INSURED RETIREMENT INSTITUTE

March 25, 2022

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

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

The Honorable Robert Scott
Chairman
Committee on Education and Labor
United States House of Representatives
2328 Rayburn House Office Building
Washington, DC 20515

The Honorable Virginia Foxx
Ranking Member
Committee on Education and Labor
United States House of Representatives
2462 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Neal, Ranking Member Brady, Chairman Scott, and Ranking Member Foxx:

The Insured Retirement Institute (IRI)[1] writes to express our support for the *Securing a Strong Retirement Act of 2022*. The measures contained in this bill allow workers, retirees, and their families to take another step forward on the path toward financial security in retirement that was forged by the enactment of the *Setting Every Community Up for Retirement Enhancement* (SECURE) *Act* in 2019. The *Securing a Strong Retirement Act of 2022* provides common-sense, bipartisan solutions that address the challenges continuing to inhibit saving for and producing income during retirement.

Workers and retirees across America are concerned about their ability to accumulate sufficient savings to provide them with sustainable income during their retirement years. A recent survey[2] conducted by the American Association of Retired Persons (AARP) of voters aged 25-plus found that more than six in 10 (63 percent) are anxious about whether they will have enough money saved to live comfortably throughout their retirement years. The research found that only three in 10 (29 percent) of voters ages 25 to 44 believe that they will be able to save enough money for retirement. Among voters aged 45-plus who are not yet retired, eight in 10 (81 percent) wish they had saved more money for their retirement years. The AARP survey further found that virtually all voters (99.7 percent) say that it is essential for people to save money for retirement while they are working. Almost all of those employed workers (96 percent) say that having a workplace retirement savings plan is vital in helping them save for retirement.

The measures proposed in the *Securing a Strong Retirement Act of 2022* address the anxiety and retirement insecurity demonstrated by the research cited above. Specifically, the legislation contains 11 proposals IRI called for Congress to act on in our 2022 Federal Retirement Security Blueprint. These include increasing the age at which required minimum distributions (RMDs) must be taken, enhancing plan automatic enrollment and escalation features, and helping those with student loan debt save for retirement while repaying 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 employees of non-profits opportunities to save for retirement, and

[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] "Saving For Retirement at Work: Views of Voters Ages 25+", AARP, October 2021.

clarifies the applicability period during which small businesses joining 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.

Each of these provisions delivers benefits for workers and retirees for years to come as outlined below. Collectively, they form a comprehensive strategy that elevates the financial potential for Americans seeking to retire with dignity.

Key Provision #1: Further Increase the RMD Age and Modernize the RMD Rules
Today there is an increased risk of workers and retirees outliving their retirement savings because of longer lifespans. Current law requires that workers and retirees begin taking an RMD when they reach the age of 72. The *Securing a Strong Retirement Act of 2022* measure raising the RMD age to 75 lets individual workers and retirees keep their savings longer in tax-deferred retirement accounts. Additionally, the measure makes 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 allow more workers and retirees to accumulate and grow savings and, thereby, improve their retirement security.

Key Provision #2: Enhance Retirement Plan Features by Requiring New Plans to Offer Automatic Enrollment and Increase Automatic Contribution Rates
Automatic enrollment in an employer-provided workplace retirement plan has proven to be an extremely effective tool for encouraging workers to save for retirement. Studies have shown that automatic enrollment features increase employee participation rates by at least 10 percentage points, from 67 percent participation in plans without automatic enrollment to 77 percent. Additionally, according to the National Bureau of Economic Research, employer matching contributions have increased the likelihood that an employee will participate in a retirement plan by up to 50 percent. Current law does not require plans to enroll all participants automatically but does provide that if a plan offers automatic enrollment, a default rate of three percent is set for participants without requiring an employer match. The *Securing a Strong Retirement Act of 2002* provides workers with more opportunities to save for retirement during their working years because it includes a measure to generally require all-new 401(k) and 403(b) plans to enroll a participant automatically and automatically increase participant contribution rates annually up to at least 10 percent while allowing for participants to opt-out of participation or elect a different rate of contribution.

