

U.S. House of Representatives
Committee on Education and Labor
Subcommittee on Health, Education, Labor, & Pensions

Hearing Entitled:
**“Examining Pathways to Build a Stronger,
More Inclusive Retirement System”**

Statement for the Record
of
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Insured Retirement Institute

Chairman DeSaulnier, Ranking Member Allen, and Members of the House Education and Labor Subcommittee on Health, Education, Labor, and Pensions, my name is Wayne Chopus. As the President and CEO of the Insured Retirement Institute (IRI), I am pleased to provide you with our perspective on the importance of this Congress enacting common-sense, bipartisan solutions that will help America's workers, retirees, and their families build economic equity, strengthen financial security, and protect income in a manner that can sustain them throughout their retirement years.

I commend you for holding this hearing, and I welcome the opportunity to provide this statement for the record to the Subcommittee to offer several proposals which can help build a stronger and more inclusive retirement system by increasing access to workplace retirement plans, facilitating greater use of lifetime income options, and making information about past and possibly forgotten retirement accounts more readily available.

Summary of Testimony

Consistent with our consumer-focused mission, my testimony will address two key points:

1. America's workers and retirees were already facing a looming retirement income crisis before the onset of the COVID-19 pandemic, and the economic disruption it has caused to further exacerbate the already existing retirement income anxiety.
2. Legislation, like the public policy measures contained in IRI's 2021 Federal Retirement Security Blueprint,¹ offer a solid foundation of common-sense, bipartisan solutions to help more of our nation's workers and retirees strengthen and enhance their retirement security.

¹ The "[2021 IRI Federal Retirement Security Blueprint](#)," Insured Retirement Institute, March 2021.

About IRI

For three decades, IRI has vigorously promoted consumer confidence in the value and viability of insured retirement strategies, bringing together the interests of the industry, financial advisors, and consumers under one umbrella. Our mission is to promote a better understanding of the insured retirement value proposition, modernize standards and practices to improve value delivery and the customer experience, and advocate before public policymakers on critical issues affecting consumers that rely on insured retirement strategies utilizing protected lifetime income solutions to sustain them during their retirement years.

IRI is the only national trade association representing the entire supply chain for the insured retirement strategies industry. Our member companies include major life insurance companies like Prudential, Equitable, MassMutual, Pacific Life, Nationwide, and Jackson National; broker-dealers like Morgan Stanley, Raymond James, and Edward Jones; and asset management companies like PIMCO, T. Rowe Price, and Blackrock. Our member companies represent more than 90 percent of annuity assets and include the top 10 distributors ranked by assets under management. Our members are represented by financial professionals serving millions across the country. Therefore, we bring a perspective not only from the entire supply chain of insured retirement strategies but, more importantly, from Main Street America to Congress.

America's Growing Retirement Anxiety and Savings Crisis

According to a survey by the Economic Innovation Group² 82 percent of voters believe retirement security is a significant problem for our nation. Workers, retirees, and their families are concerned about their ability to accumulate sufficient savings to provide sustainable income to last during their retirement years. This anxiety has significantly grown in the past year with the COVID-19 pandemic's impact on retirees' and workers' physical and financial health.

A survey conducted by the National Institute of Retirement Security³ provides insights into the depth of this anxiety. The survey found that more than two-thirds – 67 percent – say the nation faces a retirement crisis, and more than half

² The "[Retirement Security and Wealth Attitudes: National Voter Survey](#)," Economic Innovation Group, June 2021.

³ "[Retirement Insecurity 2021 – American Views of Retirement](#)", National Institute of Retirement Security, February 2021.

– 56 percent – are concerned that they will not 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.

Fidelity Investments recently released its "2021 State of Retirement Planning Study,"⁴ which further demonstrates the harm inflicted on workers and retirees plans for retirement 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. The survey also found that one in three estimates that they will need two to three years to recover financially from the events of the past year.

