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April 29, 2021

The Honorable Joseph R. Biden
The President
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
The Capitol
Washington, D.C. 20515

The Honorable Chuck Schumer
Majority Leader
United States Senate
The Capitol
Washington, D.C. 20510

The Honorable Janet Yellen
Secretary
U. S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

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

The Honorable Mitch McConnell
Minority Leader
United States Senate
The Capitol
Washington, DC 20510

The Honorable Martin J. Walsh
Secretary
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

The Honorable Ron Wyden
Chairman
U.S. Senate Committee on Finance
221 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Richard Neal
Chairman
U.S. House Committee on Ways and Means
372 Cannon House Office Building
Washington, D.C. 20515

The Honorable Mike Crapo
Ranking Member
U.S. Senate Committee on Finance
239 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Kevin Brady
Ranking Member
U.S. House Committee on Ways and Means
1011 Longworth House Office Building
Washington, D.C. 20515

Dear President Biden, Speaker Pelosi, Leader Schumer, Secretary Yellen, Secretary Walsh, Leader McConnell, Leader McCarthy, Chairman Wyden, Ranking Member Crapo, Chairman Neal, and Ranking Member Brady:

As you begin discussions about enacting the American Jobs Plan and the American Families Plan, on behalf of the members of the Insured Retirement Institute[1] (IRI), I am writing to respectfully submit for your consideration the inclusion of several additional measures to the American Families Plan which 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.

[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.

We know from recent research that workers, retirees, and their families across America are concerned about their ability to accumulate sufficient retirement savings to provide them with a 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.

Recent research[2] from 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.

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 American Jobs and Families Plans represent a once-in-a-lifetime opportunity to make the investments needed to strengthen the future of the American economy and America's workers. In addition to all the measures included in these plans, IRI and its members respectfully request that you consider including in the American Families Plan several additional measures we outline below. The additional proposed measures would create other opportunities for investments to help America's workers and retirees relieve the growing anxiety they feel about their golden years of retirement.

Common-Sense Bipartisan Solutions

Earlier this year, IRI published its 2021 Federal Retirement Security Blueprint.[4]. The Blueprint offers several measures which, if enacted into law, will expand opportunities for more of America's workers to save for retirement, facilitate the use of protected lifetime income solutions to insure against the risk of outliving one's retirement savings during their retirement years, and augment the tax deferral treatment of retirement savings. It consists of common-sense, bipartisan measures which establish a solid foundation of solutions to help our nation's workers and retirees strengthen and enhance their retirement security.

Expand Opportunities for More of America's Workers to Save for Retirement

To expand opportunities for more of America's workers to save for retirement, IRI has put forth six policy proposals for your consideration to include in the American Families Plan. Five have attracted bipartisan support, and all have been introduced as bills in previous sessions of Congress.

Require Employers to Offer Retirement Plans: Congress should enact legislation generally requiring employers to maintain a retirement plan in which their employees would be automatically enrolled (with an option to opt-out). Employers could easily comply with this requirement given the *Setting Every Community Up for Retirement Enhancements (SECURE) Act's* establishment of Pooled Employer Plans (PEPs) – through which employers can share the costs of offering and administering a retirement plan. The bill also requires one of these plans to provide participants the option to take at 50 percent of a vested account's balance distribution in a form that offers guaranteed income for life, except for balances of $5000 or less. IRI has suggested an amendment to the bill, which considering the changes made by the SECURE Act to the ERISA annuity selection safe harbor for plans, would

[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.
[4] "2021 Federal Retirement Security Blueprint", Insured Retirement Institute, March 2021.

require the plan also to offer participants an opportunity to choose to elect a lifetime income investment option during the accumulation phase of retirement income during their working years. This measure was proposed in the "Automatic Retirement Plan Act of 2017" (H.R. 4523 – 115th Congress.