Key Provision #3: Help Employees Save for Retirement While Repaying Student Loans
Student loan debt is a significant challenge for America's workers trying to manage competing financial priorities. It impacts workers' ability to save for their retirement as individuals who have student loan debt have lower workplace retirement balances than those who do not. IRI's research found that 46 percent of Millennials are not saving for retirement, with nearly 10 percent explicitly citing wanting to pay off debts as their reason for not contributing to a retirement account.[3] The *Securing a Strong Retirement Act of 2022* better positions America's workers who have incurred student loan debt to start building their retirement nest eggs. It permits employers to make matching contributions into employees' retirement accounts based on the amount of workers' student loan payments.

Key Provision #4: Facilitate the Use of Low-Cost ETF Investments in Variable Annuities
Currently, ETFs are widely available through retirement plans, IRAs, and taxable investment accounts but generally are not available within variable insurance products. They are not available because 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 a vast majority of variable insurance products. The *Securing a Strong Retirement Act of 2022* directs the Treasury Department to amend its regulations to allow ETFs to be offered within variable insurance products. This

[3] Millennials and Retirement 2020 – Understanding, Saving, and Planning", Insured Retirement Institute, January 2020.

would allow for ETF-structured annuity offerings, providing consumers with lower-cost investment options and allowing more consumers primarily in the fee-based advisory market to utilize and benefit from variable insurance products when obtaining protected lifetime income for their retirement years.

Key Provision #5: Enhance the Start-Up Tax Credit to Encourage Small Businesses to Establish Workplace Plans

Current law allows small employers to receive a tax credit equal to half of the cost of 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 2022* further increases 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 encourages more small business employers to establish workplace plans that benefit their workers.

Key Provision #6: Authorize the Formation of 403(b) PEPs

Many 501(c)(3) non-profits, 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. A recent survey conducted by Transamerica, "Navigating the Pandemic: A Survey of U.S. Employers,"[4] found that 48 percent of employers do not offer a 401(k) or similar retirement plan, and 63 percent of those employers said they are not too likely or not likely at all to start a plan within the next two years. However, the survey did find that 65 percent of employers feel a sense of responsibility in trying to help their employees achieve a financially secure retirement, and nearly three-quarters believe that offering retirement benefits is essential for attracting and retaining employees. Concerns about plan costs remain a top reason employers do not offer a plan. To help and encourage these non-profit organizations to offer retirement plans for their employees, the *Securing a Stronger Retirement Act of 2022* authorizes 403(b) PEPs for these employers just as the SECURE ACT did so for other small businesses. The burdens and administration challenges that now discourage these non-profit organizations from offering retirement plans would be relieved. They would now be able to achieve the same economies of scale by delegating responsibility for plan sponsorship to a professional plan fiduciary as other small businesses do.

Key Provision #7: 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 a retirement savings plan for employees by joining a Multiple Employer Plan (MEP) or 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 2022* clarifies that the three-year start-up credit applies 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 encourages more small businesses to offer a retirement plan and facilitates greater use of MEPs and PEPs as the means to provide employees with a workplace retirement plan.

Key Provision #8: Create Tax Incentives for Offering Retirement Savings to Military Spouses

Military spouses often change jobs because of the frequency of moves made due to their spouses' assignments to new postings. 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 that are on the aggregate more than 50 percent smaller than their male counterparts.[6] The *Securing a Strong Retirement Act of 2022* offers a tax credit to an employer who enrolls a military spouse in a retirement plan within two months of

[4] "Navigating the Pandemic: A Survey of U.S. Employers," Transamerica Institute, June 2021.
[5] "Women Versus Men in D.C. Plans," Vanguard, January 2019
[6] "Women's Perspectives on Savings, Investing, and Retirement Planning," Insured Retirement Institute, November 2015

being hired. This new tax credit encourages small business employers to provide military spouses with an opportunity to participate in a workplace retirement plan which also increases military spouses' savings rates 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.

