INSURED RETIREMENT INSTITUTE

July 12, 2023

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

Recently in public remarks, you have referenced several bipartisan laws enacted during the 117th session of Congress that are helping America's middle-class families address the angst they feel about the economy. The Insured Retirement Institute[1] (IRI) respectfully submits to you that another bipartisan law, the SECURE 2.0 Act[2] enacted during that session as part of the FY 2023 Omnibus Appropriations law, should be recognized for the role it is playing to address those concerns as well.

The SECURE 2.0 Act is helping America's workers and retirees achieve economic equity, strengthen their financial security, and protect their income to sustain them throughout their retirement years. When fully implemented, the measures included in the SECURE 2.0 Act will result in 70 billion dollars in retirement savings over 10 years for those at all income levels, especially targeting those who need it most.[3]

Most importantly, the law expands opportunities for millions of our nation's workers and retirees to save for retirement. It includes measures that do the following: [4]

- Incentivizes **lower- to middle-income savers** to invest for their retirement while filling gaps in employer coverage.
- Extends retirement plan coverage to **part-time employees**.
- Assists younger **workers with student debt** by providing opportunities to establish savings for employees who may not be able to save on their own for retirement.
- Ensures retirement savings follow **workers through job changes**.
- Provides opportunities for **people needing emergency funds** to accumulate emergency savings while maintaining retirement savings and allowing penalty-free withdrawals from retirement accounts as relief from natural disasters.
- Reforms the existing saver's credit to provide **lower-income earners** an increased, more accessible incentive to save and promotes greater awareness and use of the tax credit among **women with low incomes**.

Your Administration and our industry are working to ensure the provisions of this significant new law are implemented so that our nation's workers and retirees can realize the benefits the law provides towards putting them on a path to a more robust and secure retirement.

1 The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, broker-dealers, banks, marketing organizations, law firms, and solution providers. IRI members account for 90 percent of annuity assets in the U.S., include the foremost distributors of protected lifetime income solutions, 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 Public Law No: 117-328, Division T, The SECURE 2.0 Act of 2022, pages 817-946.
3 American Council of Life Insurers, "SECURE for All", January 2023.
4 American Council of Life Insurers, "Improving Retirement Security for all Americans", January 2023.

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The SECURE 2.0 Act is not only providing help to our nation's workers, retirees, and their families, it has also inspired and encouraged our industry to innovate on the strategies retirement savers can take to secure their retirement future. However, results from the April 2023 Gallup Survey on the Economy and Personal Finance[5] show that there is still more that needs to be done to soothe the anxiety that middle-class workers and retirees across America express about their ability to accumulate sufficient savings that will provide them with a sustainable income to last throughout their retirement years.

The Gallup Survey findings confirm what IRI members know from our own experiences working with millions of workers and retirees each day as they plan and save for their retirement years. Workers and retirees feel the burden of accumulating savings that can produce income to sustain them during their retirement years has been placed squarely on their shoulders – the individual consumer. This is especially true for lower- and middle-income workers. The question that arises when looking at this data and the anecdotal stories we hear is what more can be done in a bipartisan way to address the anxiety America's workers and retirees feel?

Earlier this year, IRI released its 2023 Federal Retirement Security Blueprint[6]. Our Blueprint consists of 28 measures that establish a solid foundation of common sense, bipartisan policy solutions which, if enacted into laws can: (1) expand opportunities to save for retirement; (2) facilitate the use of guaranteed, protected lifetime income solutions to insure against the risk of outliving one's retirement savings; (3) foster innovation, modernization, education, and advice; (4) boost protections to safeguard consumers, diverse representation, and participation; and (5) maintain and augment the tax deferral treatment of retirement savings.

Below we have highlighted four of the 28 measures that can be taken as next steps on the road to further enhancing and strengthening the retirement security of America's workers and retirees as they approach their golden years.

Additional Measures to Further Enhance Retirement Security for America's Workers and Retirees

The Lifetime Income for Employees Act of 2023[7]

This bill allows retirement plan sponsors to use lifetime income solutions that have delayed liquidity features and can provide better returns as qualified default investment alternatives (QDIA) for a portion of contributions made by participants who have not made retirement plan investment selections. It significantly improves the availability of protected, guaranteed lifetime income products that can help retirement savers produce sustainable income during their retirement years and reduce the anxiety many have about the possibility of not having enough saved to sustain them throughout their retirement years.

