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The Honorable Richard Neal
Chairman
Committee on Ways and Means
The United States House of Representatives
2309 Rayburn House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
The United States House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

The Insured Retirement Institute (IRI)[1] writes to reiterate our staunch support for the enactment of the *Securing a Strong Retirement Act of 2021*. The measures contained in this bill will allow workers, retirees, and their families to take another step forward on the path toward financial security in retirement that the *Setting Every Community Up for Retirement Enhancement* (SECURE) *Act* established following its enactment in 2019. The bill provides common-sense, bipartisan solutions, which will help to address the challenges and obstacles that continue to inhibit saving for and producing income during retirement.

Recent research has shown that workers, retirees, and their families across America are concerned about their ability to accumulate sufficient retirement savings to provide them with sustainable income during their retirement years. The anxiety workers, retirees, and their families are feeling today has grown significantly in the last year with the COVID-19 pandemic and the impact it has had on their health and economic well-being.

The findings from a recent survey[2] conducted by the National Institute on Retirement Security provides some insight into the depth of that anxiety. The findings showed that more than two-thirds – 67 percent – say the nation faces a retirement crisis, and more than half – 56 percent – are concerned that they will not be able to achieve a financially secure retirement. The research also found that 51 percent say their concerns about their ability to achieve financial security in retirement has increased, 67 percent say that COVID-19 has changed or is causing them to consider changing their plans about when they will retire, and 65 percent of current workers say it is likely they will have to work past retirement age to have enough money to retire.

In addition, Fidelity Investments recently released its "2021 State of Retirement Planning Study,"[3] which further demonstrates the harm inflicted on retirement plans due to the events of the past year. The study found that 80 percent of America's workers said their retirement plans were disrupted in the past year due to actions such as job loss or retirement account withdrawals. One in three estimates that they will need two to three years to recover financially from these events.

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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.
[2] Retirement Insecurity 2021 – American Views of Retirement", National Institute of Retirement Security, February 2021.
[3] "2021 State of Retirement Planning Study", Fidelity Investments, March 2021.

As this research demonstrates, retirement security remains an area of significant concern for America's workers, retirees, and their families. Additionally, this research confirms what IRI's members hear from the millions of workers and retirees they work with each day to plan and save for their retirement years – that workers and retirees are feeling the burden of accumulating savings to produce income to sustain them during their retirement years has been placed squarely on their shoulders. This has placed enormous pressure on the individual consumer, particularly if they are lower- and middle-income workers.

The *Securing a Strong Retirement Act of 2021* will help America's workers, retirees, and their families build economic equity, strengthen their financial security, and protect their income in a way that can sustain them throughout their retirement years. It offers measures which will expand the opportunities for more workers to save for retirement, facilitate the use of protected lifetime income solutions, enhance plan features to bolster savings rates, and augment the tax code to promote and encourage greater tax-deferred retirement savings.

Many of the measures contained in the *Securing a Strong Retirement Act of 2021* were called for in IRI's 2021 Federal Retirement Security Blueprint. These include increasing the age at which required minimum distributions (RMDs) must be taken, increasing automatic enrollment contributions rates, and enhancing automatic plan features, and helping those with student loan debt save for retirement while paying off their loans. The bill also facilitates the use of exchange-traded fund (ETF) investments in variable annuities, enhances the start-up credit to encourage more small businesses to offer workplace plans, provides opportunities to save to the employees of non-profits, and clarifies the applicability period during which small businesses which join a pooled employer plan (PEP) are eligible for a start-up credit. Additionally, the bill contains provisions offering military spouses' opportunities to save for retirement while employed at a small business and establishes an online, national retirement account lost and found to help workers track savings from previous employers.

