AARP Statement for the Record

Hearing on
"Modernizing Retirement Policy for Today's Workforce"

before the

House Committee on Education & the Workforce
Subcommittee on Health, Education, Labor, & Pensions

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AARP, which advocates on behalf of 125 million Americans age 50 and older and their families, appreciates the opportunity to comment for the record on the House Committee on Education & the Workforce on Modernizing Retirement Policy for Today's Workforce. AARP is committed to improving retirement security so that all Americans have the opportunity to save for, and build a secure retirement through Social Security, pensions, and private savings. AARP has a long history of developing, improving, and protecting America's retirement system. We applaud the Committee for holding this hearing to explore solutions to ensure that future generations will be able to retire with dignity.

For more than half a century, a secure retirement in the United States centered on reliable income from three sources, the so-called "three-legged stool" of retirement: employer-provided defined benefit pension plans, personal savings, and Social Security. Together, these sources of income offered a stable financial future. Unfortunately, diminishing pensions and insufficient retirement savings – coupled with longer life expectancies and higher health costs – have endangered the dream of a secure retirement for millions of Americans. And even as Social Security marks its 90th anniversary and remains a cornerstone of financial security for millions of Americans, it also faces financial challenges for the future.

While there are many ways to address the retirement challenges that America faces, as this hearing will explore, AARP will focus on several areas where we hope to work with Congress and the Administration to improve retirement outcomes in this country: expanding access to retirement savings options, ensuring protections and support for those with defined benefit plans, and closing retirement advice loopholes that allow conflicted advice to eat away at retirement savings.

Improving access to workplace retirement plans is key.

At AARP, we work hard to expand access to workplace retirement programs and empower Americans to save—giving them the tools they need to build a more secure retirement. Unfortunately, many Americans are still very concerned about their ability to live a secure retirement with the money they have saved. According to AARP's Financial Security Trends Survey, as of January 2025 nearly seven in ten (69%) adults ages 50-64 are worried about having enough money to be financially secure in retirement.[1] Contributing to this crisis has been a significant shift in how Americans save for retirement. The share of workers with defined benefit plans has significantly declined. Defined contribution plans now hold the largest portion of retirement assets.[2] This trend away from defined benefit plans has shifted the onus of saving for retirement away from employers to employees, who are now responsible for saving and investment decisions. Many workers do not even have an option to save for retirement through their employers. In fact, nearly half of American workers ages 18 to 64 in the private sector work for businesses that do not offer any type of retirement plan.[3]

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[1] Kathi Brown, "AARP Financial Security Trends Survey, January 2025," May 2025, https://doi.org/10.26419/res.00525.049.

[2] CRS, "A Visual Depiction of the Shift from Defined Benefit (DB) to Defined Contribution (DC) Pension Plans in the Private Sector, December 27, 2021, https://crsreports.congress.gov/product/pdf/IF/IF12007.

[3] David John, Manita Rao, and Gary Koenig, "Payroll Deduction Retirement Programs Build Economic Security," December 2024, https://www.aarp.org/content/dam/aarp/ppi/topics/work-finances-retirement/financial-security-

The smaller the employer, the less likely its workers are to have access to a retirement plan. About 78 percent of those who work in firms with fewer than 10 employees and about 64 percent who work in companies with 10 to 24 employees lack a plan. A troubling statistic given that America's small businesses, and their workers, are the backbone of our nation's economy. However, even among very large employers with more than 1,000 workers, over one-third of employees do not have access to an employer-sponsored retirement plan.[4]

While about three out of four workers with less than a high school degree do not have an employer-provided retirement plan—a much higher percentage than workers with some college (50 percent) or a bachelor's degree or higher (31 percent), the lack of coverage affects employees at all earnings levels. About 44 million workers with annual earnings of $53,000 or less do not have access to an employer-provided retirement plan. In addition, almost 12 million employees earning more than $53,000 do not have access to a workplace plan.[5]