The Retirement Fairness for Charities and Educational Institutions Act of 2023[8]

This bill amends federal securities law to ensure that 403(b) retirement plan participants have parity with all other retirement plan participants to choose more cost-efficient investment options that use collective investment trusts (CITs) and unregistered insurance company separate accounts, including those that offer protected, guaranteed lifetime income solutions. Amending current federal securities law would level the playing field among all other private sector and public sector retirement plans and non-profit 403(b) retirement plans. It also offers employees of charities,

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5 Gallup Survey on the Economy and Personal Finance, April 2023. This is a survey of adults, ages 18 and older, living in the U.S. The survey found that expectations for a comfortable retirement are the most pessimistic they have been since 2012, falling 10 percentage points since 2021, including five points in the past year, with just 43% saying they will have enough money to live comfortably in their retirement years. The survey also tracked the level of worry about eight different financial risks. Of these, not having enough money for retirement is the most troubling, with 66% saying they worry a lot or a moderate amount about it. That is followed by 60% worried about paying medical costs in the case of a serious illness or accident. These two financial challenges have topped the list of financial worries each year Gallup has tracked this since 2001.

6 2023 Federal Retirement Security Blueprint, Insured Retirement Institute, February 2023.

7 H.R.3942 – 118th Congress, Introduced on June 9, 2023 by Representatives Donald Norcross (D-NJ) and Tim Walberg (R-MI)

8 H.R.3063 – 118th Congress, Introduced on May 2, 2023 by Representatives Frank Lucas (R-OK), Josh Gottheimer (D-NJ), Andy Barr (R-KY) and Bill Foster (D-IL), Passed out of the House Committee on Financial Services on May 24, 2023 by a vote of 35 Yeas to 12 Nays.

public schools, colleges, and universities, those who are 403(b) plan participants, the opportunity to choose to invest in lower and more cost-efficient investment options, including those that offer protected, guaranteed, protected lifetime income solutions that are available to other retirement plan participants.

The General Account Products Clarification Act of 2022[9]

This bill provides the legal certainty needed for insurers to continue offering stable value and principal preservation funds products. These general account products allow participants to shield all or a portion of their account balances from the risk of loss while providing income that accrues at a steady, predictable rate to retirement plan providers. The bill does not affect ERISA protections for participants in retirement plans that offer these products as investment options but only clarifies the law to remove the legal uncertainty that now exists and allow retirement savers, particularly those close to retirement or early into their retirements, to continue to have access to these valuable products to achieve their retirement goals.

The Automatic Retirement Plan Act[10]

This bill addresses the retirement coverage gap and the anxiety many of America's workers feel about outliving their retirement savings. The bill generally requires all but the smallest of employers to maintain an automatic retirement savings plan, in which employees would be automatically enrolled with the ability to opt out. The bill also requires that participants with account balances of $200,000 or more be given the choice to receive up to 50 percent of their vested balance in the form of a protected, guaranteed lifetime income product. With nearly 64 percent of Latino workers, 53 percent of Black workers, and 45 percent of Asian American workers lacking access to an employer-provided retirement plan[11], a study of the impact of this measure on workers' retirement security found that over the next 10 years, $7 trillion in additional retirement savings would be generated[12] and 62 million new retirement savers would be created, 98 percent of whom earn less than $100,000 per year, including 7 million new Black savers and 10.8 million new Latino savers.[13]

Potential Impediment to Enhanced Retirement Security for America's Workers and Retirees

We would also note for you one potential impediment currently under consideration by the Administration that could prove troublesome and constrain the improvements and enhancements made by the SECURE 2.0 Act and the other four proposed measures IRI has outlined above to strengthen retirement security for more of America's middle-class workers, retirees, and their families. The Department of Labor's (DOL) most recent regulatory agenda contains a new proposal[14] that it plans to issue in August 2023 that seems to seek to revive a 2016 rule that was vacated by the federal courts in 2018.

While the vacated rule was only in place for a short period of time, it proved to have a significant negative impact on lower- and middle-class workers, retirees, and their families in that it limited their access to affordable professional financial advice – advice that would be helpful for workers and retirees to have as they plan and manage their retirement savings.[15] If a similar rule is revived by this new proposal, it will once again harm lower- and middle-class workers,

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[9] H.R.9515 – 117th Congress, Introduced on December 13, 2022 by Representative Joe Morelle (D-NY)

[10] H.R.5379-117th Congress, Reported in the House on September 27, 2021, Title XII, Committee on Ways and Means, Subtitle B, Part 1, Automatic Contribution Plans and Arrangements, Pages 1321-1357.

[11] AARP Public Policy Institute, Payroll Deduction Retirement Programs Build Economic Security, David John, Gary Koenig, and Marissa Malta, July 11, 2022.

[12] American Retirement Association, Employee Benefit Research Institute's Retirement Security Projection Model, September 2021

[13] American Retirement Association, estimates from Quantria Strategies, prepared by Judy Xanthopoulos, PhD, September 2021.

