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August 4, 2020

Honorable Donald J. Trump
The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232 - The Capitol
Washington, DC 20515

Honorable Mitch McConnell
Majority Leader
United States Senate
S-230 - The Capitol
Washington, DC 20510

Honorable Steven Mnuchin
Secretary
U. S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204 - The Capitol
Washington, DC 20515

Honorable Chuck Schumer
Minority Leader
United States Senate
S-221 - The Capitol
Washington, DC 20510

Dear President Trump, Speaker Pelosi, Leader McConnell, Secretary Mnuchin, Leader McCarthy, and Leader Schumer:

As you are negotiating the next COVID-19 legislative package, on behalf of the members of the Insured Retirement Institute (IRI)[1], I am writing to renew our call for you to include in the legislation a five-point plan IRI submitted to you in April which will help retirement savers recover from the economic impact the COVID-19 pandemic has had on their retirement security.

The IRI five-point plan[2] contains measures derived from bills Congress has seen in some form which either have already been introduced or enacted into law and which will allow workers to better save for retirement today as well as strengthen their financial security for tomorrow. Joining IRI in its call for action on the plan are the National Association of Insurance and Financial Advisors, the ERISA Industry Committee, the National Association for Fixed Annuities, the National Association of Independent Life Brokerage Agencies and AALU/GAMA[3].

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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 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.

[2] IRI Five-Point Plan to Help Retirement Savers Recover from the COVID-19 Pandemic, April 13, 2020

[3] Joint Trades Letter to Congress, May 5, 2020

**COVID-19 Impacts America's Retirement Security**

From the time since we first shared the five-point plan with you, several organizations have conducted research about the impact COVID-19 is having on our nation's retirement security. The most recent being a survey[4] commissioned by the Alliance for Lifetime Income, which found that 70 percent of retirement savers are more pessimistic about their plans because of the pandemic and 56 percent of those not yet retired are rethinking their retirement plans with an estimated 3.2 million people deciding to retire later than originally planned. The survey also found only 33 percent are very confident they will have the income to cover all their expenses in retirement.

***Workers Are Behind on Retirement Savings***

Prior to the pandemic, many workers were already behind on their retirement savings and still had not fully recovered from the recession a decade ago. The current economic downturn has set them back further as one in four workers say their confidence in their ability to retire comfortably has declined due to the pandemic. More than half of workers say they have experienced an impact to their employment situation as a result of the pandemic, including 30 percent who have had hours reduced, 17 percent who have had a reduction in salary, 16 percent who were laid off, 11 percent experiencing furloughs, and 5 percent entering retirement early.[5]

***Workers Are Tapping Retirement Accounts***

To offset lost income amid the pandemic, Americans are tapping their retirement accounts to cover living expenses with 62 percent of those tapping their retirement accounts citing the loss of income as the main reason for their withdrawal of assets.[6] One in five (22 percent) have already or plan on taking a loan or a withdrawal from their 401(k)/403(b)/similar retirement account, with 15 percent having already taken a loan/withdrawal and 13 percent saying they plan to. Millennials are more likely to tap into their retirement savings than older generations, with one-third of Millennials having taken or planning to take a loan/withdrawal from a retirement account compared to 15 percent of Generation Xers and 10 percent of Baby Boomers.[7]

***Workers Are Contributing Less to Retirement Savings***

There is also evidence that individuals are contributing less to their accounts than before the pandemic. Nearly 1 in 5 have reported they are contributing less to their retirement account now than before the crisis, with 18 percent reducing retirement contributions since the coronavirus crisis started and 31 percent of those who are recently unemployed reporting they are contributing less to their retirement.[8] Those who reported contributing less to their retirement savings can be further broken down generationally, with about 16 percent being Baby Boomers, 18 percent being Generation Xers, around 15 percent being Millennials, and about 27 percent identified as Generation Z.[9]

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[4] "Retirement Reset Survey", Alliance for Lifetime Income, July 2020
[5] "Retirement Security Amid COVID-19: The Outlook of Three Generations", 20th Annual Transamerica Retirement Survey of Workers, May 2020.
[6] Bankrate survey, May 13-15, 2020.
[7] "Retirement Security Amid COVID-19: The Outlook of Three Generations", 20th Annual Transamerica Retirement Survey of Workers, May 2020.
[8] Ibid.
[9] Ibid.

***Market Volatility Affecting Workers Retirement Account Balances***

Major market indices have experienced volatility since the start of the coronavirus crisis. For example, there was a 3% rise in the S&P 500 at the start of the crisis from January 30 to February 19. This was followed by a 34% drop from that date until March 23 and then a 42% upswing from March 23 to the present.[10] Although, the performance of the market has been on an upward trajectory, it is primarily due to investors responding to actions taken by the President and Congress to inject federal assistance to address the economic impacts caused by the pandemic and the lifting of government imposed restrictions put in place to stem the spread of the virus.

