



**Insured Retirement Institute**

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September 7, 2021

Honorable Richard Neal  
Chairman  
U.S. House of Representatives  
Committee on Ways and Means  
319 Cannon House Office Building  
Washington, D.C. 20515

Dear Chairman Neal:

The Insured Retirement Institute<sup>1</sup> (IRI) writes to express our support for the passage of “*Subtitle B*” of the Budget Reconciliation Legislative Recommendations Relating to Retirement (the reconciliation bill) being marked up by the House Committee on Ways and Means. Specifically, IRI strongly supports enacting Part 1 — Automatic Contribution Plans and Arrangements (the Auto IRA/Retirement Plan measure) included in “*Subtitle B*” of the reconciliation bill. It is a measure that IRI called for in its [2021 Federal Retirement Security Blueprint](#).

IRI was the first trade association to publicly announce our support for the “*Automatic Retirement Plan Act*” ([H.R.4523- 115th Congress](#)) when introduced in December 2017. Today, we are proud to announce our support for this measure once again, as it includes several of the fundamental measures upon which IRI based our support for the original legislation.

We would also note that President Biden called for this measure during the 2020 presidential campaign in his “Plan for Older Americans”<sup>2</sup> and the 2020 Democratic Party Platform<sup>3</sup>. The Biden plan called for almost all workers without a pension or a 401(k)-type plan to have access to an “automatic 401(k).” The plan said that “doing so would put millions of middle-class families on the path to a secure retirement by providing them the opportunity to easily save for retirement at work. At the time of the Biden plan’s release, IRI noted in a [statement](#) that this element of the plan aligned with IRI’s [2020 Federal Retirement Security Blueprint](#) proposal which calls for requiring small business employers to offer a retirement plan to their workers.

“*Subtitle B*” of the reconciliation bill not only advances the measures included in the “*Automatic Retirement Plan Act*” but, more importantly, expands upon those measures. It offers a common-sense solution to help America’s workers and retirees achieve economic equity, strengthen their financial security, and protect their income to sustain them throughout their retirement years.

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<sup>1</sup> 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 US, 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).

<sup>2</sup> “[The Biden Plan for Older Americans](#).”

<sup>3</sup> [2020 Democratic Party Platform](#), Page 26, Democratic National Committee, August 2020.

The bill generally would require small business employers to offer their employees a retirement plan. It would also require an automatic retirement plan to include a protected lifetime income distribution option for plan participants. These measures align with two of IRI's top advocacy priorities: (1) expand opportunities to save for retirement by enhancing access to, and features of, workplace retirement plans, and (2) facilitate and expand the use of protected lifetime income to produce sustainable income during retirement.

### **Expanding Opportunities for America's Workers to Save for Retirement**

Today in the United States, the challenge for most workers is that they are not saving enough for retirement because they do not have access to employment-based retirement savings plans. This under-saving is most prevalent among the 48 percent of our nation's workers employed by small businesses.<sup>4</sup> Nearly 40 million of those small business workers lack access to an employer-sponsored retirement plan<sup>5</sup>, and 43 percent of the small business workers lacking access to a workplace plan are Hispanic, Black, and Asian<sup>6</sup>.

The challenge of workers under-saving because of lack of access to a workplace savings plan is further highlighted by the findings of a recent survey<sup>7</sup> IRI conducted to explore retirement readiness, expectations, and preferences among working and retired Americans aged 40 and older. The survey found that most workers over age 40 have inadequate retirement savings and are not saving enough to catch up. Fifty-one percent of surveyed older workers have less than \$50,000 saved for retirement, and 57 percent save less than 10 percent of their income. The survey also revealed that more than two-thirds of the workers (67 percent) wish they had started saving earlier, and 65 percent regret that they had not saved more to date.

By requiring small business employers to offer their employees a workplace savings plan, either in the form of an Individual Retirement Account (IRA) arrangement or a retirement plan, such as a 401(k), 403(b), or SIMPLE IRA, Congress will take another step forward on the path towards addressing the challenge of under-saving by America's workers. The measure will allow more workers to have access and opportunities to save for retirement during their working years.

In addition, this bill is a reasonable next step for Congress to take on the road to help workers ease the anxiety<sup>8</sup> they feel about their financial security during their retirement years. The Auto IRA/Retirement Plan measure included in the "*Subtitle B*" complements the measures that were put in place in 2019 by the "SECURE Act" ([Public Law 116-94](#)). It also complements measures included in the "Securing a Strong Retirement Act of 2021" ([H.R. 2954 – 117<sup>th</sup> Congress](#)), which the House Committee on Ways and Means unanimously adopted in May, to further expand opportunities for small business workers to build their retirement nest eggs.

Measures included in the "*SECURE Act*" and the "*Securing a Strong Retirement Act of 2021*"— such as pooled employer plans (PEPs), an enhanced start-up tax credit for small employers who join a PEP, increased automatic enrollment contribution rates, and automatic plan features — facilitate the establishment of retirement savings plans offered to employees. They also make it easier and simpler for small business employers to comply with the requirements of the new measures included in "*Subtitle B*" of the reconciliation bill.

