



# 2020 STATE RETIREMENT SECURITY BLUEPRINT



Insured  
Retirement  
Institute

## 2020 State Retirement Security Blueprint

Supreme Court Justice Louis Brandeis once described the states as “laboratories of democracy,” where new ideas can be conceived and tested before expanding across the country. As such, the states have a unique opportunity to play a key role in addressing the retirement saving challenges facing so many Americans. However, IRI knows that inconsistent or non-uniform laws from state-to-state can hinder companies attempting to solve those challenges – and ultimately harm the consumer.

Millions of Americans today are “at risk” for inadequate retirement income due to the rapid and continuing shift from defined benefit plans to defined contribution plans, increasing life expectancies, and rising health care costs. This unfortunate reality underscores the critical importance of a legal and regulatory framework designed to help consumers plan and prepare for a financially secure retirement.

This blueprint describes key steps states can take to help all Americans achieve their retirement goals.

### IRI’s 2020 State Blueprint calls on state policymakers to:

- 1.** Adopt a clear, consistent, and workable best interest standard of conduct for financial professionals.
- 2.** Maintain the robust private-sector marketplace for retirement savings solutions.
- 3.** Protect seniors and other vulnerable segments of the population against financial fraud and exploitation.
- 4.** Establish uniform and workable safeguards to protect Americans’ personal financial information.
- 5.** Facilitate and encourage improvements to the consumer and advisor experience.

### WHO IS IRI?

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 more than 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](http://www.irionline.org).



## **Adopt a Clear, Consistent, and Workable Best Interest Standard of Conduct for Financial Professionals**

For nearly a decade, federal and state policymakers – including the National Association of Insurance Commissioners (NAIC), the Securities and Exchange Commission (SEC), and the Department of Labor (DOL) – have been working to formulate appropriate standards of conduct for financial professionals who provide personalized advice about investments and/or insurance to retail consumers. Several individual states have recently taken steps to enhance the standards of conduct for financial professionals.

IRI and its members have long supported the principle that financial professionals should be required to act in their clients’ best interest when providing personalized recommendations. The primary regulators for the insurance and securities industries – the NAIC and the SEC – have adopted clear, consistent, and workable, best interest rules. Taken together, these rules will provide broadly applicable and effective consumer protections while preserving access

to valuable financial products and services. These rules will leverage the robust examination and enforcement tools available to the SEC and state insurance regulators to effectively ensure compliance or penalize violators for non-compliance.

The adoption of differing individual state best interest or fiduciary regulations would create a patchwork of inconsistent, conflicting, or duplicative rules that could significantly impair consumers’ access to valuable financial products and professional assistance about whether, when, and how to use those products. For this reason, IRI urges state policymakers to promptly pursue uniform adoption of the revised NAIC model regulation. However, state securities regulators should delay individual efforts to impose a fiduciary duty on broker-dealers until the SEC rules have been in effect for sufficient time to fully and fairly assess whether further regulatory action is needed to provide meaningful and effective consumer protections.

---

## **Maintain the Robust Private-Sector Marketplace for Retirement Saving Solutions**

Most Americans are not saving enough for retirement because they do not have access to employment-based retirement savings plans. In fact, recent research has shown only 40 percent of full-time workers at small and medium-sized businesses have access to one of the many types of employment-based retirement plans. IRI and its members have long supported federal proposals designed to make employment-based retirement plans available to more people. These measures would address many of the factors that currently discourage small and mid-size businesses from offering retirement plans for their employees, including concerns about cost and fiduciary liability.

A number of states seemingly attribute this lack of access to insufficient capacity in the private sector retirement

savings market and, therefore have taken or considered action to establish state-run retirement plans as a solution. While well-intentioned, these efforts are misguided. Americans have access to a strong and vibrant private sector retirement savings market that offers diverse and affordable options to individuals and employers. Employees who are not offered retirement plans through an employer have access to low cost retirement options through local financial advisors and financial institutions.

Rather than attempting to insert themselves into the marketplace, IRI urges state policymakers to encourage their federal counterparts to continue to pass legislation making it easier for small and mid-size companies to offer retirement plans.



## **Protect Seniors and Other Vulnerable Segments of the Population against Financial Fraud and Exploitation**

Recent developments at the federal and state levels have empowered financial professionals to help prevent older investors from becoming victims of financial exploitation by reporting suspected cases of such exploitation to law enforcement and other appropriate governmental agencies including state Adult Protective Services (APS) agencies. State APS agencies serve a critical role in the effort to protect older Americans against financial fraud and exploitation. Unfortunately, APS offices across the country are badly underfunded, leaving them without

enough staff or resources to fully investigate all reports of suspected financial abuse.

While federal funds are sometimes available to support these agencies, they are primarily funded by their individual state. As such, IRI urges all states to increase the amounts appropriated to state APS agencies to ensure they have sufficient resources to investigate and prosecute suspected abuse and exploitation of older Americans.

## **Establish Uniform and Workable Safeguards to Protect Americans' Personal Financial Information**

With the increasing use of digital solutions and an unfortunate parallel rise in data breaches exposing personal financial data, there is a need for enhanced safeguards to protect all Americans' sensitive financial information. The insured retirement industry is governed by one of the most stringent regulatory regimes with oversight from federal, state, and international bodies which subjects the industry to an inconsistent patchwork of privacy and data protection

regulations. In sum, all stakeholders should work together to create a single, uniform set of workable standards that will protect the public and minimize costs for industry and the overall economy. In particular, third-party service providers should bear an appropriate level of responsibility for ensuring data protection under such standards.

## **Facilitate and Encourage Improvements to the Consumer and Advisor Experience**

All fixed and variable annuities are governed by a comprehensive state regulatory framework. State laws govern the organization and licensing of insurance companies, and state insurance departments oversee insurance company operations. Generally, annuity contracts and amendments must be filed with and approved by the state in which contracts are sold or by the Interstate Insurance Compact. Insurance producers need to be licensed in each state in which they operate. Only licensed producers may sell annuity contracts. The NAIC promotes best practices and uniformity in state insurance laws through "model laws" and "model regulations" designed to protect consumers and maintain the financial stability of the insurance marketplace.

The industry obviously must operate within the parameters established under this framework. However, the rapid pace of technological advancements in today's world presents a significant challenge for the regulatory system. While industry participants seek to leverage the latest technological capabilities to provide an improved experience for consumers, those efforts are often impaired by laws and rules – such as anti-rebating laws and replacement rules – that simply could not have anticipated how the world and the industry would evolve over time. IRI and its members believe it is imperative for the industry and its regulators to work together to identify and remove these barriers to an optimal environment without undermining important consumer protections.