

RETIREMENT SECURITY

The American Chemical Society (ACS) is concerned about retirement security for our nation's scientists and engineers. As the median age of ACS members has climbed a decade over the past 25 years (41.4 years of age in 1990 to 51.0 years in 2015), ensuring an economically stable period of retirement is an increasingly relevant issue to those within the chemical enterprise.

Therefore, it is essential that a viable social security backstop exist and that the progressively aging workforce continues to be able to depend upon it as a key component of their retirement income. The Federal Reserve Board's recent Survey of Consumer Finances (SCF) reports that only 11 percent of Americans will retire with more than four years of earnings saved. Our members are also concerned about the security of pension benefits earned during their working years. The Pension Benefit Guarantee Corporation (PBGC), which is tasked with providing timely and uninterrupted payment of pension benefits faces a \$58.8 billion dollar deficit, having more than doubled in the last three years.

Increasingly, 401(k) plans are becoming the focus of retirement security. Over the past several years companies have been moving away from defined benefit plans to defined contributions plans. These are often in the form of 401(k) type plans with contributions from both employer and employee. A concern is that small companies and businesses, such as chemical or high-tech start-ups, can be disproportionately disadvantaged in establishing such plans for their employees. Complex government regulations for these plans result in high administrative costs that need to be distributed over a small employee base, effectively increasing the costs for small business owners and employees versus larger companies. As a result, many small businesses choose not to offer 401(k)'s. For those that do, the administrative fees are high, and the investment options often limited, thus negatively impacting employee returns on investment. Considering that a significant fraction of the approximately 157,000 members of ACS are employed by small companies (less than 500 employees), this has a substantial impact on our membership.

Another detrimental component in many 401(k)'s is lengthy vesting periods. According to the 2010 Bureau of Labor Statistics National Survey 69 percent of 401(k) plans accrue on either 'cliff' or 'graded' vesting schedules. 'Cliff' schedules require employees to remain with an employer for a minimum number of years or they receive no match, and 'graded' schedules are plans that slowly increase the employee's vested portion with years of service. Unlike corporate careers of the past, current careers in the physical sciences are now characterized by multiple shorter-term professional positions. Therefore, a professional in the chemical enterprise can be negatively affected by slow vesting 401(k)'s resulting in lack of portability.

Specifically, in the area of retirement plans and 401(k)'s, Congress needs to take action to

- Reduce the regulatory complexity of 401(k) plans available to small business owners in order to make them more economically efficient and effective.
- Enact policies that promote the development of faster vesting and more portable 401(k) programs.

As a \$768 billion enterprise, chemistry is one of America's most lucrative industries. Individuals with career paths that contribute to strengthening the chemical enterprise deserve assurance that after a lifetime of hard work, they will be able to rely on a retirement system that functions effectively. The American Chemical Society believes that this requires a commitment by Congress to address our retiree security system with particular focus on 401(k) reform.

The American Chemical Society (ACS) Board of Directors Committee on Public Affairs and Public Relations adopted this statement on behalf of the Society at the recommendation of the Committee on Economic and Professional Affairs. ACS is a non-profit scientific and educational organization, chartered by Congress, with nearly 157,000 chemical scientists and engineers as members. The world's largest scientific society, ACS advances the chemical enterprise, increases public awareness of chemistry, and brings its expertise to state and national matters.

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