Furthermore, a study by Transamerica⁵ also found that nearly 1 in 5 workers has reported contributing less to their retirement account now than before the pandemic, 18 percent have reduced retirement contributions since the coronavirus crisis started and 31 percent of those who are recently unemployed reported they are contributing less to their retirement. Those who reported contributing less to their retirement savings can be further broken down generationally, with about 16 percent being Baby Boomers, 18 percent being Generation Xers, around 15 percent being Millennials, and about 27 percent identified as Generation Z.

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: workers and retirees are shouldering the burden of accumulating savings to produce income to sustain them during their retirement years. This has caused enormous pressure for the individual consumer, particularly if they are lower- and middle-income workers.

⁴ ["2021 State of Retirement Planning Study"](#), Fidelity Investments, March 2021.

⁵ ["Retirement Security Amid COVID-19: The Outlook of Three Generations"](#), 20th Annual Transamerica Retirement Survey of Workers, May 2020.

Further adding to this anxiety is a lack of access to workplace retirement savings plans. According to Transamerica's "Navigating the Pandemic: A Survey of U.S. Employers,"⁶ 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. Even though 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.

IRI respectfully submits for your consideration the measures outlined below to strengthen and enhance retirement security for America's workers and retirees as the Subcommittee examines pathways to build a stronger, more inclusive retirement system.

Bipartisan, Common-Sense Solutions

Earlier this year, IRI published its 2021 Federal Retirement Security Blueprint. The Blueprint offers several measures which, if enacted into law, would expand opportunities for more of our nation's workers to save in a workplace retirement plan, preserve and promote access for retirement savers to obtain information more readily about their retirement accounts, and facilitate the use of lifetime income products to better insure against the risk of outliving savings.

Expanding Opportunities for More Workers to Save for Retirement

To expand opportunities for more of America's workers to save for retirement, IRI's 2021 Federal Retirement Security Blueprint put forth several measures that have attracted bipartisan support and have been introduced as bills in previous sessions of Congress. One of those measures would allow for more employees of nonprofits, public educational organizations, and religious institutions to save for retirement using pooled-employer plans.

⁶ ["Navigating the Pandemic: A Survey of U.S. Employers,"](#) Transamerica Institute, June 2021.

Authorize the Formation of 403(b) PEPs

The SECURE Act contained provisions that will make workplace retirement plans more available to small business employees and reduce barriers that have discouraged small business employers from offering their employees a workplace retirement plan. It amended the law governing multiple employer plans (MEPs) and established pooled employer plans (PEPs). The changes made by the SECURE Act will enable small employers to band together and delegate responsibility to a professional fiduciary while reducing the individual cost of offering a retirement plan.

A recent study conducted by Transamerica⁷ demonstrates that the changes made by the SECURE Act will encourage more small business employers to offer their employees a retirement plan. The study found that of the employers not anticipating offering a plan within the next two years, nearly one-third would consider joining a multiple employer plan (MEP) or a pooled employer plan (PEP) because of their reasonable cost.

Unfortunately, the benefits of a workplace retirement plan that could be offered by a small business employer through a MEP or PEP in accordance with the changes made by the SECURE Act is not available to 501(c)(3) nonprofits, public educational organizations, and religious institutions. The SECURE Act did not authorize employers who offer their employees a 403(b)-retirement plan, which is typically utilized by nonprofit, public educational organizations, and religious institutions, to use MEPs or PEPs. Those employers offering a 403 (b) retirement plan still have the barriers in place that the SECURE Act reduced for employers who offer other types of retirement plans. As a result of not including 403(b) plans in the SECURE Act, organizations eligible to offer a 403(b) plan must still assume the financial and administrative challenges and legal risks when offering a plan. Therefore, many do not offer a retirement plan to their employees.

The SECURE Act should be amended to encourage employers who would typically use a 403(b) plan to offer a retirement plan to their employees by authorizing these organizations to form and use 403(b) pooled employer plans in the same manner as other small businesses are permitted to do so under the SECURE Act. This change expanding

⁷ Ibid.