Access to a plan differs substantially by race, ethnicity, and gender. About 63 percent of Hispanic workers, 52 percent of Black workers, and 44 percent of Asian American workers lack access to an employer-provided retirement plan. Together, they accounted for about 47 percent (26 million) of the roughly 56 million employees without a workplace retirement plan. In addition, 46 percent of all men and 48 percent of all women do not have access to an employer provided plan.[6]

There are several pieces of legislation before Congress that would expand coverage, including the *Retirement Savings for Americans Act of 2025*, which would provide those employees without an employer-sponsored retirement savings plan with access to an account managed through the federal government, and the *Automatic IRA Act*, which would expand retirement plan coverage to millions of workers who do not currently have employer-sponsored retirement plans.[7] Another policy solution is the *Retirement Investment in Small Employers Act* (RISE Act), increase the tax credit to $2,500 for small businesses with up to 10 employees to cover the start-up and administrative costs of setting up a retirement savings plan, such as a 401(k) plan. This would help millions of people who work at small businesses put money away for retirement and build their nest eggs, while helping these small companies recruit and retain their employees.[8]

Congress should also look to state efforts to expand retirement savings coverage, which have been very successful. AARP's advocacy has been key in helping 20 states pass legislation to make it easier for workers to save money for retirement out of their regular paychecks who otherwise wouldn't have access to a retirement plan at their workplace. In total, these state

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retirement/2024-payroll-deduction-retirement-fact-sheets/payroll-deduction-retirement-programs-build-economic-security.doi.10.26419-2fppi.00164.001.pdf.

[4] Ibid.

[5] Ibid.

[6] Ibid.

[7] S. 1561/H.R. 2696, the Retirement Savings for Americans Act of 2025, https://www.congress.gov/bill/119th-congress/senate-bill/1526 and https://www.congress.gov/bill/119th-congress/house-bill/2696 ; H.R. 7293, the Automatic IRA Act of 2024, https://www.congress.gov/bill/118th-congress/house-bill/7293.

[8] S.1840, the Retirement Investment in Small Employers Act, https://www.congress.gov/bill/119th-congress/senate-bill/1840.

programs are now utilized by 1,049,000 workers, 262,000 employers, and have over $2.56 billion in assets under management.[9] Congress could build upon these successes by expanding existing public-private partnerships, such as federal grants to states to implement new state-facilitated Auto-IRA programs or expand their existing ones.

Improve payout options from defined contribution plans

AARP believes there is a need for better lifetime income options in defined contribution plans to help address a large fear for retirees – the fear of running out of money. The shift to defined contribution plans has dramatically changed not only the accumulation phase, but the retirement distribution phase as well. Under the traditional defined benefit system, individuals generally received an annuitized benefit for their lifetime and likely for the life of their spouse. Now, the defined contribution model is that retirees can receive their life savings as a lump sum. According to the 2024 Employee Benefits Research Institute (EBRI) Retirement Confidence Survey, confidence remains relatively strong among workers that they will be financially ready to retire;[10] however, savings rates do not seem to match those expectations with roughly one in five adults age 30-plus report having no retirement savings.[11]

Some studies have found that almost one-third of these individuals are likely to spend the entire lump sum within 5 years of receiving it, leaving them with decades without a steady source of income aside from Social Security.[12] But it is an important reminder that Social Security is not only the largest source of income for most older Americans, but the only guaranteed lifetime income source for most Americans. Congress must take steps to protect this foundation of income, supplemented by private savings. And even for near retirees who do have access to pensions, the median account balances will provide far less than the annuitized Social Security benefit. Recognizing the role Social Security plays in providing lifetime income is a critical component of this discussion, and the combination of Social Security and pensions as income sources should be considered when determining income needs and distribution options in retirement.

Accordingly, AARP urges the Committee to examine ways to improve coverage and ensure that workers have access to prudent lifetime income options in their defined contribution plans at retirement. These options should be offered with sufficient guardrails, including fiduciary protections, cost-effectiveness, and understandability, as well as meeting basic prudent standards for liquidity, demographics and meeting the needs of all plan participants.

