



**Insured
Retirement
Institute**



IRI 2015 RETIREMENT SECURITY POLICY AGENDA

✓ IRI: “DO NO HARM” TO CURRENT RETIREMENT POLICY

Maintain Tax-Deferred Treatment for Retirement Savings

Congress should maintain the current tax treatment for retirement savings to help workers prepare for a secure retirement. Research conducted by IRI overwhelmingly shows Americans would save less if tax deferral were reduced or eliminated. Americans today are more responsible than earlier generations for saving for retirement, and any policy that discourages savings will diminish retirement security.

Protect Access to Professional Financial Help

Policymakers should ensure Americans, especially lower- and middle-income Americans, can continue to access retirement planning services from financial professionals. The Department of Labor is currently considering making changes to the definition of a “fiduciary” that would prevent consumers from accessing these services through full-service brokerage accounts. Research shows that those who work with a financial professional have better savings habits and exhibit sounder retirement planning behaviors.

✓ IRI: ENACT COMMON SENSE RETIREMENT SECURITY POLICY

Increase Workers’ Access to Lifetime Income in Retirement Plans

1. Clarify Employer Fiduciary Responsibility.

Employers need clear rules about how to select lifetime income products in their retirement plans so they are confident in meeting their fiduciary responsibilities. Employers do not have the expertise to make the decisions required by current regulations. This can be addressed by allowing employers to select products provided by insurers that meet certain existing regulatory requirements, such as minimum capital and reserving standards.

2. Enable Annuity Portability.

Congress should amend a technicality in the tax code to make a record keeping change a distributable event. This change will ensure workers do not lose the guarantees they have already paid for if their employer decides to change annuity products or service providers. Unfortunately to avoid this possibility, many employers simply choose not to offer lifetime income options to their workers.

3. Provide Multiple Employer Plans with Lifetime Income Options.

Congress should pursue legislation to expand access to multiple employer plans or MEPs. There is bipartisan support in Congress to make MEPs available to more start-ups and small businesses. These businesses face financial and administrative challenges, as well as legal risks, in offering a retirement plan to employees. Allowing small businesses to band together to offer their employees a retirement plan greatly reduces the number of workers without access to a workplace plan. Given the importance of lifetime income options, these plans should be required to make a lifetime income option available to their employees.

Enact Legislation to Better Prepare Americans for a Secure Retirement

4. Require Lifetime Income Estimates on Workers' Benefit Statements.

To help workers save appropriately for retirement, they need to be made aware of how much monthly income their nest egg will generate in retirement. The Department of Labor is working on a rule that would require this information to be included on benefit statements – via lifetime income estimates. The Lifetime Income Disclosure Act (LIDA), which was introduced during the last Congress, would also require the inclusion of these estimates on statements. Research by IRI found that more than 90 percent of workers want these estimates and find them helpful. Additionally, more than 75 percent of workers said they would increase their savings level after seeing these retirement income estimates.

5. Increase Auto-Enrollment and Auto-Escalation Default Rates.

The Pension Protection Act allows employers to automatically enroll employees in 401(k) plans. Currently the majority of private-sector employers using automatic enrollment set the default rate at 3 percent of pay, the starting point for the auto-enrollment safe harbor. This is too low for adequate retirement savings. Research by EBRI has found that a 6 percent default savings rate would lead to significantly better retirement outcomes for workers without causing a marked increase in workers opting out of the plan. Workers across all income brackets are statistically more likely to participate when their employers have auto-enrollment, but will need higher savings thresholds to reach their retirement savings goals. Starting the deferral rate at 6 percent at the time of automatic enrollment with automatic escalation up to 15 percent would greatly increase retirement savings in the United States. Legislation should be enacted to increase these thresholds.