Key Provision #9: 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. According to the Government Accountability Office (GAO), this has resulted in roughly $8.5 billion in "lost" retirement savings.[7] The *Securing a Strong Retirement Act of 2022* establishes a national, digital database utilizing information already provided to the Department of Treasury that enables retirement savers to locate their former employer-sponsored retirement savings accounts to ensure they are not leaving retirement savings behind. Creating this one-stop-shop database at the Department of Labor (DOL) helps workers 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.

Suggested Amendments for Your Consideration
In addition to these measures cited above, there are two other measures included in the *Securing a Strong Retirement Act of 2022* that are slightly different from the measures included in the Securing a Strong Retirement Act of 2020 (H.R. 8696 – 116th Congress). IRI had previously supported these measures and we have again included them in our 2022 Federal Retirement Security Blueprint. We respectfully submit to you for your consideration as it moves toward final passage in the U.S. House of Representatives two suggestions for amendments to Section 202 – Qualifying Longevity Annuity Contracts (QLACs) and Section 108 – Higher Catch-Up Limit to Apply at Age 62, 63, and 64 which are detailed below.

Suggested Amendment #1: Allow for Broader Use of QLACs
QLACs are valuable tools in retirement income planning because they are an investment vehicle that can be used as longevity insurance to address the fear of growing older and outliving the funds an individual has accumulated to use during their retirement years. Current Treasury Department regulations limit the amount a retirement saver can save when purchasing a QLAC. This reduces their ability to insure against outlived savings during retirement years.

While the *Securing a Strong Retirement Act of 2022* amends current law to eliminate some of the barriers that inhibit the use of QLACs, several significant barriers still remain. The legislation does not increase the dollar limitation on premiums, nor does it authorize QLACs to be offered through a diverse slate of indexed and variable annuity contracts with guaranteed benefits. These two QLAC reforms are critical to making QLACs more available to workers and retirees seeking the opportunity to insure against the risk of outliving their accumulated retirement savings.

IRI respectfully submits for your consideration that before moving to the final passage of the *Securing a Strong Retirement Act of 2022* an amendment is made to the QLAC provision to authorize an increase in the amount of the dollar limitation on premiums and allow QLACs to be offered through a diverse slate of indexed and variable annuity contracts with guaranteed benefits as provided for in the QLAC provision of the *Retirement Security and Savings Act of 2021* (S.1770-117th Congress). Making these additional changes allows workers and retirees to keep more of their tax-deferred savings longer and obtain protected, guaranteed monthly income throughout their lifetime.

Suggested Amendment #2: 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

[7] "401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts", GAO, November 2014.

retirement anxiety among the Baby Boomer generation. This anxiety is associated with low savings rates – 45 percent of Baby Boomers have zero retirement savings – and has forced many Boomers to postpone retirement.[8]

While the *Securing a Strong Retirement Act of 2022* allows 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 Baby Boomers eligible to utilize this catch-up contribution compared to what the *Securing a Strong Retirement Act of 2020* (H.R. 8696 – 116th Congress) would have allowed. It also differs substantially from a similar measure included in the *Retirement Security and Savings Act of 2021* (S.1770-117th Congress). IRI respectfully submits for your consideration that before moving to the final passage of the legislation, an amendment is made to reflect and conform this section to the similar section of the *Retirement Security and Savings Act of 2021* and allow for those 60 years or older to make the higher amount of catch-up retirement saving contributions.

In addition to the amendments IRI has outlined above, IRI further respectfully submits for your consideration before moving to the final passage of the *Securing a Strong Retirement Act of 2022*, two additional amendments for inclusion in the bill.