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[9] Andy Markowitz and Jacqueline Salmon, "How Auto IRAs Are Helping More Workers Save for Retirement," January 8, 2024, https://www.aarp.org/retirement/planning-for-retirement/info-2023/states-with-automatic-ira-savings-programs.html.

[10] EBRI, "Results From the 2024 Retirement Confidence Survey Find Workers' and Retirees' Confidence Has Not Recovered From the Significant Drop Seen in 2023, but Majorities Remain Optimistic About Retirement Prospects," April 15, 2024, https://www.ebri.org/content/results-from-the-2024-retirement-confidence-survey-find-workers--and-retirees--confidence-has-not-recovered-from-the-significant-drop-seen-in-2023--but-majorities-remain-optimistic-about-retirement-prospects.

[11] Kathi Brown, "AARP Financial Security Trends Survey, January 2025," May 2025, https://doi.org/10.26419/res.00525.049.

[12] MetLife, "Retirees Depleting Retirement Plan Lump Suns Faster Than Five Years Ago," February 23, 2022, https://www.metlife.com/about-us/newsroom/2022/february/retirees-depleting-retirement-plan-lump-sums-faster-than-five-years-ago/.

One of the questions raised is whether it is prudent for retirement plan participants to be defaulted into investment products that include insurance products, like annuities. While AARP believes that annuity products can and should be options available to participants, particularly upon separation of service at retirement, automatic enrollment or default into an insurance product faces a high bar. There are many reasons for this, but they can easily be summarized by the three C's: cost, commissions, and complexity.

The first problem with annuities is that they can be expensive. There are a variety of fees that can be imposed on an annuity from administrative fees to underwriting fees to surrender fees. There are fees for additional provisions like inflation protection or survivor benefits. Moreover, some fixed annuities have been marketed as charging no fees, but the "fee" is a reduction in the returns. As these insurance products become more complicated, the costs increase. Most Americans are not sophisticated when it comes to financial literacy. A consistent finding over nine years of the Personal Financial (P-Fin) Index is that many Americans function with a poor level of financial literacy, with U.S. adults correctly answering only half of the questions accurately.[13] Mere disclosure alone will not result in sufficient understanding of the fees, costs, risks, and benefits associated with annuities.

Related to costs, there are often commissions associated with insurance products. These commissions can be quite high with great variation, ranging from 1 to 8 percent depending on the type and complexity of the annuity. We cannot discuss commissions and fees without also noting that conflicted advice often drives many of these decisions. Though in 2024 the Department of Labor finalized a common-sense rule that would require professionals providing advice to retirement savers to put their customers' financial interests above their own, the insurance industry has fought the implementation of the rule, which the Department ultimately chose not to defend in court.[14] And once again, individuals are left to determine whether an adviser is truly acting in their best interest. We also know, particularly in the accumulation phase, that fees and costs can be the biggest driver of overall returns.

These insurance products can also be complicated, often glossed over in the marketing as a guaranteed income solution. While the focus may be on providing lifetime income, these products are often complex investment vehicles. There is often a lack of transparency regarding the investments of these products, but consumers focused on longevity risk may be unaware of potential investment risk. Additionally, the complexity is often intertwined with the costs and commissions, and consumers must consider contracts closely. Ideally, consumers would receive a comprehensive breakdown of fees, expenses, commissions, and any other cost-related provisions in the annuity contract; however, in practice, these products are opaque, and fees are hidden. And again, disclosure alone of fees does not always mean the consumer fully comprehends the fees and true costs being paid.

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[13] Global Financial Literacy Excellence Center, "Financial literacy and retirement fluency in America," 2025, https://gflec.org/wp-content/uploads/2025/05/TIAA-Institute-and-GFLEC_Financial-literacy-and-retirement-fluency-in-America_P-Fin-2025.pdf.

[14] Rebekah Mintzer, "Trump Labor Department to End Defense of Biden 401(k) Rule" November 24, 2025, https://news.bloomberglaw.com/daily-labor-report/trump-labor-department-seeks-to-end-defense-of-biden-401k-rule.

