July 27, 2020

The Honorable Ted Cruz
United States Senate
127A Russell Senate Office Building
Washington, DC 20510

The Honorable Thom Tillis
United States Senate
113 Dirksen Senate Office Building
Washington, DC 20510

The Honorable David Perdue
United States Senate
455 Russell Senate Office Building
Washington, DC 20515

The Honorable Kelly Loeffler
United States Senate
131 Russell Senate Office Building
Washington, DC 20515

Dear Senators Cruz, Tillis, Perdue, and Loeffler:

The Addressing Missing-savings Opportunities for Retirement due to an Epidemic Act (AMORE Act) is a bill of interest to the Insured Retirement Institute (IRI) because it would enable Americans to make catch-up contributions to tax-deferred retirement accounts due to the onset of the COVID-19 pandemic. In April of this year, IRI put forward a five-point plan to help mitigate the financial consequences the COVID-19 pandemic has caused to our nation’s retirement security which, included a proposal to allow individuals impacted by the pandemic to make retirement account catch-up contributions regardless of their age. IRI was joined in support of the plan by the National Association of Insurance and Financial Advisors, the ERISA Industry Committee, the National Association for Fixed Annuities, the National Association of Independent Life Brokerage Agencies and AALU/GAMA.3

COVID-19’s Impact on America’s Retirement Security

While Congress has responded by injecting economic assistance to address present economic displacement, the longer-term consequences of the pandemic affecting both workers’ and retirees’ futures must also be addressed to make sure that our nation’s retirement security does not become another casualty of the pandemic. Prior to the pandemic, many workers were already behind on their retirement savings and still had not fully recovered from the recession a decade ago. The current state of the economy has set them back further as one in four workers say their confidence in their ability to retire comfortably has declined due to the pandemic and more than half of workers say they have experienced an impact to their employment situation as a result of the pandemic, including 30 percent

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1 The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks, and marketing organizations. IRI members account for 90 percent of annuity assets in the U.S., include the top 10 distributors of annuities ranked by assets under management, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community. Learn more at www.irionline.org.

2 Insured Retirement Institute, Five-Point Plan, April 13, 2020

3 Insured Retirement Institute, Joint Trades Letter to Congress, May 5, 2020
who have had hours reduced, 17 percent have had a reduction in salary, 16 percent were laid off, 11 percent said they were furloughed and 5 percent entered retirement early.4

Amid the recession caused by the pandemic, to offset lost income, Americans are tapping their retirement accounts, with 62 percent of those tapping their retirement accounts citing the loss of income as the main reason for their withdrawal of assets.5 One in five (22 percent) have already or plan on taking a loan or a withdrawal from their 401(k)/403(b)/similar retirement account, with 15 percent having already taken a loan/withdrawal and 13 percent saying they plan to. Millennials are more likely to tap into their retirement savings than older generations with one-third of Millennials having taken or plan to take a loan/withdrawal from a retirement account compared to 15 percent of Generation Xers and 10 percent of Baby Boomers.6

There is also evidence that individuals are contributing less to their accounts than before the pandemic. Nearly 1 in 5 have reported they are contributing less to their retirement account now, with 18 percent reducing retirement contributions since the coronavirus crisis started and 31 percent of those who are recently unemployed reporting they are contributing less to their retirement.7 Those who reported contributing less to their retirement savings can be further broken down generationally, with about 16 percent being Baby Boomers, 18 percent being Generation Xers, around 15 percent being Millennials, and about 27 percent identified as Generation Z.8

Today, in the United States, 70 percent of workers are currently saving for retirement through either their current or a former employer’s defined contribution retirement plan and/or through a plan outside of work.9 Defined-contribution retirement plans allow employees to invest pre-tax dollars in the capital markets where they can grow tax-deferred until retirement and the two most used are 401(k) and 403(b) plans. The COVID-19 recession has caused the average retirement account balances to decline through the end of the first quarter of 2020. The average 401(k) balance decreased 19 percent, the average IRA balance dropped 14 percent and the average 403(b) balance declined 19 percent.10

The negative economic effects on America’s retirement security caused by the COVID-19 recession are clearly serving to further exacerbate the looming retirement savings crisis our nation was already facing before the onset of the pandemic. It is further threatening to and has put millions of workers and retiree’s retirement security in greater jeopardy.