Further Increase the RMD Age and Modernize the RMD Rules

Workers and retirees in America today face an increased risk of outliving retirement assets because of longer lifespans. Current law requires that workers and retirees begin taking a required minimum distribution (RMD) when they reach the age of 72. The *Securing a Strong Retirement Act of 2021* inclusion of a measure to raise the RMD age to 75 will allow individual workers and retirees to keep their savings longer in tax-deferred retirement accounts. Additionally, the measure in the legislation will also make other much needed reforms to modernize the RMD rule including updating the mortality tables to reflect longer life expectancies and modifying the RMD rules to exempt certain annuity benefits and payments from the minimum income threshold test to reflect more current circumstances regarding individuals working years and longevity. The changes made by the bill will allow more workers and retirees to accumulate and grow savings and, thereby, improve their retirement security.

Increase Automatic Enrollment Contribution Rates and Enhance Automatic Plan Features

Automatic enrollment in an employer-provided workplace retirement plan has proved to be an extremely effective tool for encouraging Americans to save for retirement. Research shows a plan with automatic enrollment features increases participation rates at least 10 percentage points, and when there is an employer matching contribution provided, the likelihood that an employee will participate goes up to 50 percent. Current law sets the default rate for automatically enrolled participants at 3 percent of pay without requiring an employer match. The changes called for in the *Securing a Strong Retirement Act of 2021* will increase the automatic enrollment minimum default contribution rate to 6 percent with contributions escalating one percent per year, for 4 years, to a maximum of 10 percent with a corresponding employer matching contribution. This measure will help workers to save more for their retirement nest eggs by automatically enrolling them in a workplace plan and then automatically escalating their contributions from their paychecks unless they choose to opt out.

Help Employees Save for Retirement While Repaying Student Loans

Student loan debt is a major challenge for America's workers who are trying to manage competing financial priorities. It is impacting the ability of workers to save for their retirement as individuals who have student loan debt have lower workplace retirement balances than those who do not. In fact, IRI's own research found that of 46 percent of Millennials are not saving for retirement, with nearly 10 percent specifically citing wanting to pay off debts as their reason for not contributing to a retirement account.[4] The *Securing a Strong Retirement Act of 2021* will better position America's workers who have incurred student loan debt and help them to start building their retirement nest eggs by permitting employers to make matching contributions into employees' retirement accounts based on the amount of workers' student loan payments.

Facilitate the Use of Low-Cost ETF Investments in Variable Annuities

Currently, exchange-traded funds (ETFs) are widely available through retirement plans, IRAs, and taxable investment accounts but generally are not available within variable insurance products. The reason why they are not available is that Treasury Department regulations, which pre-date ETFs, have created a technical gap that prevents ETFs from being included on the menu of investment options offered in variable insurance products. The *Securing a Strong Retirement Act of 2021* directs the Treasury Department to amend its regulations to allow ETFs to be offered within variable insurance products. This would allow for an ETF structured annuity to be offered which would provide consumers with lower-cost investment options and allow for more consumers primarily in the fee-based advisory market to utilize and benefit from variable insurance products in obtaining protected lifetime income for their retirement years.

Enhance the Start-Up Tax Credit to Encourage Small Business to Establish Workplace Plans

Current law allows small employers to receive a tax credit equal to half of the cost associated with starting a workplace retirement plan. Although the SECURE Act increased the annual cap allowed for this tax credit, the increased percentage has not had its desired effect of encouraging more small employers to offer their employees the opportunity to save for their retirement at their workplace. The *Securing a Strong Retirement Act of 2021* will further increase this tax credit for small business employers with 50 or fewer employees to allow for 100 percent of qualified start-up costs. This increase from 50 percent to 100 percent of qualified start-up costs will serve to encourage more small business employers to establish workplace plans to benefit their workers.

Authorize the Formation of 403(b) PEPs

Many 501(c)(3) nonprofits, public educational organizations, and religious institutions face financial and administrative challenges, as well as legal risks when seeking to offer employees a retirement plan such as a 403(b) plan. As a result, many do not offer a retirement plan to their employees. To help and encourage these organizations to offer retirement plans for their employees, the *Securing a Stronger Retirement Act of 2021* would authorize 403(b) pooled employer plans in the same manner as other small businesses to form and use pooled employer plans created by the SECURE Act. By doing so, the burdens and administration challenges that now discourage these organizations from offering retirement plans would be relieved, and they now would be able to achieve the same economies of scale and delegate responsibility for sponsoring the plan to a professional plan fiduciary as other small businesses.