Complexity also extends to the difficulty of predicting future financial needs in retirement. Many, if not most, employees will likely not remain with an employer for many years – far less will stay till retirement. Is it prudent to default into – or even offer employees -- a long-term annuity vehicle when most will not be employed long-term? What will the penalties or costs be to untangle from such a product? What liquidity is available, and what are the lost opportunity costs for more liquid and more portable investments? While lifetime income and insurance products may be appropriate for certain individuals, more liquidity may be far preferable for some (if not most), while others may need greater access to their assets in retirement for unexpected emergencies or health situations. Indeed, other assets and sources of income should also be considered. By purchasing an annuity, retirement savings may be locked up and accessible only after sometimes significant penalties. In addition, the financial marketplace has changed dramatically over the past several decades – is it prudent to pay into or lock into a financial product at a point that may be several decades from retirement or actual need? Since these products are highly personal, selection should be left to the individual – it is difficult to see under what circumstances it would be prudent to default or automatically enroll participants in a costly, complex, and illiquid product that would not work for all.

However, fixed annuities do make more sense as an option upon separation from service at retirement, either for all or part of one's asset balance. At that time, a participant has a better sense of their entire financial picture, including Social Security and any other assets, including for a spouse. We urge that, similar to defined benefit plans, all defined contribution plans have a group annuity option (including a spousal option) as part of distribution options at retirement.

Other types of products that have been developed attempt to provide a lifetime income stream. For example, some plans have adopted a version of a post-retirement target date-type fund. Such a fund would be managed more conservatively, given the use of an already-passed retirement date, but would otherwise look similar to a target date fund pre-retirement. This fund could have a monthly pay-out stream based on a percentage (e.g., 4% of the account balance) determined as the first day of the year (with potentially the ability to access additional amounts as needed). The monthly pay-out would change annually, based on plan returns and plan balance amounts on the first day of each year. Thus, payment streams would not be steady or guaranteed from year to year, but may fluctuate with market returns. However, plan assets would be liquid and fees could be lower.

AARP urges the members of the Committee to consider emphasizing the necessary fiduciary guardrails for any of the potential options. Again, AARP supports offering lifetime income options in defined contribution plans, but policymakers and regulators must be careful to remain product-neutral and to evaluate all potential streams of lifetime income under the same high fiduciary standards. This is particularly true if the government is seen as placing its finger on the scale for any one product. Moreover, the financial services landscape evolves at a much faster rate than the development of legislation and regulations. Regulating and legislating in such a way that steers to a specific product or type of product limits flexibility for innovation and improvements that could benefit participants in the future.

Finally, AARP strongly urges that policy with respect to lifetime income products should not be based on age. The quality of a lifetime income product should be determined wholly on its own merits, not whether it is appropriate for someone in a particular age cohort. Assumptions about an age cohort and different rules based on age distinctions are at best inappropriate and at worst discriminatory.

Improving the utilization of existing employer programs.

As of March 2024, the Bureau of Labor Statistics (BLS) National Compensation Survey (NCS) highlighted the "take-up" rates of workers in employer-sponsored retirement plans – this is the percentage of workers with access to employer-provided retirement benefits who chose to participate in those benefits. Among private-sector workers, there is a 71% take-up rate for retirement savings plans, meaning a quarter of private-sector workers who could be participating in a plan are not.[15] Concerningly, this percentage has decreased in recent years.

Congress should consider policies to encourage enrollment in existing employer programs. One such policy is to allow for automatic reenrollment of employees in employer-sponsored retirement plans. A 2024 Retirement Security Survey found that 6 in 10 people who were not saving for retirement believed they were contributing to a 401(k) plan.[16] The study found that participation roadblocks included a lack of understanding about eligibility and finding the process confusing. The *Auto Reenroll Act of 2025* would reenroll eligible workers into a retirement plan no more than once every three years unless the worker affirmatively opts out.[17] Permitting plan sponsors to automatically reenroll non-participants at least once every three years, unless they affirmatively opt out, will increase plan participation, help prompt employees to take better advantage of their benefits, and increase their retirement savings.

