

# United States Senate

SPECIAL COMMITTEE ON AGING

WASHINGTON, DC 20510-6400

(202) 224-5364

February 17, 2010

The Honorable John Berry  
Director  
U.S. Office of Personnel Management  
1900 E Street, NW  
Washington, DC 20415

Dear Director Berry:

As the Chairman of the Special Senate Committee on Aging, I take my responsibility to help Americans prepare for a secure retirement very seriously. A recent study, entitled *401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups*, found that when all other factors such as salary, age and job tenure are controlled, participation rates, contribution levels and account balances in 401(k) plans vary drastically by race and ethnicity. It would be useful for the Office of Personnel Management (OPM) to review federal employee participation within the Thrift Savings Plan (TSP) to see if similar variances exist.

I applaud your efforts to ensure all federal employees have access to a retirement savings and investment plan. Given the current economic crisis, I am well aware of the barriers that already exist for hard-working Americans struggling to save for retirement. With the largest generation in our history preparing to retire, many Americans risk living out their golden years in poverty. This risk can be even higher for African Americans and Hispanics.

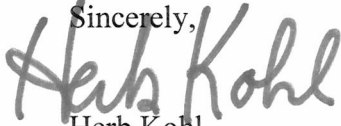
The study, conducted by Ariel/Hewitt, reveals that of the nearly 3 million employees from 57 of the largest U.S. companies included in the study, African Americans were 7% less likely to participate than white employees, while Hispanics were 6% less likely, even after adjusting for other factors (e.g. salary, job, tenure, age). Asians had the highest participation rates and were 3% more likely to participate than whites. The study also showed that when African Americans and Hispanics did participate, they typically had lower account balances than whites and Asians, and were more likely to take out a loan or hardship withdrawal to the detriment of their savings.

In light of these significant disparities, I believe that there are important avenues through which the government may work with the public and private sectors to increase participation in retirement plans among African American and Hispanic employees. However, there is not enough information on how and why people participate at different levels. An OPM review would be an important first step to raise awareness around this issue. It would be very interesting to see whether OPM's results would mirror those of

the Ariel/Hewitt study. As the Chairman of the Senate Special Committee on Aging, I am committed to eliminating these disparities and am exploring ways to enhance the motivation and ability of all Americans to plan for their futures.

Thank you for your time and attention to these important matters, and we look forward to your response.

Sincerely,

A handwritten signature in dark ink that reads "Herb Kohl". The signature is written in a cursive, slightly slanted style.

Herb Kohl

Chairman

Senate Special Committee on Aging

Cc: Hilda Solis, Secretary, Department of Labor

Cc: Gregory Long, Executive Director, Federal Retirement Thrift Investment Board