Recent developments may once again give investors new reasons to be wary, which could dampen the enthusiasm for stocks. The trajectory of the spread of the virus appears to be on an upswing in several areas of the nation. There is uncertainty about whether state and local governments will once again impose restrictions on public activity forcing businesses to slow down plans for re-opening. There is also uncertainty about whether there will be another round of government spending to further mitigate the harmful impacts the pandemic has on our nation's economy.[11]

Until such time as these questions are answered and the uncertainty resolved, the major market indices are likely to remain volatile. This volatility remains troublesome for our nation's retirement security because in the United States today 70 percent of workers save for retirement through either their current or a former employer's defined contribution retirement plan – typically a 401(k) or 403(b) plan --and/or through a plan outside of work using an Individual Retirement Account (IRA)[12]. During the height of the crisis which occurred towards the end of the first quarter of 2020, the major market indices declined and with that decline the average 401(k) balance decreased 19 percent, the average IRA balance dropped 14 percent and the average 403(b) balance declined 19 percent.[13]

***Exacerbating the Nation's Retirement Crisis***

The negative economic effects on America's retirement security caused by the COVID-19 pandemic are clearly serving to further exacerbate the looming retirement savings crisis our nation was facing. Quite simply, the pandemic has put retirement security in greater jeopardy for millions of America's workers.

## Bipartisan, Common-Sense Solutions

To help prevent America's retirement security from becoming the next casualty of this terrible pandemic, we respectfully recommend the measures included in the IRI five-point plan to help retirement savers be included in the COVID-19 relief legislation and enacted into law. This would allow workers and retirees to save more for retirement now and strengthen their financial security for tomorrow. The measures included in IRI's five-point plan have bipartisan support.

***Keep Tax-Deferred Retirement Savings Longer***

With more Americans living longer, and for workers close to retirement, being given the ability to keep their tax-deferred retirement savings longer is especially important today considering the impact the pandemic is

[10] "Understanding the Pandemic Stock Market", Robert J. Shiller, Project Syndicate, July 7, 2020.
[11] "Despite Recession, Stock Markets Turn Positive for the Year", Matt Phillips, New York Times, June 8, 2020.
[12] Retirement Security Amid COVID-19: The Outlook of Three Generations", 20th Annual Transamerica Retirement Survey of Workers, May 2020.
[13] Fidelity® Q1 2020 Retirement Analysis, April 24, 2020.

having on their retirement security. If given this ability, they may not need to postpone their retirement plans and work longer to recoup losses incurred because of the pandemic. To allow individuals to keep their savings longer in tax-deferred retirement accounts, the five-point plan proposes to:

*Increase Required Minimum Distribution (RMD) Age to 75*

The market disruptions caused by COVID-19 have affected the retirement accounts of many workers, particularly those who are close to retirement. It is those retirement savers who may now need to work even longer to recoup losses they have suffered because of the market's recent volatility. By increasing the RMD age from 72 to at least 75, adjusting mortality tables to reflect longer life expectancies, plus modifying and exempting certain annuity benefits and payments from the minimum income threshold test, workers will be given more time and opportunity to improve their retirement security.[14]

*Remove Barriers that Limit Consumers' Ability to Insure Against Outliving Retirement Savings*

Another way to allow workers to keep their tax-deferred retirement savings longer would be to remove barriers that now limit a retirement saver's ability to insure against outliving their savings throughout their retirement years by purchasing a qualifying longevity annuity contract[15], more commonly known as a QLAC.

By amending current law to direct the Secretary of the Treasury to lift the existing barriers and make QLACs more available, Congress would afford more workers whose retirement savings have been negatively affected by the COVID-19 pandemic the opportunity to keep their tax-deferred savings longer because a QLAC is the only way to defer required minimum distributions applicable to 401(k)s and IRAs beyond age 72 to as late as age 85. It also would allow a worker to receive a guaranteed lifetime monthly income and reduce the risk of outliving their retirement savings.

***Enhance Workers' Ability to Save More for Retirement Now***

The five-point plan also offers ways for workers who have been negatively impacted by the COVID-19 pandemic to save more now during their working years in preparation for retirement. The five-point plan proposes to:

*Expand Eligibility for Retirement Plan Catch-up Contributions for COVID-19 Affected Employees*

Many workers, because they had the virus or because of the social distancing measures imposed by government, were furloughed or lost their jobs. As a result, they lost their ability to earn income and contribute to an employer-sponsored retirement savings plan.

As the nation recovers and workers return to work, they should be offered the opportunity, regardless of their age, to make retirement account catch-up contributions so they can achieve a financially secure retirement without extending time in the workforce. This measure would afford those afflicted by the virus, cared for a relative with the virus, or suffered economic consequences because of the mitigation measures taken to prevent its spread, an opportunity to make catch up contributions to their retirement account.[16]

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[14] Section 108 of the "Retirement Security and Savings Act of 2019"(S.1431-116th) and Section 109 of the "Retirement Plan Simplification and Enhancement Act of 2017"(H.R.4524-115th).

