

¹⁵ Katz and Krueger, *The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015* (Sept. 13, 2016).