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 RMD age should be raised to 75 to allow individual workers and retirees to keep their savings longer in tax-deferred retirement accounts. The RMD rule should also be amended to update the mortality tables reflecting longer life expectancies, and the RMD rules should be modified to exempt certain annuity benefits and payments from the minimum income threshold test need. These changes would reflect more current circumstances regarding individuals working years and longevity and were included in the "Retirement Security and Savings Act of 2019" (S.1431- 116th Congress) and the "Securing a Strong Retirement Act of 2020" (H.R. 8696-116th Congress).

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. Research shows individuals who have student loan debt have lower workplace retirement balances than those who do not. To better position America's workers who have incurred student loan debt and help them start building their retirement nest eggs, employers should be permitted to make matching contributions into employees' retirement accounts based on the number of a workers' student loan payments. This measure was included in the "Retirement Security and Savings Act of 2019" (S.1431-116th Congress), the "Securing a Strong Retirement Act of 2020" (H.R. 8696-116th Congress), and the "Retirement Parity for Student Loans Act" (S.1428-116th Congress).

Increase Catch-Up Contribution Limits for Baby Boomers: IRI research revealed that most Baby Boomers are anxious about their retirement years. Our research found that they have little to no savings (45 percent have zero retirement savings) for their golden years, forcing many Baby Boomers to postpone retirement. Current law allows employees who have attained age 50 to make catch-up contributions to plans up to a dollar limit set by the Internal Revenue Service each calendar year. To provide additional help to relieve those Baby Boomers of their anxiety, a higher catch-up contribution dollar limit for workers who reached age 60 should be established. This measure was included in the "Retirement Savings and Security Act" (S.1431- 116th Congress) and the "Securing a Strong Retirement Act of 2020" (H.R. 8696-116th Congress).

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 retirement plan with automatic enrollment features increases participation rates by at least ten percentage points. When there is an employer matching contribution provided, an employee's likelihood of participating 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. To encourage more savings by workers in a workplace plan, the automatic enrollment minimum default contribution rate should be increased to 6 percent, with contributions escalating one percent per year, for four years, with corresponding employer matching contributions. This measure was included in the "Retirement Security and Savings Act of 2019" (S.1431-116th Congress).

Expand Opportunities for Military Spouses to Maximize their Retirement Savings: Because of the frequency of moves made by military spouses due to their spouses' assignment to new posts, military spouses often change jobs. This makes participating in a workplace plan and accumulating savings for retirement a challenge for military spouses. To expand opportunities for military spouses to save for retirement and encourage more employers to offer military spouses access to an employer-sponsored retirement savings account, a tax credit should be provided to employers if they enroll a military spouse into a workplace retirement savings plan within two months of their hiring. This would go a long way towards ensuring military spouses are provided with more opportunities to build a retirement nest egg. This measure was included in the "Securing a Strong Retirement Act of 2020" (H.R 8696-116th Congress).

Facilitate the Use of Protected Lifetime Income Solutions to Insure Against the Risk of Outliving One's Retirement Savings During their Retirement Years

To facilitate the use of protected lifetime income solutions to insure against the risk of outliving one's retirement savings during their retirement years, IRI has put forth four policy proposals for your consideration to include in the American Families Plan, all of which have attracted bipartisan support. All have also been introduced as bills in previous sessions of Congress.

Allow Broader Use of QLACs: Qualified 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. To make QLACs more available and allow more workers and retirees 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, the Treasury Department should be directed to remove the barrier and ease the administrative challenges associated with QLACs. This measure was included in the "Retirement Security and Savings Act of 2019" (S.1431-116th Congress) and the "Securing a Strong Retirement Act of 2020" (H.R. 8696-116th Congress).

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. Current 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. Treasury Department regulations should be amended to allow ETFs to be provided within variable insurance products because an annuity ETF structure could give the consumers lower-cost investment options and would allow for more consumers primarily in the fee-based advisory market to utilize and benefit from variable insurance products in obtaining protected, guaranteed lifetime income for their retirement years. This measure was included in the "Retirement Security and Savings Act of 2019" (S.1431-116th Congress) and the "Securing a Strong Retirement Act of 2020" (H.R.8696- 116th Congress).