Congress could also consider increasing the minimum automatic enrollment default rate. Under the Pension Protection Act of 2006, the minimum rate is three percent. Most retirement plans and state programs now start auto enrollment at 5 or 6 percent, and Congress should make that the minimum rate, while still allowing a saver to choose a lower or higher rate instead. By increasing the automatic default rate, in addition to requiring annual auto escalation of one percentage point each year unless the saver opts out, we can help to ensure that retirees have enough savings to live with dignity.

Ensuring support for retirees with defined benefit plans.

The Butch Lewis Emergency Pension Plan Relief Act enabled the Pension Benefit Guaranty Corporation to support the workers and retirees in 100 to 200 severely underfunded multiemployer plans that cover millions of retirees and family members. The legislation put many of these at-risk multiemployer pension plans on more sound financial footing for decades to come, sparing cuts to participants and beneficiaries, and ensuring the defined benefit plans

[15] U.S. Bureau of Labor Statistics, "Employee Benefits in the United States, March 2024," September 2024, https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2024.htm.
[16] Principal, "Why are employers not participating in their 401(ks)?", 2024, https://secure02.principal.com/publicvsupply/GetFile?fm=PQ13805&ty=VOP&_gl=1*96rxle*_gcl_au*NDkzMzg4NzE4LjE3MTg4OTcxNjA.*_ga*NDM2ODI5MjE5LjE3MTg4OTcxNjA.*_ga_GP3ZP21MGH*MTcxODk5MTUwMC41LjAuMTcxODk5MTUwMC4wLjAuMA.
[17] S. 1831, Auto Reenroll Act of 2025, https://www.congress.gov/bill/119th-congress/senate-bill/1831.

they relied on throughout their working years will be there to support them throughout their retirement years.

We urge Congress to continue supporting retirees in multiemployer plans through the implementation of the Special Funding Assistance program and protecting all current defined benefit plan participants through the Pension Benefit Guaranty Corporation. It is vital we protect the benefits that workers have spent a lifetime working towards and earning so that promised benefits will be there in retirement.

Close retirement advice loopholes that allow conflicted advice to eat away at retirement savings.

Maximizing workers' retirement savings requires strong protections against conflicted financial advice. Too often, loopholes allow advisers to recommend products that benefit their own bottom line rather than their clients' financial security. This practice erodes retirement savings and undermines trust, leaving families vulnerable to unnecessary fees and poor investment choices. Americans expect that advice about their life savings will serve their best interests, yet many are surprised to learn that not all financial professionals are legally required to do so.

The Department of Labor's Retirement Security Rule would address this gap by requiring financial professionals who advise retirement savers to act in their clients' best interests. This rule would create a uniform fiduciary standard, closing loopholes that permit advisers to make one-time recommendations—such as rolling over an entire retirement account—without meeting a best-interest obligation. It also aligns with existing protections under the SEC's Regulation Best Interest (Reg BI) and expands coverage to include rollovers, plan distributions, and other critical decisions that affect long-term financial security.

These changes reflect the evolution of retirement planning since ERISA was enacted in 1974. At the time of enactment, traditional pensions dominated, pooling risk and offering guaranteed income. Today, most workers rely on individual accounts like 401(k)s and IRAs, placing the burden of complex investment decisions on individuals.[18] Without strong fiduciary standards, savers face significant risks: conflicted advice can cost up to 20 percent of lifetime savings, delay retirement and reduce quality of life.[19] Morningstar estimated the Rule will save retirement investors $250 billion over the next 20 years through a combination of lower fees paid by workplace plans and applying the best interest standard to more investment types.[20] The proposed rule ensures that all workers—not just the wealthy—receive advice that prioritizes their financial well-being.

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[18] Retirement Security Rule: Definition of an Investment Advice Fiduciary, RIN 1210–AC02 (Oct. 24, 2024), https://www.dol.gov/sites/dolgov/files/ebsa/temporary-postings/retirement-security-rule-definition-of-an-investment-advice-fiduciary.pdf.

