2017 RETIREMENT SECURITY BLUEPRINT

Executive Summary of the Insured Retirement Institute

2017 Retirement Security Blueprint

Americans face many challenges and obstacles in saving for retirement. In the past, many Americans relied on employer-based pension plans for retirement savings. Today, most Americans rely on other types of retirement savings plans such as 401k or Individual Retirement Accounts, which make individuals responsible for ensuring their own financial security and retirement options. IRI's 2017 Blueprint for Retirement Security includes common sense, bipartisan policies to help Americans achieve their retirement goals.

IRI'S 2017 BLUEPRINT WILL:

1. Expand access to workplace retirement plans to help Americans save and prepare for retirement;
2. Preserve current tax treatment for retirement savings;
3. Expand automatic savings features;
4. Increase access to retirement lifetime income that cannot be outlived;
5. Protect access to professional financial advice to assist Americans in saving more and preparing for retirement; and
6. Improve access to education and information allowing American savers to make effective and informed decisions regarding their finances.

WHO IS IRI?

The Insured Retirement Institute (IRI) is the leading association for the retirement income industry. IRI proudly leads a national consumer coalition of 40 organizations and is the only association that represents the entire supply chain of insured retirement strategies. IRI members are the major insurers, asset managers, broker-dealers/distributors, and 150,000 financial professionals. As a not-for-profit organization, IRI provides an objective forum for communication and education and advocates for the sustainable retirement strategies Americans need to help achieve a secure and dignified retirement.

"DO NO HARM" TO CURRENT RETIREMENT POLICY

- Congress should ***protect affordable access to professional financial guidance*** by enacting legislation to replace the Department of Labor's Fiduciary Rule and establish a consistent best interest standard of care that preserves access to retirement advice and offers a wide array of lifetime income products for America's retirement savers.
- Congress should ***maintain tax-deferred treatment for retirement savings*** to help workers prepare for a secure retirement.
- Congress and the Administration should ***protect the current structure and diversity of workplace retirement plans*** by maintaining the different types and structures of retirement plans that were created for the needs of different types of workers.

INCREASE WORKERS' ACCESS TO LIFETIME INCOME IN RETIREMENT PLANS

- Congress or the Department of Labor should ***clarify employer fiduciary responsibility in the annuity selection safe-harbor*** to allow employers to select lifetime income products provided by insurers that meet certain existing regulatory requirements, such as minimum capital and reserving standards.
- Congress should enact legislation to ***enable annuity portability*** by treating a recordkeeping change as a distributable event to ensure workers are not harmed if their employer decides to make such changes.
- Congress should enact legislation to ***remove regulatory and legal barriers to facilitate small businesses use of multiple employer plans*** and these plans should be required to make a lifetime income option available to their employees.

HELP AMERICANS TO BETTER PREPARE FOR A SECURE RETIREMENT

- Congress should enact legislation to ***require lifetime income estimates on workers' benefit statements*** to help workers to save appropriately for retirement by making them aware of how much monthly income their savings will generate in retirement.
- Congress should enact legislation to ***encourage employers to offer retirement plans for workers*** where workers would be automatically enrolled in Individual Retirement Accounts, Auto IRAs, or other retirement plans, if workers do not have access to other types of employer-provided qualified retirement plans.
- Congress should enact legislation to ***increase auto-enrollment and auto-escalation default rates*** starting the savings rate at 6 percent with automatic escalation up to 15 percent.
- Congress should work expeditiously to enact legislation which would ***enable financial advisors to protect their clients from financial abuse*** and protect millions of older Americans who suffer financial exploitation each year.
- Congress should enact legislation to ***permit electronic disclosure for retirement plans*** with an opt-out option for providing required disclosures to plan participants.
- Congress should enact legislation to ***update required minimum distribution (RMD) rules to reflect longer lifespans*** by increasing the RMD age from 70 1/2 to at least 75 and mortality tables should be updated to reflect longer life expectancies.
- Congress should enact legislation amending the IRS Code to ***reduce the age requirement for in-service rollovers to purchase lifetime income products*** to allow plan participants aged 50 and older to initiate rollovers for the purchase of deferred income annuities to help facilitate greater access to lifetime income products for participants at an earlier age.