PEPs to 403(b) plans will permit nonprofit, public educational and religious institution employers to also be relieved of the burdensome administration challenges that now discourage these employers from offering their employees a workplace retirement plan, 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 2021” ([H.R.2954-117th Congress](#)) and the “Improving Access to Retirement Savings Act” ([S.1703-117th Congress](#)).

Promote Greater and Easier Access to Information About Retirement Plans

To promote greater and easier access for retirement savers to information that can help guide their planning for retirement, IRI's 2021 Federal Retirement Security Blueprint included several measures that have attracted bipartisan support and have been introduced as bills in previous sessions of Congress. One of the measures included in the “Securing a Strong Retirement Act of 2021” would aid individuals in planning for their retirement by providing them with an opportunity to obtain information more readily about past and possibly forgotten accounts. Two other measures not included in IRI's 2021 Federal Retirement Security Blueprint would also help to promote greater and easier access to information about retirement plans. The measures seek to modernize and foster more efficient communications between the retirement income industry and retirement plan participants and extend retirement savings counseling to federal student loan, job training, and apprenticeship recipients.

Establish a National, Online Lost and Found for Americans' Retirement Account

Today, workers in America change jobs more frequently, and they often leave retirement savings in plans maintained by their previous employers. 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 resulting in roughly \$8.5 billion in "lost" retirement savings.

To facilitate workers planning for their retirement, Congress should provide the tools and resources necessary for retirement savers to locate employer-sponsored retirement accounts. A national, digital database utilizing information

already provided to the Department of Treasury, should be established. This database would enable retirement savers to search and 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 – especially Generation Xers, Millennials, and future generations – to track their past and possibly forgotten workplace retirement accounts. By making it easier to track past or forgotten retirement savings accounts, workers will have additional opportunities to either establish or rollover their found savings into a new or their current retirement savings account, thereby increasing their retirement savings. Creating a national, online lost and found database will also allow workers — to better keep track of their employer-sponsored retirement savings and not leave thousands of dollars on the table. This measure was included in the “Securing a Strong Retirement Act of 2021” ([H.R.2954-117th Congress](#)).

Authorize the Use of Electronic Communications with Retirement Plan Participants

At a time when Americans are more responsible than ever for ensuring their financial security in retirement, the continued use of default paper delivery works against the goal of helping workers and retirees make decisions about their retirement. The density of printed disclosure documents is, for many people, intimidating, and the static nature of printed materials does not invite the kind of interactive engagement people should have to manage their retirement portfolios intelligently. The current methods of authorized communications often cause a delay in receiving information because of the time it takes for a paper statement to arrive in someone’s mailbox. Further, paper-based communications add costs to the operations of retirement savings plans that are born mostly by the individual retirement saver.

IRI has long supported efforts to modernize and foster more efficient communications between the retirement plan providers and participants. In 2020, the Department of Labor finalized a safe harbor to allow employers to utilize default electronic delivery while ensuring important consumer protections. Unfortunately, the “Securing a Strong Retirement Act of 2021” ([H.R.2954-117th Congress](#)) would require that one paper benefit statement be delivered annually to all

plan participants, unless a plan participant elects differently. IRI would ask the Subcommittee to reconsider this requirement and instead consider including further measures to foster and facilitate greater use of electronic communications. By allowing for electronic communications to be used as the default option, while continuing to provide and maintain important safeguards to ensure plan participants who still want to receive required communications in paper format can do so, retirement plan participants of all ages and incomes will be provided with the opportunity to access timely information and data about their accounts more readily. This measure was introduced in the “Receiving Electronic Statements to Improve Retiree Earnings (RETIRE) Act ([H.R. 4610 – 115th Congress](#)).

Increase Financial Literacy About Retirement Planning and Retirement Savings

While the federal government has mandated financial counseling for federal student loan borrowers when entering and exiting college to improve college students’ financial literacy there is no such counseling sessions required to provide information about the many workplace retirement savings choices that must be made when an individual enters the workforce. This lack of education about workplace retirement savings options is also an issue for those individuals who have completed a federally funded job training or apprentice program as they enter the market searching for employment.