**Bipartisan Common-Sense Solutions to Help Retirement Savers Recover from the Pandemic**

As Congress considers additional ideas seeking to help America recover from the COVID-19 pandemic’s recession, Congress should act to advance common-sense retirement security policies, including measures such as the AMORE Act which will serve to broaden the categories of individuals eligible to make a catch-up contribution to a retirement account, so that more individual retirement savers can attain greater retirement security for their futures.

Additional measures to help retirement savers enhance their ability to save for retirement and strengthen their financial security, such as the measures proposed in the IRI five-point plan should be enacted to create more opportunities for workers and retirees to keep their tax-deferred retirement savings longer as a way to recoup losses incurred as a result of stock market volatility during the COVID-19 pandemic. Additionally, more ways should be offered for individuals who have been negatively impacted by the COVID-19 pandemic to enhance their ability to save more for their retirement now as our nation begins its journey on the path to economic recovery.

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7 Ibid
8 Ibid
10 Fidelity® Q1 2020 Retirement Analysis, April 24, 2020.
**Keep Tax-Deferred Retirement Savings Longer**

The measures proposed in the IRI five-point plan will help to create more opportunities for workers to keep their tax-deferred retirement savings longer. By gaining the ability to keep their money longer, they will be given a chance to recoup losses incurred because of the volatility of the stock market during the COVID-19 recession. This is especially important because as more and more Americans are living longer, and many workers are very close to retirement, they may now need to postpone their retirement plans and have to work even longer to recoup losses incurred as a result of the pandemic. To allow individual workers to keep their savings longer in tax-deferred retirement accounts, the five-point plan proposes to:

*Increase Required Minimum Distribution (RMD) Age to 75*

The market disruptions caused by COVID-19 have affected the retirement accounts of many workers, particularly those who are close to retirement. It is those retirement savers, who may now need to work even longer to recoup losses they have suffered because of the market’s recent volatility. By increasing the RMD age from 72 to at least 75, adjusting mortality tables to reflect longer life expectancies plus modifying and exempting certain annuity benefits and payments from the minimum income threshold test, workers will be given more time and opportunities to improve their retirement security.\(^{11}\)

*Remove Barriers that Limit Consumers’ Ability to Insure Against Outliving Retirement Savings*

Another way to allow workers to keep their tax-deferred retirement savings longer would be to remove barriers that now limit a retirement saver’s ability to insure against outliving their savings during their retirement years by purchasing a qualifying longevity annuity contract\(^ {12}\), more commonly known as a QLAC. By amending current law to direct the Secretary of the Treasury to lift the existing barriers and make QLACs more available, Congress would be affording more workers, whose retirement savings have been negatively affected by the COVID-19 recession, the opportunity to keep their tax-deferred savings longer because a QLAC is the only way to defer required minimum distributions applicable to 401(k)s and IRAs beyond age 72 to as late as age 85. It also would allow a worker to receive a guaranteed lifetime monthly income. With the changes being made to the current law\(^ {13}\), more retirement savers would now have an opportunity to choose a QLAC and keep their money longer and reduce the risk of outliving their retirement savings.

*Enhance Workers’ Ability to Save More for Retirement Now*

The IRI five-point plan would offer help for workers to recover from the economic impact the pandemic’s recession has had on our nation’s retirement security. It offers ways for workers who have been negatively impacted by the COVID-19 pandemic to enhance their ability to save more now during their working years for their retirement. The five-point plan proposes to:

*Broaden Eligibility for Retirement Plan Catch-up Contributions for COVID-19 Affected Employees*

Many workers, because they had the virus or because of the social distancing measures imposed by government, were furloughed or lost their jobs. As a result, they lost their ability to earn income and contribute to an employer sponsored retirement savings plan.

As the nation recovers and workers return to work, they should be offered the opportunity, regardless of their age, to make retirement account catch-up contributions so they can achieve a financially secure retirement without extending time in the workforce. This measure would afford those afflicted by the virus, cared for a relative with the

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virus, or suffered economic consequences because of the mitigation measures taken to prevent its spread, an opportunity to make catch up contributions to their retirement account. By expanding the categories of workers eligible to make catch-up contributions beyond what the existing law now allows (only workers 50 or older), more workers would be able to make catch-up contributions to retirement plans up to a dollar limit set each year by the Internal Revenue Service.