REGULATORY INITIATIVES TO PROMOTE CONSUMER CHOICE, EDUCATION AND REDUCE REGULATORY BURDENS FOR LIFETIME INCOME OPTIONS

- The Department of Labor should revoke the ERISA safe harbor and guidance for state savings arrangements, and instead expressly authorize states to rely on existing safe harbors for private sector plans, and allow all plans that qualify to include automatic enrollment and escalation features to ***preserve employer choice, competition and protections on retirement plan coverage options***.
- The Securities Exchange Commission should move forward expeditiously to ***adopt a variable annuity summary prospectus and annual update*** to improve consumers' understanding of their investment choices and reduce regulatory burdens through streamlined disclosures that facilitate better decision making regarding lifetime income options.
- The President should ***implement the national insurance licensing clearinghouse*** by appointing National Association of Registered Agents and Brokers board and establish a one-stop federal licensing clearinghouse for financial professionals holding state insurance licenses in multiple states.

“Do No Harm” to Current Retirement Policy

Protect Affordable Access to Professional Financial Guidance

The Department of Labor’s fiduciary rule will significantly harm retirement savers by limiting access to financial guidance, reducing service provider choice and products, and raising the cost of saving for retirement. The Department of Labor failed to properly assess this potential harm in promulgating this rule. Policymakers in the new Administration should consider delaying the implementation of the rule and seek further public comment as to questions of law and policy raised by the rule regarding the potential harm to retirement savers. At the same time, Congress should enact legislation to establish a consistent best interest standard of care while preserving access to retirement advice and a wide array of lifetime income products for America’s retirement savers.

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 is 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 the Current Structure and Diversity of Workplace Retirement Plans

Several types of workplace defined contribution retirement plans currently exist to take into account the differences among workers in various employment sectors, such as the private, governmental, church, educational, and nonprofit sectors. The most prominent are 401(k), 403(b) and 457(b) plans. In the past, proposals to consolidate these types of plans have been considered for purposes of simplification. However, consolidation, if not considered carefully, could have significant repercussions for individuals and employers. We strongly encourage Congress and the Administration to maintain the different types and structures of retirement plans that were created for the needs of different types of workers.

Advance Common Sense Retirement Security Policies

Increase Workers’ Access to Lifetime Income in Retirement Plans

1. CLARIFY EMPLOYER FIDUCIARY RESPONSIBILITY FOR CHOOSING LIFETIME INCOME PRODUCTS

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 either through Department of Labor rulemaking or Congressional enactment of legislation such as the ***Retirement Enhancement Savings Act of 2016***. In either case, the current rules should be updated to allow employers to select products provided by insurers that meet certain existing regulatory requirements, such as minimum capital and reserving standards.

2. ENABLE ANNUITY PORTABILITY

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. Congress should enact the ***Retirement Enhancement Savings Act of 2016***, which includes a provision that would treat recordkeeping change as a distributable event. This simple amendment will ensure workers are not harmed if their employer decides to make such changes.

3. REMOVE REGULATORY AND LEGAL BARRIERS TO FACILITATE SMALL BUSINESSES USE OF MULTIPLE EMPLOYER PLANS

Small businesses face financial and administrative challenges, as well as legal risks, when offering a retirement plan to employees. As a result, many do not offer a retirement savings benefit for their employees. Allowing small businesses to band together to offer a retirement plan will greatly expand the number of workers with access to a workplace plan. This can be achieved by making Multiple Employer Plans (MEPs) available to more start-ups and small businesses. Congress should enact legislation to expand access to MEPs, such as the "open MEPs" provision in the ***Retirement Enhancement Savings Act of 2016***. In addition, given that lifetime income strategies greatly reduce the risk of outliving retirement savings, these plans should be required to make a lifetime income option available to their employees.

Help Americans to Better Prepare for a Secure Retirement

1. REQUIRE LIFETIME INCOME ESTIMATES ON WORKERS' BENEFIT STATEMENTS

To help workers save appropriately for retirement, they need to be aware of how much monthly income their nest egg will generate in retirement. 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. Congress should enact the ***Lifetime Income Disclosure Act (LIDA)***, which would direct the Department of Labor to adopt a rule requiring the inclusion of lifetime income estimates on benefit statements. This provision was also included in the ***Retirement Enhancement Savings Act of 2016.***

2. ENCOURAGE EMPLOYERS TO OFFER RETIREMENT PLANS FOR WORKERS

Many Americans are not saving for retirement because they do not have access to employment-based accounts. 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%). Congress should enact legislation, similar to the Automatic IRA Act of 2015, to encourage employers to automatically enroll workers in Individual Retirement Accounts, Auto IRAs, or other retirement plans, where workers do not have access to other types of employer-provided qualified retirement plans. The legislation would also permit employees to opt out of such arrangements and provide employers with tax credits to defray the costs of setting up the accounts.