Reduce the Regulatory Barriers to the Development and Offering of Innovative Products such as a Registered Index-Linked Annuity: Registered Index-Linked Annuities (RILAs) offer a way for investors to bring a balance to their retirement savings portfolio by allowing the purchaser the opportunity to participate in some market growth along with a reduced downside exposure to partially protect the investor from market losses. The current regulatory framework governing RILAs prevents this innovative retirement income product from being offered by more companies and used by more investors, impairing consumer choice without any corresponding benefit to consumers. To encourage innovation and ensure investors can have better access to use this product, the SEC should be directed to develop a new registration form better suited for RILAs that will make it easier for investors to obtain the information they need about purchasing a RILA without having to wade through irrelevant, excessive, and confusing disclosure documents that existing forms designed for use with other non-insurance products. This measure was introduced in "Registration for Index-Linked Annuities (RILA) Act" (S.3795/H.R.6994-116th Congress).

Authorize Expanded Use of Lifetime Income Products as Default Investment (QDIAs) Options: Qualified default investment alternatives (QDIAs) have proven to be an important innovation that has helped enhance the retirement security of America's workers. However, current Department of Labor regulations creates a barrier for using certain investments, such as annuities, that do not meet specified liquidity requirements as default investment options when plan participants fail to select investments for contributions to workplace retirement plans. As such, participants do not have a chance to convert their savings into protected, guaranteed lifetime income to sustain them during their retirement years. This measure was introduced in the "Lifetime Income Employees Act" (H.R.8990-116th Congress).

Augment the Tax Deferral Treatment of Retirement Savings

To augment the tax deferral treatment of retirement, IRI has put forth three policy proposals for your consideration to include in the American Families Plan, all of which have attracted bipartisan support. All have been introduced as bills in previous sessions of Congress.

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. To encourage more employers to establish workplace plans to benefit their workers, the start-up tax credit percentage available to small businesses with 50 or fewer employees should be further increased. This measure was included in the "Retirement Security and Savings Act of 2019" (S.1431-116th Congress) or the "Securing a Strong Retirement Act of 2020" (H.R. 8696-116th Congress).

Authorize the Formation of 403(b) for 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, they should be authorized in the same manner as other small businesses to form and use pooled employer plans created by the SECURE Act to form 403(b) pooled employer plans. By doing so, the burdens and administration challenges that now discourage these organizations from offering retirement plans would be relieved, as 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. This measure was included in the "Securing a Strong Retirement Act of 2020" (H.R.8696-116th Congress) and the "Improving Access to Retirement Savings Act" (S.5064-116th Congress).

Clarify the Eligibility Period of the Retirement Plan Start-Up Tax Credit for Small Employers Joining MEPs or PEPs: 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. To 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, the tax credit should be clarified to reflect 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 measure was included in the "Securing a Strong Retirement Act of 2020" (H.R. 8696-116th Congress) and the "Improving Access to Retirement Savings Act" (S.5064-116th Congress).

Help for America's Retirement Savers

The enactment of the SECURE Act– in late 2019 was a big step forward for workers and retirees that put them on a path towards relieving some of the anxiety they are feeling about how to meet the many challenges and overcome obstacles they face in seeking a secure and dignified retirement. However, we also know that there is still much more that needs to be done.

That is why IRI is asking you to consider including the additional measures we have outlined in this letter into the American Families plan to not only help those individuals whose long and short-term retirement security has been impacted by the economic consequences stemming from the pandemic but also to help those who are affected by America's long-standing looming retirement savings crisis. The proposals we offer to all will enhance and strengthen the nation's retirement security for both today and tomorrow.

As discussions progress about the American Families Plan, we urge you not to overlook legislation providing help for our nation's workers, retirees, and their family's retirement security. There is a growing need to do something on their behalf so that they may have the ability to enjoy a secure and dignified retirement. Therefore, we respectfully ask you to include the measures we have proposed to help retirement savers strengthen and enhance their retirement security in the American Families Plan.

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: Members of the Senate Committee on Finance
Members of the House Committee on Ways and Means