Expand Opportunities for 501(c)(3) Organization Employees to Save for Retirement

The COVID-19 recession has also touched and significantly impacted our nation’s non-profit sector through decreased revenues and exacerbated the already challenging financial, legal, and administrative environment for many of them to establish an employee retirement plan. As America’s small business employers resume business operations, and their employees return to work, specifically, to non-profit, public educational organizations and religious institutions, those employers should have the same ability to offer their workers a retirement plan through a pooled employer plan (PEPs), afforded by the SECURE Act to all other sector small business employers.14 The SECURE Act, however, does not permit 403(b) retirement plans, a type of retirement plan that is specifically designed for use by non-profit businesses, to use a PEP. Congress should amend the law to permit non-profit organizations to offer their employees a 403(b) retirement plan benefits through a PEP which would allow non-profit employers to achieve economies of scale, save on financial, legal and administrative costs, and share responsibility for sponsoring the plan to a professional plan fiduciary as well as allowing more workers at these non-profit organizations a chance to save for their retirement. It will also offer the non-profit employers more opportunities to offer retirement benefits to attract and/or retain workers.

Clarify Retirement Plan Start-Up Credit to Incentivize More Small Businesses to Offer Retirement Plans

Small business owners and employees have been disproportionately negatively impacted by the COVID-19 pandemic. When these small business owners resume business operations, they should be able to take full advantage of tax credits Congress has provided to incentivize them to offer their workers a retirement savings plan. Although, the SECURE Act15 enhanced the start-up retirement plan credit to encourage small business employers to offer a retirement plan to their employees through a PEP, there is uncertainty as to when the start-up credit begins and ends. It appears the tax credit is not available to small businesses who join a PEP after its first three years of operation. The five-point plan calls for Congress to amend the SECURE Act to clarify the start-up credit applies from the time a small business joins a PEP and not from the time the PEP begins operations. This would encourage more recovering small businesses to continue offering or begin offering a retirement plan using a PEP. It can also help to serve not only the workers as a benefit but also to the small business employer to use to attract and retain employees.

Request to Amend the AMORE Act

The health and economic effects we have seen and are continuing to witness from the COVID-19 pandemic are tragic. The human toll is terrible and painful and the economic consequences which have resulted have created a further burden on already strained resources and emotions. However, we know that Americans are strong and resilient. With all our nation’s leaders working together, we will be able to successfully navigate through this challenge and return our nation and the world to a healthy and prosperous direction.

As you and Congress as a whole consider more measures to help our nation’s workers, families and economy recover from the COVID-19 pandemic recession, we ask that you find ways to address the damage done to millions of Americans’ retirement security and put them back on a path towards being able to enjoy a secure and dignified

14 Section 101 of Division O of the “Further Consolidated Appropriations Act, 2020” (Public Law 116-94), (the “Setting Every Community Up for Retirement Enhancement (SECURE) Act”)
15 Section 104 of Division O of the “Further Consolidated Appropriations Act, 2020” (Public Law 116-94), (the “Setting Every Community Up for Retirement Enhancement (SECURE) Act”)
retirement. Tens of millions have lost their jobs and their ability to make retirement contributions. Many, especially those closest to retirement, have lost significant amounts of their accumulated retirement account balances which will take years to recoup, potentially causing them to work longer and having to postpone their retirement. As a result of these unanticipated and unplanned for events, the retirement security of Americans has been placed in a precarious position.

We call upon you and Congress to recognize the harm done to America’s retirement security and request that you consider amending the AMORE Act to include all of the elements of the five-point plan detailed above and create a comprehensive plan, beyond providing for catch-up contributions, to help retirement savers recover from the pandemic’s recession.

IRI remains eager to get to work on these initiatives, and we appreciate and thank you for the opportunity to provide suggestions to you for your consideration to broaden the AMORE Act. It is our hope you will find our recommendations useful, and we welcome the opportunity to work with you and Congress in the future as you consider legislative avenues to help America’s retirement savers recover all across our nation and avoid facing a retirement savings crisis in the aftermath of this terrible pandemic.

If you have any questions, please do not hesitate to contact me at (202) 469-3004 or prichman@irionline.org, or John Jennings, Assistant Director, Government Affairs at (202) 469-3017 or jjennings@irionline.org.

Sincerely,

Paul J. Richman
Chief Government and Political Affairs Officer
Insured Retirement Institute