Clarify the Eligibility Period for Plan Start-Up Credit for Small Businesses Joining a PEP

While the improvements made in the SECURE Act to enhance the tax credit available to help facilitate small businesses' starting and offering their employees a retirement savings plan by joining a Multiple Employer Plan (MEP) or Pooled Employer Plan (PEP), the start-up credit appears not to be available to a small business joining a MEP or PEP after the plan's first three years of operation. The *Securing a Strong Retirement Act of 2021* will clarify that the three-year start-up credit will apply to small businesses for three years from the time the small business joins the MEP or PEP and not from the time the MEP or PEP begins operations. This clarification will encourage more small businesses to offer a retirement plan and facilitate greater use of MEPs and PEPs as the means to provide employees a workplace retirement plan.

Establish Tax Incentives for Offering Retirement Savings to Military Spouses

Because of the frequency of moves made due to their spouses' assignments to new postings, military spouses often change jobs. Further compounding the problems associated with frequent changes in duty stations and retirement preparedness of military spouses is the fact that 92 percent of military spouses are women,[5] who due to a confluence of factors – wage disparity, time out of the workforce, and competing priorities – have retirement account balances which are on the aggregate more than 50 percent

[4] "Millennials and Retirement 2020 – Understanding, Saving, and Planning", Insured Retirement Institute, January 2020.
[5] "Women Versus Men in DC Plans", Vanguard, January 2019

smaller than their male counterparts.[6] The *Securing a Strong Retirement Act of 2021* will offer a tax credit to an employer who enrolls a military spouse in a retirement plan within two months of the spouse being hired. This new tax credit would encourage small business employers to provide military spouses with an opportunity to participate in a workplace retirement plan which would also increase military spouses' savings rate by requiring that they be made eligible for any matching or non-elective contributions like those available to employees with two or more years of employment.

Establish a National, Online, Lost and Found for Retirement Accounts

Over the past decade, 25 million workplace retirement plan participants changed jobs and left behind a retirement savings plan. Millions more have left two or more accounts. This has resulted in roughly $8.5 billion in "lost" retirement savings. The *Securing a Strong Retirement Act of 2021* would establish a national, digital database utilizing information already provided to the Department of Treasury, for retirement savers to locate their former employer-sponsored retirement savings accounts to ensure they are not leaving retirement savings behind. The creation of this one-stop-shop database will help workers to track their past and possibly forgotten workplace retirement accounts, potentially providing them with additional opportunities to either establish or rollover their found savings into a new or their current retirement savings account, thereby increasing their retirement savings.

In addition to these measures cited above, there are two other measures included in the *Securing a Strong Retirement Act of 2021*, which IRI supports that were included in its 2021 Federal Retirement Security Blueprint, that we would welcome the opportunity to discuss with the U.S. House of Representatives Committee on Ways and Means, as they are slightly different from the measures included in the *Securing a Strong Retirement Act of 2020* (H.R. 8696 – 116th Congress). The measures are Section 202 – Qualifying Longevity Annuity Contracts and Section 107 – Higher Catch-Up Limit to Apply at Age 62, 63 and 64. Our concerns about the changes included in these sections of the bill are detailed below.