[19] The White House, "FACT SHEET: President Biden to Announce New Actions to Protect Retirement Security by Cracking Down on Junk Fees in Retirement Investment Advice," October 31, 2023, https://www.whitehouse.gov/briefing-room/statements-releases/2023/10/31/fact-sheet-president-biden-to-announce-new-actions-to-protect-retirement-security-by-cracking-down-on-junk-fees-in-retirement-investment-advice/.

[20] Morningstar, Comment letter Re: Attention: Definition of Fiduciary—RIN 1210–AC02, January 2, 2024, https://si-interactive.s3.amazonaws.com/prod/plansponsor-com/wp-content/uploads/2024/01/03174432/Fiduciary-Definition-23.pdf.

Critics argue the rule is unnecessary or will limit access to advice, but evidence suggests otherwise. Similar standards, such as Reg BI. have not reduced access; in fact, they have improved outcomes for savers.[21] AARP polling shows overwhelming public support: 90% of adults over 50 believe advisers should act in their clients' best interests, and two-thirds would oppose lawmakers who try to overturn such protections.[22] Implementing this rule is a commonsense step to safeguard retirement security and uphold the trust Americans place in financial professionals.

Recent industry efforts to push for the inclusion of alternative assets in retirement plans underscore the importance of fiduciary obligations. In October 2025, AARP conducted research to understand Americans' knowledge of private market investments and cryptocurrency, and their interest in investing in these alternative assets in their workplace retirement savings accounts.[23] This research was prompted by growing efforts—especially from private equity firms and cryptocurrency providers—to have these alternative assets included in workplace retirement savings accounts such as 401(k)s. Because these accounts are central to the financial security of millions of Americans, we wanted to understand whether people understand these investments and how interested people are in investing in them through their retirement accounts when given clear information about fees, liquidity, risk, returns, and transparency.

Three key findings emerged from this research:

- Access to private market investments and cryptocurrency is not seen as important. Most adults do not think it's important to have the ability to invest in private market investments (61%) or cryptocurrency (73%) within their workplace retirement savings account.

- Learning more about these assets dampens enthusiasm. Interest in investing in private market investments declines sharply when people learn about fees, liquidity, transparency, and risk—three in five are not at all interested, and another quarter only slightly interested. Cryptocurrency starts with low interest across all age groups (62% not interested), and additional information further reduces interest by roughly 10 percentage points.

- Strong resistance to automatic enrollment exists. Most Americans are uncomfortable with being automatically enrolled in funds in their workplace retirement savings accounts that include private market investments (68%).

[21] FCA, "FCA publishes evaluation of its work on the financial advice market," November 29, 2021, https://www.fca.org.uk/news/press-releases/fca-publishes-evaluation-financial-advice-market.
[22] AARP Research, "Unbiased Financial Advice About Retirement Is Important to Older Adults," January 2, 2024, https://www.aarp.org/pri/topics/work-finances-retirement/financial-security-retirement/fiduciary-duty-retirement/.
[23] AARP Research, "Awareness and Interest in Private Market Investments and Cryptocurrency," November 20, 2025, https://www.aarp.org/pri/topics/work-finances-retirement/financial-security-retirement/private-market-and-cryptocurrency-investments/.

These survey results make it clear that investor protections and fiduciary obligations are key to ensuring that retirement savers have a secure retirement – that they are offered investment assets that are in their best interest and don’t leave them holding the bag for Wall Street.

Conclusion

Thank you for considering AARP’s perspective, and the perspective of millions of older Americans who have saved for retirement and paid into Social Security throughout their working lives, on ways to address the current retirement crisis. By expanding access to workplace savings, strengthening protections for defined benefit plans, closing loopholes that allow conflicted advice, and ensuring strong regulatory guidelines as investment products, Congress can help guarantee that every American can retire with dignity. We look forward to working with Congress on constructive solutions to these challenges to help Americans retire with financial security and dignity.