

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Joint Press Conference with Senator Gordon Smith (R-OR)
Introducing Retirement Savings and Security Act
June 9, 2005**

Thank you Senator Smith. First of all, we want to say from the Conrad office how much we have enjoyed working with Senator Smith and his staff. This has been a real partnership and we were just talking about how we may be able to team up on many other things in the future. I think this just went exceptionally well.

We are very proud of this package. As we look ahead, what we see very clearly is an enormous challenge. We have got this baby boom generation, and that is not a projection. They have been born. They are alive today. They are going to retire, and there is not enough savings in the system. The savings rate, as Senator Smith indicated, has really dropped like a rock. You know, you look at what has happened to the savings rate, it is down to six-tenths of one percent – that is, Americans are now saving only 60 cents of every \$100 that they receive a year. That is alarming because what we know is we are going to need more savings if people are going to have the kind of retirement that they anticipate.

So number one, we have got a clear challenge, and that challenge is to encourage people to save more. How do we do that? We think one way is to provide incentives from the federal system, and that is really what this plan is all about. One of the things we have seen is that 401(k) plans, as Senator Smith referred to, represent one successful strategy, but only to the extent that employees enroll. One of the things that we found, in all of the analysis, is that when people are automatically enrolled their participation goes way up. Look at these statistics, which are really very dramatic. If there is no automatic enrollment, among women, 35 percent participate. If there is automatic enrollment, 85 percent do. That is, if you provide a mechanism so that they can opt out if they don't choose to participate, but they are otherwise automatically entered onto the rolls, the participation rate is dramatically higher. We want to encourage that, so we provide for automatic enrollment.

We also make it easier for employees to increase their contributions to their retirement savings plan as their compensation increases. Because another thing we have found as people's compensation goes up, inertia takes over. People don't adjust their contributions. But if you have an automatic mechanism that adjusts their contributions as their income goes up, they really like it, and they participate.

We also believe the saver's credit, as Senator Smith enunciated, is a big success story. That's a nonrefundable tax credit for low- and moderate-income workers. Five million people participate, as Senator Smith indicates, but unfortunately it runs out in 2006. So we have extended that until 2010, and we make it somewhat more generous for those at the low end of the income spectrum.

We also find that employees who set aside money in a flexible spending account are losing some of what they put in because they don't use it – you know, the use it or lose it concept. The result is a lot of people, especially young people, aren't participating. What we are

saying with our proposal, if you put money into a flexible account, instead of losing it, you can roll it over and put it into an IRA or an employer plan rather than forfeiting the money, another way of encouraging savings.

And we think it is time for the IRS to make it possible for taxpayers to send part of their tax refund to their IRAs. One of the things we have seen in all the studies is that people would be very interested in having an automatic device to send part of their IRS refund to their IRAs. But they have to have a mechanism to do it. IRS has to make it available, and our legislation would allow them to do so.

We have also included the provisions of the nonqualified annuity tax incentive proposal we introduced earlier this year, and provided as an incentive for the annuitization of funds from qualified plans, only if those annuities are lifetime annuities so we don't have a situation in which people are going to outlive their savings. We think it is important to encourage broad incentive for annuities, but do it in a way that assures that the income is going to be available on a lifetime basis.

We are delighted by all the organizations who have joined in support of this legislation, and we have some who are here today who are going to speak.

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Question: Do you envision your bill becoming part of the Social Security debate, part of the legislation?

Conrad Answer:

What we have tried to do is put in this package things that have been empirically tested and things that we have a high degree of confidence will substantially increase the savings rate among the American people. That's clearly an overriding goal of members of both sides of the aisle. I think there's a growing understanding of the gap between what's being done, what needs to be done, and we would hope this bill stands on its own. Obviously, if a package moves, we will look for every opportunity to put these provisions in there.

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We have tried to put together a package here that would enjoy broad bipartisan support, something that could pass, and pass with an overwhelming vote in both chambers. And something that has been very carefully tested. Every element of this plan has been tested. I think you are going to see really dramatic support for this proposal. Twenty-five organizations of every stripe have already endorsed this legislation. We think there is tremendous momentum behind it. We think this can and should be passed this year.

Question: Do you think this could be the sugar coating on the bitter pill of dealing with Social Security solvency?

Conrad Answer:

I would just say this. You know the President had me down four weeks ago or so to talk about all of these issues. My recommendation to him was I think you have to deal with all these things together. That is, the budget deficit, the shortfall in Medicare, the shortfall in Social Security, the need for fundamental tax reform. My own sense is it is very hard to make the case to the American people on just one piece of the puzzle. You really need to put it all in front of the American people to get a sense of urgency. And so in that sense, I would agree with Senator Smith. I don't think it is likely that all those things are going to get addressed collectively now. My own preference is that we do it as soon as possible because the sooner the better. The shortfall in Medicare is seven times the shortfall in Social Security. But these issues are really separate and apart from that. The fact is we have a savings shortfall in this country, as well as a shortfall in Medicare and Social Security. We have a savings shortfall. The quicker we get at it, the better. The proposals we put together in this package I think could be passed very quickly with overwhelming support, and we shouldn't wait on the larger issues to be resolved before putting this package into action.

Question: (question regarding scheduling of the legislation for a vote)

Conrad Answer:

On our side, we've advised the leadership that we're going to be pressing this on every vehicle that presents itself, and clearly reconciliation is an opportunity. There may be other opportunities, but we are going to take every advantage we have on any vehicle to get these common sense measures adopted.

Question: Do you have a budget cost on this?

Conrad Answer:

We don't. We do on the nonqualified annuitization piece, as you know, \$22 billion over ten years. The whole package has not yet been scored. We're seeking scoring on the whole package. We think this is the kind of thing the country simply must do. This is an investment in our future, and to provide incentives for savings is one very important piece of dealing with these long-term imbalances.