Allow for Broader Use of QLACs

Qualifying Longevity Annuity Contracts (QLACs) are a valuable tool in retirement income planning because it is an investment vehicle that can be used as longevity insurance to help address the fear of growing older and outliving the funds an individual has accumulated to use during their retirement years. Current Treasury Department regulations have created a barrier that limits the amount a retirement saver can save when purchasing a QLAC. This reduces their ability to insure against outliving their savings throughout their retirement years. While the *Securing a Strong Retirement Act of 2021* amends current law to eliminate the current statutory barrier and allow for more than 25 percent of a retirement plan or IRA to be rolled over into a QLAC, facilitates, and clarifies joint and survivor benefits, establishes a "free look" period to consumers, it does not include a measure to increase the dollar limitation on premiums from $135,000 to $200,000. In addition, IRI would also note that this measure differs from a similar measure included in the *Retirement Security and Savings Act of 2019* (S.1431-116th Congress) in that it does not include a measure which would authorize a diverse slate of indexed and variable annuity contracts with guaranteed benefits to be offered as QLACs.

Increasing the dollar limitation on premiums and authorizing QLACs to be offered through a diverse slate of indexed and variable annuity contracts with guaranteed benefits are critical elements of reforms needed to make QLACs more available to workers and retirees who are seeking the opportunity to insure against the risk of outliving their accumulated retirement savings by keeping more of their tax-deferred savings longer with a protected, guaranteed monthly income throughout their lifetime. IRI would like to discuss and work with the U.S. House of Representatives Committee on Ways and Means to increase the dollar limitation on premiums. IRI would also like to discuss and work with the committee to authorize QLACs to be offered through a diverse slate of indexed and variable annuity contracts with guaranteed benefits.

Increase Catch-Up Contribution Limits for Baby Boomers

Current law allows workers who reach age 50 to make additional catch-up contributions to retirement plans up to an amount set by the Internal Revenue Service each calendar year. However, IRI research has shown unprecedented retirement anxiety among the Baby Boomer generation. This anxiety is associated with low savings rates – 45 percent of Baby Boomers have zero retirement

[6] "Women's Perspectives on Savings, Investing, and Retirement Planning", Insured Retirement Institute, November 2015

savings – and has forced many Boomers to postpone retirement.[7] While the *Securing a Strong Retirement Act of 2021* would allow for additional increased catch-up contributions for those Baby Boomers who have reached the age of 62, 63, and 64, it significantly limits the number of eligible Baby Boomers who would have been eligible to utilize this catch-up contribution from what the *Securing a Strong Retirement Act of 2020* (H.R. 8696 – 116th Congress) would have allowed, as well as differs from a similar measure included in the *Retirement Security and Savings Act of 2019* (S.1431-116th Congress) would provide.

While many Baby Boomers have no retirement savings, IRI research also found that one-third of Baby Boomers plan to retire at age 70 or older, or not at all[8]. One-third of employed boomers ages 67 – 72 say they are postponing retirement[9] because they have not accumulated enough savings to sustain them during their retirement years. IRI would like to discuss and work with the U.S. House of Representatives Committee on Ways and Means to expand the age limits to allow for more Baby Boomers to have the opportunity to use this additional catch-up contribution measure to accumulate retirement savings. Having the opportunity to save more at this point of their lives, will give them a chance to further enhance their retirement nest eggs and achieve greater financial security for their retirement years.

For the reasons cited above, IRI is proud to reiterate our support for this comprehensive package of common-sense solutions that will provide workers and retirees the opportunities to overcome the obstacles they face in pursuit of saving and preparing for a financially secure retirement. We urge you, your colleagues on the U. S. House of Representatives Committee on Ways and Means, and Congress to quickly advance this legislation for enactment into law.

We thank you for your leadership in pursuing this legislation. As the U.S. House of Representatives considers this legislation, IRI welcomes the opportunity to work with you and your staffs to advance the measures contained in the 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, or John Jennings, Assistant Director of Government Affairs at (202) 469-3017 or jjenings@irionline.org.

Sincerely,

Wayne Chopus
President & CEO
Insured Retirement Institute

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

[7] "Boomer Expectations for Retirement 2019, Ninth Annual Update on the Retirement Preparedness of the Boomer Generation," Insured Retirement Institute, April 8, 2019.
[8] Ibid.
[9] Ibid.