IRI would ask the Subcommittee to consider including retirement savings education as a required element of federal student loan borrowers’ exit counseling requirements and extend this counseling to recipients of federally funded job training and apprentice programs. By adding and extending retirement savings counseling, the beneficiaries of these federal financial assistance and training programs will be empowered with information about the different types of retirement savings accounts and risk options to help them make well-informed decisions about developing their own sustainable retirement savings strategies during their working years.

Facilitate the Use of Protected Lifetime Income Solutions

IRI’s 2021 Federal Retirement Security Blueprint includes several measures to facilitate the use of protected lifetime income solutions to insure against the risk of outliving one’s retirement savings during their retirement years. Several

of these proposals have been introduced in previous sessions of Congress. We offer these recommendations for the Subcommittee's consideration as it conducts its examination of pathways to build a stronger, more inclusive retirement system.

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 create a barrier for using certain investments, such as annuities, that do not meet specified liquidity requirements as a default investment option 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 lifetime income to sustain them during their retirement years.

To allow for more workers to access protected lifetime income products in a workplace retirement plan, IRI asks the Subcommittee to consider legislation that would lift the current Department of Labor regulatory barrier, which now prevents annuities from being offered as a default investment option in workplace retirement plans. This measure was introduced in the [“Lifetime Income Employees Act” \(H.R.8990-116th Congress\)](#).

Clarify Fiduciary Status for Providers of Guaranteed Principal Products in Workplace Plans

The SECURE Act included a measure designed to encourage retirement plan providers to offer their participants more opportunities to choose a protected lifetime income option as part of the plan's menu of investment options. However, there have been several recent class-action lawsuits filed against plan providers concerning their status as fiduciaries under Employee Retirement Income Security Act of 1974 (ERISA) when they offer general account protected lifetime income solutions as part of their retirement plan menu of investment options. The cases have produced conflicting decisions that are inconsistent with the objective of the SECURE Act provision and have caused confusion for retirement plan sponsors about their duties if they choose to offer annuities – protected lifetime income solutions – as part of a retirement plan's investment lineup for plan participants.

The uncertainty generated by the conflicting court decisions comes at a time when there is increased interest from plan participants in seeking protected lifetime income solutions, such as an annuity provided by an insurer using their general account funds that will provide them with safe, reliable investment options. For over four decades, millions of middle-class families have invested their retirement savings in products using general account funds, or stable value funds, because these products offer participants lifetime income solutions that guarantee principal while still providing interest as a safe and reliable investment option.

To reduce the uncertainty caused by the conflicting court decisions, IRI asks the Subcommittee to consider legislation to clarify that the offering and selling of general account products would not trigger fiduciary status to ensure that retirement savers can continue to access these valuable protected lifetime income products to achieve their retirement goals. This clarification was provided in [H.R. 7278 – 115th Congress](#).

Conclusions

IRI appreciates the opportunity to submit this statement for the record to the Subcommittee. The enactment of the SECURE Act in late 2019 was a big step forward that has put workers and retirees on a path towards relieving some of the anxiety they are feeling about how they will be able to have a secure and dignified retirement.

However, there is still much more that needs to be done. IRI is respectfully submitting this statement for the record in which we are expressing our support for several measures included in H.R. 2954, the “Securing a Strong Retirement Act of 2021.” This legislation will help to strengthen and enhance our nation’s private-sector retirement system, as well as offer several additional measures which will help those individuals whose long and short-term retirement security has been impacted by the economic consequences stemming from the pandemic and those who are affected by America’s long-standing, looming retirement savings crisis.

The proposals we expressed support for, along with the additional ones we have offered in this statement, all will help to enhance retirement savings opportunities, increase access to lifetime income solutions, increase financial literacy about retirement planning and savings, and provide opportunities to modernize and foster more efficient ways for

retirement plan providers and retirement plan participants to communicate and share information about their accounts. IRI believes these solutions will provide workers and retirees with the opportunity to build economic equity, strengthen their financial security, and protect their income in a way that can sustain them throughout their retirement years.