### **Facilitate and Expand the Use of Protected Lifetime Income**

"*Subtitle B*" of the reconciliation bill's provision requires that Auto IRA/Retirement Plans offer participants with account balances of \$200,000 or more an option to take a distribution of at least 50 percent of their vested account balance in the form of a protected lifetime income solution. This option expands opportunities for workers to obtain much-needed protection against outliving their savings. It provides those workers who choose to save in the employer-provided plan a chance to secure monthly income generated from a protected lifetime income solution which will help sustain them throughout their retirement years.

Requiring automatic contribution plans offering participants a chance to choose a lifetime income distribution option (rather than just providing for a lump-sum distribution of retirement savings) particularly helps workers who may have difficulties allocating their savings across their retirement years. This is especially true for retirees who live longer than anticipated. A protected lifetime income solution, such as an annuity, ensures a steady income for however long a participant might live. It offers valuable protection and can help retirees solve how they time the spending down of their savings.

<sup>4</sup> "[Re-imagining Retirement Amid New Uncertainty 2020](#)". A Report of the Aspen Institute's Fourth Leadership Forum on Retirement Savings, October 2020.

<sup>5</sup> "[Fact Sheet: Final Rule on Association Retirement Plans \(ARPs\)](#)," U.S. Department of Labor, July 2019.

<sup>6</sup> Fact Sheet "[Access to Workplace Retirement Plans by Race and Ethnicity](#)," AARP, February 2017.

<sup>7</sup> "[Retirement Readiness Among Older Workers 2021](#)", Insured Retirement Institute, September 2021

<sup>8</sup> "[Retirement Insecurity 2021 – American Views of Retirement](#)", National Institute of Retirement Security, February 2021.

IRI's recently released research<sup>9</sup> showed that workers have a high level of interest in having protected lifetime income solutions, such as annuities, included in workplace defined contribution retirement plans. The survey revealed that seven in 10 workers of the youngest age cohort (age 40-45) said they are very or somewhat likely to allocate a portion of their plan to annuities; 87 percent believe it is important that the income from savings is protected for life, and 26 percent indicated that lifetime income is the most important retirement investment trait.

Allianz Life's July Quarterly Market Perceptions report further highlighted the market demand for including protected lifetime income solutions in workplace plans.<sup>10</sup> The Allianz report found that 73 percent of employer-sponsored participants would consider an option that offers protected income for life in their plan if available. Sixty-four percent stated that market volatility caused by COVID-19 has increased their interest in adding an option that offers protected lifetime income. Fifty-nine percent said they would consider adding an annuity to their plan if one was available. The Allianz report also found that many employees see an annuity offering as a form of recognition from their employer. Seventy-seven percent said a lifetime income option offering would demonstrate their employer has a vested interest in their retirement readiness and wellbeing. Sixty-five percent say this option would increase their loyalty to their employer.

The "SECURE Act" included three lifetime income measures, which made protected lifetime income portable, eliminated a roadblock to offering lifetime income benefit options under a defined contribution plan, and provided information to plan participants about their savings in their defined contribution plan as it correlates to a lifetime income stream. As such, inclusion of this additional protected lifetime income distribution measure in "Subtitle B" of the reconciliation bill's Auto IRA/Retirement Plan is consistent with steps Congress has already taken in the "SECURE Act" to facilitate and expand the use of protected lifetime income.

By requiring small business employers to offer a protected lifetime income solution in an automatic contribution plan, defined contribution plan participants will be able to mimic some of the benefits of a more traditional pension that many retirees desire. It is clear from the research IRI and others have conducted that an overwhelming majority of small business employees want to have retirement plan products that offer protected income for life amongst their options. Additionally, the research demonstrates that the insured retirement industry is ready to provide in-plan lifetime income solutions via products that are already readily available. In other words, the demand is strong and the industry is poised to meet that demand.

For the reasons cited above, IRI is proud to reiterate our support for this common-sense solution included in the "Subtitle B" of the reconciliation bill. It is a solution that will provide workers and retirees the opportunities to save for their retirement and, more importantly, have a chance to choose a protected lifetime income solution that can provide them with income to sustain them throughout their retirement years. We urge you, your colleagues on the U. S. House of Representatives Committee on Ways and Means, and all members of Congress to quickly advance the Auto IRA/Retirement Plan measure in the "Subtitle B" of the reconciliation bill.

Thank you for your dedicated leadership in pursuing this measure to help more Americans achieve a financially secure retirement. IRI welcomes the opportunity to continue to work with you and your staff to advance the Auto IRA/Retirement measure contained in the "Subtitle B" of the reconciliation bill. If you have any questions, please do not hesitate to contact me or Paul Richman, Chief Government and Political Affairs Officer, at (202) 469-3004 or [prichman@irionline.org](mailto:prichman@irionline.org), or John Jennings, Assistant Director of Government Affairs at (202) 469-3017 or [jjennings@irionline.org](mailto:jjennings@irionline.org).

Sincerely,



Wayne Chopus  
President and CEO  
Insured Retirement Institute

cc: Members of the U.S. House of Representatives Committee on Ways and Means

<sup>9</sup> "Retirement Readiness Among Older Workers 2021", Insured Retirement Institute, September 2021

<sup>10</sup> "Allianz Life Announces Entry into Defined Contribution Market with Launch of Allianz Lifetime Income+Annuity," Allianz Life Insurance Company of North America, July 2021.