Insured Retirement Institute

HELPING RETIREMENT SAVERS RECOVER FROM COVID-19 CRISIS

America Responds

The COVID-19 pandemic generated a robust response from federal, state and local governments to protect the public's health, save lives and mitigate the spread of this dangerous virus. Efforts to thwart the virus' spread has closed many businesses, causing millions of workers to be suddenly jobless and facing enormous financial hardship. In time, Congress will need to address our nation's crisis recovery.

Health Crisis Hinders Retirement Saving

With Americans losing jobs, many are also losing their ability to make contributions to retirement accounts, harming their ability to prepare for their own futures. American workers' have been hit hard by sudden uncertain employment futures and volatile markets negatively impacting retirement account balances. This exacerbates an existing crisis where too few Americans are saving adequately for retirement.

Retirement Saver Recovery

As Congress seeks ideas to help America recover from the COVID-19 pandemic, the Insured Retirement Institute (IRI) proposes a five-point policy proposal to help American retirement savers enhance their ability to save for retirement today, strengthening their financial security for tomorrow.

- **Keep Money Longer**
  - Increase RMD Age to 75
  - Eliminate Barriers to Allow Greater Use of Lifetime Income Products

- **Save More Now**
  - Allow Catch-Up Retirement Contributions for those Affected by COVID-19
  - Expand Retirement Saving Opportunities for Non-Profit Organization Employees
  - Clarify Start-Up Tax Credit to Incentivize Small Businesses to Join MEPs/PEPs

Securing Americans' Retirement Security

- IRI's five-point plan focuses on creating more opportunities for Americans to keep their tax-deferred retirement savings longer as a way to recoup some of the losses incurred as a result of stock market volatility during the COVID-19 crisis and offers the means for employees who have been negatively impacted by the COVID-19 pandemic to enhance their ability to save more for their retirement.
- These common-sense policy proposals will help Americans as our nation begins its recovery from the COVID-19 pandemic by strengthening their retirement security during their remaining working years so they can enjoy a secure and dignified retirement.

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KEEP TAX-DEFERRED RETIREMENT SAVINGS LONGER

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

Americans are living and working longer. The market disruptions caused by COVID-19 have affected the retirement accounts of many workers close to retirement, who may now need to work even longer to recoup losses. 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 will improve retirement security.

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

Amend current law to direct the Secretary of the Treasury to allow for more than 25% of any retirement plan or IRA account balance to be rolled over to a qualifying longevity annuity contract (QLAC), increase the dollar limitation on premiums for QLACs to $200,000 adjusted each year for inflation, facilitate joint and survivor benefits, permit a short free look period of up to 90 days, and facilitate indexed and variable annuity contracts with guaranteed benefits. This will allow retirement savers to reduce the risk of outliving retirement savings by purchasing a qualified retirement savings product that is akin to a "pension" to provide a guaranteed lifetime monthly income. It is also the only qualified retirement product that allows deferral of guaranteed income payments to as late as age 85 and the only way to defer required minimum distributions (RMDs) applicable to 401(k)s and IRAs beyond age 72.

ENHANCE EMPLOYEES' ABILITY TO SAVE MORE FOR RETIREMENT NOW

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

Current law allows workers who attained age 50 to make catch-up contributions to retirement plans up to a dollar limit set each year by the Internal Revenue Service. Many employees who lose jobs due to government-mandated closures lost their ability to earn income and participate in an employer-sponsored retirement plan. As the nation recovers and employees 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.

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

Non-profit, public educational organizations and religious institutions should have access to the same retirement plan opportunities afforded by the SECURE Act to small businesses through MEPs or PEPs. The COVID-19 pandemic has hurt non-profits through decreased revenues and exacerbated the already challenging financial, legal and administrative environment for many of them to establish an employee retirement plan. Congress should amend the law to permit these organizations to offer their employees retirement benefits through a MEP or PEP.

5. **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 employers resume business operations, they should take advantage of tax credits to incentivize them to offer returning employees a retirement savings plan. The SECURE Act enhanced this credit to encourage small businesses to offer a retirement plan through a MEP or PEP. However, the credit is not available after a MEP or PEP's first three years of operation. Congress should amend current law to clarify the start-up credit applies from the time a small business joins a MEP or PEP and not from the time the MEP or PEP begins operations. This would encourage more recovering small businesses to offer a retirement plan utilizing MEPs and PEPs.