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May 9, 2019

The Honorable Rob Portman
United States Senate
448 Russell Senate Office Building
Washington, DC 20510

The Honorable Ben Cardin
United States Senate
509 Hart Senate Office Building
Washington, DC 20510

Dear Senators Portman and Cardin:

The Insured Retirement Institute (IRI) [1] writes to express our enthusiastic support for the enactment of the *Retirement Security and Savings Act of 2019*. We also want to acknowledge and appreciate the leadership you have demonstrated in advocating for the Senate to address retirement security by introducing this comprehensive measure which can help many Americans who today face numerous challenges in saving for retirement. The enactment of the *Retirement Security and Savings Act of 2019* would go a long way in helping Americans overcome these obstacles.

In the past, Americans have been able to rely on employer-based pension plans to provide financial security in their retirement years. Today, however, most Americans must rely on personal retirement savings vehicles such as 401(k)s, 403(b)s, or Individual Retirement Accounts (IRAs). Under this regime, individuals have assumed more responsibility for ensuring their own financial security and choosing retirement saving options. IRI has long advocated for common-sense, bipartisan policies to help Americans reach their retirement goals and this legislation is a positive step forward toward achieving our shared objective of expanding coverage for and increasing retirement savings opportunities for all Americans.

Many of the provisions included in the *Retirement Security & Savings Act of 2019* were included in IRI's 2019 Federal Retirement Security Blueprint. These include expanding access to workplace retirement savings plans to help Americans better prepare for retirement; enhancing the features of workplace plans; and, increasing access to guaranteed lifetime income that cannot be outlived during retirement.

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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 more than 95 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.

Expanded Access to Savings

Most Americans are not saving enough for retirement simply because they do not have access to employment-based saving plan. 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. It is, therefore, important to encourage employers of all sizes to provide for their employees. Under current law, small employers with up to 100 employees can receive an annual tax credit equal to 50 percent of the costs of starting a retirement plan, up to a maximum of $500 for three years. Unfortunately, this incentive is not having the desired impact. Section 110 of the *Retirement Security and Savings Act of 2019* would make the start-up retirement credit available for the first five years of the plan and increase the maximum credit, providing a more enticing incentive to employers. Enactment of the legislation would help more Americans gain access to a workplace retirement account.

In addition to a lack of access to savings, Americans are facing an increasing demand to manage competing financial priorities. Research shows the number of households with student loan debt and the average amounts owed has continued to rise, with the level of outstanding student loan debt nearly tripling between 2005 and 2007. Research has also shown that individuals with student loan debt have lower workplace retirement plan balances than those who do not. Employers should be able to help workers who cannot afford both student debt payments and retirement savings. Section 112 of the *Retirement Security and Savings Act of 2019* would enable workers to continue making their student loan payments, but they would receive employer-matching contributions into their retirement account as if the student loan payments were salary contributions. This voluntary benefit would allow these workers to build their retirement savings while paying down student loan debt.

While building a nest egg throughout one's career is vital to ensuring financial security in retirement, Americans today face an increased risk outliving their savings due to increasing lifespans. The Required Minimum Distribution (RMD) age was set in 1962 when life expectancies were considerably shorter than they are today. For a married couple age 66, there is a 66 percent chance of at least one spouse living to age 90, and 33 percent chance of at least one spouse living to 92. Sections 108 and 109 of the *Retirement Security and Savings Act of 2019* increases the RMD age from 70 ½ to 75 and would update mortality tables to reflect longer life expectancies.

The *Retirement Security and Savings Act of 2019* will expand the ability of employer-sponsored 403(b) plans to offer collective investment trusts (CITs), putting 403(b) plans on equal footing with other options under federal securities laws for CITs. Section 117 would level the playing field by providing insurance products with the same exemptions as CITs. The result would be a robust and competitive marketplace which is vital to ensure Americans have access to the appropriate savings option for their financial situation.

Enhanced Automatic Retirement Plan Features

The *Retirement Security and Savings Act of 2019* will increase opportunities for workers to save by enhancing automatic enrollment and escalation features in retirement savings plans. Studies have shown that automatic enrollment is extremely successful in getting more people to save for retirement with participation rates at least 10 percentage points higher in plans with automatic enrollment (77%) than those without it (67%). Under current law, employers can automatically enroll employees in 401(k) plans and most private-sector employers at a default rate at 3 percent of pay. 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. Section 101 and 111 of this legislation simplifies and clarifies the rules to facilitate automatic features and, therefore, will create additional opportunities for Americans to save more for their retirement.

Increased Access to Lifetime Income

The *Retirement Security and Savings Act of 2019* will help facilitate a saver's ability to ensure their savings will not be outlived. Current Department of the Treasury regulations governing qualified longevity annuity contracts (QLACs) impose certain limits on the exemption from the minimum distribution rules until payments commence which have prevented QLACs from achieving their intended purpose in providing longevity protection. The regulations limit the premiums an individual can pay for a QLAC to the lesser of $130,000 or 25% of the individual's account balance in an employer retirement savings plan or IRA. These limits were included in the regulation because the Treasury Department lacked the statutory authority to exempt more than 25% of any account. Section 201 of the *Retirement Security and Savings Act* repeals the 25 percent and dollar limits and provides Treasury with the statutory authority necessary to further enhance QLACs by easing the administrative challenges associated with rolling over funds to purchase a QLAC.

The *Retirement Security and Savings Act of 2019* will also provide for the portability of lifetime income products. Due to a technicality in the tax code, employees who invest in lifetime income options through an employment-based retirement plan would lose the guarantees associated with those investments if their employer changes recordkeepers. To avoid this result, many employers simply choose not to offer lifetime income options. The simple technical amendment contained in Section 313 treats a recordkeeping change as a distributable event. This change will ensure that savers are not harmed if their employer decides to make changes and will permit plan participants to preserve their lifetime income investments while avoiding surrender charges and fees.

For the foregoing reasons cited above, IRI is proud to state our support for this comprehensive package of legislation to modernize private-sector retirement savings options. As the Senate considers this and other comprehensive retirement security legislation, IRI welcomes the opportunity to work with you and your staff to advance these proposals. Please feel free to contact myself or Paul Richman, IRI's Chief Government and Political Affairs Officer at (202) 469-3004 or at prichman@irionline.org, if we can provide any additional assistance in securing passage of this vital legislation.

We thank you again for your leadership in pursuing legislation that will help more Americans achieve a financially secure retirement.

Sincerely,

Wayne Chopus
President and CEO
Insured Retirement Institute

cc: Members of the Senate Committee on Finance