Suggested Amendment #3: Remove Barrier Prohibiting the Use of Lifetime Income Solutions as QDIAs
Congress established qualified default investment alternatives (QDIAs) in the *Pension Protection Act of 2006*. They have proven to be an essential step forward in enhancing retirement security because they provide retirement savers with the ability to accumulate assets without needing to make underlying investment selections inside their workplace retirement savings plan. However, current DOL regulations governing QDIAs have created a barrier to utilizing lifetime income solutions like annuities. The *Lifetime Income for Employees Act* (H.R. 6746-117th Congress) is a bipartisan bill recently introduced by Representatives Donald Norcross (D-NJ) and Tim Walberg (R-MI) that amends the current QDIA safe harbor regulations to allow plan sponsors to select annuities that provide a guaranteed return on investment that have a delayed liquidity feature. The measure allows no more than 50 percent of investments to be allocated into a qualifying annuity component, ensuring that QDIAs continue to offer retirement savers a diverse mix of asset classes. The bill also provides provisions to ensure that those savers defaulted into a QDIA with an annuity competent are notified of their participation within 30 days of the initial investment and have the option to reallocate their investment penalty-free within 180 days.

IRI research has shown that workers are highly interested in having protected lifetime income solutions, such as annuities, included in workplace-defined contribution retirement plans. An IRI survey[9] found that seven in 10 workers of the youngest age cohort (age 40-45) say they are very or somewhat likely to allocate a portion of their plan to annuities, and 87 percent believe it is vital that the income from savings is protected for life. Furthermore, Allianz Life's 2021 July Quarterly Market Perceptions report[10] highlighted the demand for protected lifetime income solutions in workplace plans. 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, and 59 percent said they would consider adding an annuity to their plan if one was available. IRI respectfully submits that before the legislation moves to final passage by the U.S. House of Representatives, an amendment be made to include the *Lifetime Income for Employees Act* in the *Securing a Strong Retirement Act of 2022*.

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[8] "Boomer Expectations for Retirement 2019, Ninth Annual Update on the Retirement Preparedness of the Boomer Generation," Insured Retirement Institute, April 8, 2019.
[9] "Retirement Readiness Among Older Workers 2021", Insured Retirement Institute. March 2021.
[10] "Allianz Life Announces Entry into Defined Contribution Market with Launch of Allianz Lifetime Income+Annuity," Allianz Life Insurance Company of North America, July 2021.

Suggested Amendment #4: Modernize and Foster More Efficient Communications Between Plan Providers and Participants

IRI has long supported efforts to modernize and foster more efficient communications between plan providers and participants. We were pleased when the DOL finalized a safe harbor in 2020, allowing employers to utilize default electronic delivery. The *Securing a Strong Retirement Act of 2022* includes a provision that requires plan participants to receive a paper annual benefit statement unless the participant elects differently. IRI respectfully submits for your consideration that before the U.S. House of Representatives moves to final passage of the legislation, an amendment is made to further facilitate the use of electronic communications by substituting the bipartisan *Receiving Electronic Statements to Improve Retiree Earnings* (RETIRE) *Act* (H.R.4610-115th Congress) for Section 314 of the *Securing a Strong Retirement Act of 2022*. The amendment proposed for your consideration allows retirement plan participants of all ages and incomes the opportunity to access timely information and data about their accounts more readily by allowing for electronic communications to be used as the default option while also providing and maintaining safeguards to ensure plan participants who still want to receive required communications in paper format can do so.

While we are respectfully submitting these bipartisan supported amendments for your consideration before moving to the final passage of the legislation, our support for the enactment of *Securing a Strong Retirement Act* of 2022 remains steadfast. IRI has historically supported and advocated for the advancement of bipartisan, common-sense solutions 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. Therefore, we urge you and all the members of the House of Representatives to vote yes and pass this legislation.

Thank you for your continued leadership in pursuing this legislation. As the House of Representatives considers this legislation, IRI welcomes the opportunity to work with you and your staff to advance 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 and Political Affairs, at (202) 469-3017 or jjennings@irionline.org.

Sincerely,

Wayne Chopus
President and CEO
Insured Retirement Institute

cc: Members of the U.S. House of Representatives