[15] Internal Revenue Service, Treasury, "Longevity Annuity Contracts", July 2, 2014.

[16] This proposal is similar to measures which have been introduced to expand the categories of individuals eligible to make catch-up contributions including the "Expanding Access to Retirement Savings for Family Caregivers Act" (H.R.3078-116th) and Section 121 of the "Retirement Security and Savings Act of 2019"(S.1431-116th)

By expanding the categories of workers eligible to make catch-up contributions beyond what the existing law allows (only workers 50 or older), more workers would be able to make catch-up contributions to retirement plans up to a dollar limit set each year by the Internal Revenue Service.

*Expand Opportunities for 501(c)(3) Organization Employees to Save for Retirement*

The COVID-19 pandemic has also touched and significantly impacted our nation's non-profit sector through decreased revenues and exacerbated the already challenging financial, legal, and administrative environment for many of them to establish an employee retirement plan. As America's small business employers resume business operations and their employees return to work, specifically, to non-profit, public educational organizations and religious institutions, those employers should have the same ability to offer their workers a retirement plan through a pooled employer plan (PEPs), afforded by the SECURE Act to all other sector small business employers.[17] The SECURE Act, however, does not permit 403(b) retirement plans, a type of retirement plan that is specifically designed for use by non-profit businesses.

Congress should amend the law to permit non-profit organizations to offer their employees 403(b) retirement plan benefits through a PEP. This would allow non-profit employers to achieve economies of scale, save on financial, legal and administrative costs, and share responsibility for sponsoring the plan to a professional plan fiduciary as well as allowing more workers at these non-profit organizations a chance to save for their retirement. It will also offer the non-profit employers more opportunities to offer retirement benefits to attract and/or retain workers.

*Clarify Retirement Plan Start-Up Credit to Incentivize More Small Businesses to Offer Retirement Plans*

Small business owners and employees have been disproportionately negatively impacted by the COVID-19 pandemic. When these small business owners resume business operations, they should be able to take full advantage of tax credits Congress has provided to incentivize them to offer their workers a retirement savings plan.

Although the SECURE Act[18] enhanced the start-up retirement plan credit to encourage small business employers to offer a retirement plan to their employees through a PEP, there is uncertainty as to when the start-up credit begins and ends. It appears the tax credit is not available to small businesses who join a PEP after its first three years of operation. The five-point plan calls for Congress to amend the SECURE Act to clarify the start-up credit applies from the time a small business joins a PEP and not from the time the PEP begins operations. This would encourage more recovering small businesses to continue offering or begin offering a retirement plan using a PEP. Doing so would benefit works in addition to helping small business employers attract and retain employees.

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[17] Section 101 of Division O of the "Further Consolidated Appropriations Act, 2020" (Public Law 116-94), (the "Setting Every Community Up for Retirement Enhancement (SECURE) Act")

[18] Section 104 of Division O of the "Further Consolidated Appropriations Act, 2020" (Public Law 116-94), (the "Setting Every Community Up for Retirement Enhancement (SECURE) Act")

**<u>Help for America's Retirement Savers</u>**

The health and economic effects we have seen and are continuing to witness from the COVID-19 pandemic are tragic. The human toll is terrible and painful, and the resulting economic consequences have created a further burden on already strained resources and emotions.

Tens of millions have lost their jobs and their ability to make retirement contributions. Many, especially those closest to retirement, have lost significant amounts of their accumulated retirement account balances which will take years to recoup, potentially causing them to work longer and having to postpone their retirement. As a result of these unanticipated and unplanned for events, the retirement security of Americans has been placed in a precarious position.

As discussions progress about this next COVID-19 legislation to help our nation's workers, families and economy recover, the damage done to millions of workers' and retirees' retirement security should not be overlooked. There is a growing need to do something on their behalf so they can have the ability to enjoy a secure and dignified retirement. Therefore, we respectfully ask you to recognize the harm this pandemic has caused to America's retirement security and include the IRI five-point plan to help retirement savers recover from the pandemic's economic consequences in the Phase 4 legislation.

IRI is pleased to offer ourselves as a resource to you and would welcome the opportunity to discuss the plan we have transmitted to you via this letter at your convenience. If you have any questions or require additional information, please contact IRI's Chief Government and Political Affairs Officer, Paul Richman at prichman@irionline.org or (202) 469-3004.

Sincerely,

Wayne Chopus
President & CEO
Insured Retirement Institute

cc. Chairman Chuck Grassley, Senate Committee on Finance
Chairman Richard Neal, House Committee on Ways & Means
Ranking Member Ron Wyden, Senate Committee on Finance
Ranking Member Kevin Brady, House Committee on Ways & Means