3. 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. Congress should enact legislation to start the deferral rate at 6 percent at the time of automatic enrollment with automatic escalation up to 15 percent. This would greatly increase retirement savings in the United States.

4. ENABLE FINANCIAL ADVISORS TO PROTECT THEIR CLIENTS FROM FINANCIAL ABUSE

With an aging population, it is critical to have rules in place to protect older Americans and other vulnerable adults from financial exploitation. The ***Senior $afe Act of 2017*** encourages reporting of suspected abuse by banks, credit unions, investment advisers, broker-dealers and insurance companies, as well as their employees. Congress should work expeditiously to enact this important legislation to protect millions of older Americans who suffer financial exploitation each year, costing retirees at least $2.9 billion per year.

5. ENCOURAGE ELECTRONIC DISCLOSURE FOR RETIREMENT PLANS

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 prefer 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. Congress should enact legislation, such as the ***Receiving Electronic Statements to Improve Retiree Earnings (RETIRE) Act,*** to permit electronic delivery to be the default option for providing required disclosures to plan participant, with an opt-out option.

6. UPDATE REQUIRED MINIMUM DISTRIBUTION (RMD) RULES TO REFLECT LONGER LIFESPANS

The Required Minimum Distribution (RMD) age was set in 1962 when 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. Congress should enact legislation to increase the RMD age from 70 1/2 to at least 75 and mortality tables should be updated to reflect longer life expectancies.

7. REDUCE THE AGE REQUIREMENT FOR IN-SERVICE ROLLOVERS TO PURCHASE LIFETIME INCOME PRODUCTS

Under Internal Revenue Service (IRS) rules, participants in plans without guaranteed income distribution options are required to wait until age 59 1/2 to purchase an annuity or other guaranteed lifetime income products. Congress should amend the Code to allow plan participants aged 50 and older to initiate special in service rollover rules for the purchase of deferred income annuities. Allowing such purchases of deferred income annuities would help to facilitate greater access to lifetime income products for participants at an earlier age.

Regulatory Initiatives to Promote Consumer Choice, Education and Reduce Regulatory Burdens for Lifetime Income Options

Preserve Employer Choice, Competition and Protections on Retirement Plan Coverage Options

The Department of Labor created a new safe harbor and issued guidance in 2016 to pave the way for states to offer retirement savings plans for private sector employees who don't have access to a plan through their employer. State plans that meet the requirements of the safe harbor or the guidance are exempt from ERISA, meaning the states will not have to adhere to ERISA's important consumer protection provisions. In addition, the safe harbor allows state-run plans to include automatic enrollment and escalation features, which similar private sector plans are prohibited from providing under current rules. The safe harbor and guidance treat private sector plans inequitably, and are inconsistent with Congress' intent to apply ERISA uniformly nationwide. The Department should revoke the safe harbor and guidance, and instead expressly authorize states to rely on existing safe harbors for private sector plans, and allow all plans that qualify for those safe harbors to include automatic enrollment and escalation features.

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 and reduce regulatory burdens through streamlined disclosures that 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. IRI maintains that all the work necessary to proceed with the rule proposal has been completed and urges the SEC to move forward expeditiously to promulgate a summary prospectus for variable annuities.

Implement the National Insurance Licensing Clearinghouse

With the passage of the National Association of Registered Agents and Brokers Reform Act (NARAB II) in 2015, focus shifted towards implementation of the law. NARAB II establishes 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 and reduce the regulatory burden of dealing with multiple state insurance licensing processes, while ensuring clients have access to a full suite of lifetime income options. The law maintains important consumer protections, retains states' authority to regulate the marketplace, and improves consumer choice. To realize the benefits of this law, IRI urges the President to appoint NARAB's board and allow NARAB operations to begin as soon as possible.