[14] Office of Management and Budget, Office of Information and Regulatory Affairs, Department of Labor Agency Rule List – Spring 2023, Proposed Rule Stage, Conflict of Interest in Investment Advice, RIN1210-AC02.

[15] "The DOL Fiduciary Rule: A Study on How Financial Institutions Have Responded and the Resulting Impacts on Retirement Investors", Deloitte, August 9, 2017. This study represents results from institutions representing 43 percent of U.S. financial advisers and 27 percent of the retirement savings assets in the market. The study found that, as of the DOL rule's first applicability date, 53 percent of study participants reported limiting or eliminating access to brokerage advice for smaller retirement accounts, impacting an estimated 10.2 million accounts and $900 billion in savings.

retirees, and their families by making it harder for them to get access to financial professional help. This is particularly true for Black and Latino workers and retirees as it will also increase the already large wealth gap that exists for these individuals.[16]

We respectfully submit that the regulatory environment has changed substantially since the rule was vacated. The Securities and Exchange Commission[17], the DOL[18], and state insurance regulators[19] subsequently implemented new regulations. The new federal and state rules require all financial professionals to act in their client's best interests without putting their own interests first.

Federal and state regulators are actively and aggressively enforcing this newly strengthened regulatory framework of the best interest standard. No evidence has been produced to show that problems or deficiencies make the existing regulatory framework ineffective in protecting retirement savers.

As such, there is no need to expand further the existing federal and state regulatory framework that governs the standard of conduct for financial professionals who provide personalized advice about investments and/or insurance to retail consumers. Expanding the current regulations would only serve to stem the progress made in strengthening retirement security for more of America's middle-class workers, retirees, and their families. It would deprive them of access to advice about retirement savings strategies and the right to work with their preferred financial advisor on terms that best fit their situations and needs.[20]

Thank you for the opportunity to share our views on what has been accomplished to strengthen and enhance retirement security for more of America's workers, retirees, and their families and share a few additional measures that can build on what has already been done. IRI stands ready to work with your Administration and Congress on implementing the new law and partnering to advance other new laws that will continue to help to reduce the anxiety and insecurity that America's workers, retirees, and their families continue to have about accumulating retirement savings and protecting their income to sustain them during their retirement years.

Sincerely,

Wayne Chopus
President & CEO
Insured Retirement Institute

"The Data is In: The Fiduciary Rule Will Harm Small Retirement Savers", U.S. Chamber of Commerce, Spring 2017. This report is a compilation of survey statistics and other data that was submitted to the U.S. Department of Labor during the comment period in response to the February 3, 2017 Presidential Executive Order, on the Fiduciary Rule. The compilation showed if the rule is implemented it could limit or restrict investment products for some 11 million households and affect up to 7 million individual retirement account (IRA) owners who could lose access to investment advice altogether. It also showed that provision of advice to individuals who have small accounts would be curtailed or cut off due to the risk and increased costs of the rule.

[16] "Analysis of the Effects of the 2016 Department of Labor Fiduciary Regulation on Retirement Savings and Estimate of the Effects of Reinstatement," prepared by Quantria Strategies, LLC for the Hispanic Leadership Fund, November 8, 2021. This analysis found that if the vacated 2016 DOL Fiduciary Rule is reinstated it would reduce the accumulated retirement savings of 2.7 million individuals with incomes below $100,000 by approximately $140 billion over 10 years. The analysis also found that reinstatement of the rule would result in a roughly 20% increase in the wealth gap for Black and Hispanic Americans when looking at accumulated IRA savings alone.

[17] Securities and Exchange Commission, Regulation Best Interest: The Broker-Dealer Standard of Conduct, adopted June 5, 2019.

[18] U.S. Department of Labor, Employee Benefits Security Administration, Prohibited Transaction Exemption 2020–02, Improving Investment Advice for Workers & Retirees, adopted February 16, 2021.

[19] National Association of Insurance Commissioners, Suitability in Annuity Transactions Model Regulation, adopted February 2020. The model regulation has now been adopted in 39 states and is under active consideration for adoption in another 4 states in 2023.

[20] "The Importance of Access to Financial Guidance to Moderate Income Retirement Savers", Matthew Greenwald, PhD, Greenwald Research, May 18, 2022. This survey examined views on access to financial professionals for those ages 55 to 70, with life savings in the lower half of financial wealth when compared to all Americans of their age. The survey found that a majority of moderate-income savers who are in or near retirement are concerned that a fiduciary-only regulation would keep them from the professional financial guidance they want and need, especially during difficult economic times (85% believe they have at least a somewhat great need for financial guidance from a professional, 81% feel the guidance they receive helps them feel reassured during difficult economic times). Of those without a financial professional, almost all believe it would be important to work with one to feel reassured through difficult economic times (97%) and during times of high inflation (97%).