6. Encourage Electronic Disclosure for Retirement Plans.

Congress should permit electronic delivery to be the default option for providing required disclosures to plan participants as long as they can opt out. Encouraging the use of modern electronic communication would have a direct and beneficial impact on workers and beneficiaries. Participants of all ages and incomes increasingly are preferring to access information online, allowing them to more easily act on that information. According to the Progressive Policy Institute, the volume of printed disclosure is intimidating to workers and the static nature of printed documents does not invite the interactive engagement consumers need to manage their retirement portfolios appropriately.

7. Update Required Minimum Distribution (RMD) Rules to Reflect Longer Lifespans.

Legislation should be enacted to increase the RMD age from 70 and 1/2 to at least 75 and mortality tables should be updated to reflect longer life expectancies. The RMD age has been set in stone for more than 50 years. When it was set in 1962, life expectancies were considerably shorter than they are today. Today's workers face an increased risk of outliving retirement assets as a result of longer lifespans. For a married couple age 65, there is a 60 percent chance of at least one spouse living to 90, and a 30 percent chance of at least one spouse living to 95.

✓ IRI: ADVANCE REGULATORY INITIATIVES TO ADVANCE CONSUMER EDUCATION AND DECISION MAKING

Promote Consumer Choice Regarding Lifetime Income Options

8. Advance Partial Annuitization Rule.

The Treasury released a proposed rule in early 2012 that would make it easier for pension plan participants – when given the option of a lump sum or an annuity – to receive part of their benefits in the form of an annuity. This rule will remove the all-or-nothing choice that plan participants must make when given the option. IRI urges regulators to finalize and adopt the rule in early 2015 to provide consumers with greater flexibility regarding their retirement plan benefit options.

9. Adopt a Variable Annuity Summary Prospectus and Annual Update.

A variable annuity summary prospectus and annual update would improve consumers' understanding of their investment choices through more streamlined disclosures and facilitate better decision making regarding lifetime income options. There is widespread support among investors for a more consumer-friendly and shorter prospectus. An IRI study found 95 percent of investors would prefer a summary prospectus, and six out of every 10 individuals said they would be more likely to talk to their financial advisor about, and consider, a variable annuity if they had access to a variable annuity summary prospectus. The SEC has indicated that they will propose a rule for a variable annuity summary prospectus in 2015. IRI believes all the work necessary to move this proposal forward has been completed and urges the SEC to act at the earliest possible time. If the SEC does not adopt a rule in early 2015, as a practical matter, variable annuity summary prospectuses would not be in the marketplace until at least 2016.

10. Implement the National Insurance Licensing Clearinghouse.

With the passage of the National Association of Registered Agents and Brokers Reform Act (NARAB II) earlier this year, focus is now on implementing the law. NARAB II will establish a one-stop, federal licensing clearinghouse for financial professionals holding state insurance licenses in multiple states. Financial professionals who have passed background checks in their home state will be able to apply for NARAB membership, enabling them to sell guaranteed lifetime income products in other states without the burden of dealing with multiple state insurance licensing processes – ensuring that clients have access to a full suite of lifetime income options. The legislation maintains important consumer protections, retains states' authority to regulate the marketplace, and ultimately improves consumer choice. IRI urges policymakers to move swiftly and ensure they meet deadlines established in law, allowing NARAB operations to begin as soon as possible and no later than the statutory deadline.

✓ IRI: PROMOTE REGULATORY EFFICIENCY

Encourage Effective and Efficient Oversight of Marketplace

11. Ensure FINRA Data Collection Program Efficiently Enhances Consumer Protection.

FINRA's formal proposal to create a new data collection program known as CARDS will not initially include variable annuities. FINRA has made clear, however, that it may seek to expand the program to cover variable annuities in the future. Therefore, IRI will continue to encourage FINRA to consider the potential costs and operational considerations associated with including variable annuities under CARDS, both in connection with the initial development and implementation of this program, as well as any future proposal regarding variable annuity data collection. IRI urges FINRA to ensure that the program would meet our shared goals of cost-effective and efficient regulation that enhances consumer protection.