



AMERICAN ACADEMY *of* ACTUARIES

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July 6, 2018

Senator Johnny Isakson
131 Russell Senate Office Building
Washington, DC 20510

RE: The Lifetime Income Disclosure Act (S.868, H.R.2055)

Dear Senator Isakson:

On behalf of the Lifetime Income Risk Joint Task Force of the American Academy of Actuaries,¹ we would like to offer our comments on the *Lifetime Income Disclosure Act* (S.868 and H.R.2055).

The Task Force believes initiatives designed to help employees enhance their understanding of their retirement risks and needs are beneficial to their retirement security. With the transition for many workers from participating in defined benefit to defined contribution plans, the responsibility increasingly now rests on employees to determine whether their personal retirement savings, along with Social Security and savings funded through employers on their behalf, will be sufficient to provide for a secure retirement. The requirement in the Lifetime Income Disclosure Act that plan participants regularly be provided information regarding the lifetime income value that can be expected from their retirement saving account is an important step in that direction.

Lifetime income is an area of concern for all Americans. We believe that, should Congress take up the Lifetime Income Disclosure Act, it could be improved in the following ways:

1. Provide more guidance to the Department of Labor (DOL) with respect to the lifetime income disclosure provisions.

There are different considerations that should be recognized by the DOL in its issuance of regulations. Reflecting a range of approaches in the legislation would enhance its value to participants as well as make it easier for the DOL to implement. Provisions to consider include:

- show values on more than one accumulation rate so variability due to investment returns will be better appreciated;

¹ The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

- recognize assumed inflation so the values will reflect lifetime purchasing power;
- present drawdown approaches, either by narrative or calculation, because drawdown approaches are likely to be followed by many retirees;
- allow for alternative retirement ages to be recognized, such as the Social Security retirement ages, or retirement ages that are characteristic of a particular industry; and
- recognize sex-distinct mortality in situations where no lifetime income option is offered within the plan and use of an individual retirement account (IRA) rollover is assumed, and sex-distinct mortality is not precluded by current state law.

2. Exempt small employers from providing the income disclosure statement; however, require that they furnish employees with information regarding the DOL website tool and how to access it.

The expense for small plan sponsors to comply with the legislation may prove difficult for those plan sponsors. DOL, at the direction of Congress, could require a notice that directs participants to the calculator on the DOL website in place of this requirement for small plan sponsors.

3. Require that the DOL update its website to align with the legislation.

The DOL currently provides on its website a retirement income calculator that individuals can use to project the income value of retirement account values. This tool can be useful for many of the individuals who have retirement savings that are held in IRAs or other vehicles, which are not subject to the legislation. However, the calculator in its current form would likely not provide results that would be consistent with those determined under the legislation, most notably in recognizing future contributions that could vary, sex-distinct mortality, and joint and 100 percent survivor benefits. Expanding the capabilities of the calculator would be of value to both participants in small plans and individuals who are not in a plan.

4. Direct the DOL to create a better safe harbor that would relieve employers from fiduciary liability for providing retiree income options.

The legislation is intended to provide participants with an understanding of how well they are preparing for retirement income needs. The required disclosure could provide guidance for increasing retirement savings; however, an equally important need is to improve access to lifetime income sources so that the illustrated lifetime income would be realized. This could be achieved by increasing the availability of lifetime income options within defined contribution (DC) plans.

Many retirees receive their plan benefits in the form of a lump sum that they roll over to an IRA. However, converting a lump sum into sustainable lifetime income can be a daunting challenge. The need for employers to make available to their employees education, advice, and income options has been reinforced through recommendations by the Government Accountability

Office² and the Bipartisan Policy Center through its report of the Commission on Retirement Security and Personal Savings³. Retirement plans are well positioned to assist employees in this regard because of their access to expert professionals and institutional product pricing. However, many plan sponsors are reluctant to offer lifetime income options and related education within the plan. Among the primary reasons for this is the potential for additional fiduciary liability if the assistance or advice does not meet the retirees' expectations. The current safe harbor criteria for selecting insurers that provide lifetime income options within DC plans, as described in DOL Field Assistance Bulletin 2015-02, are process-based and lack sufficient clarity to allay fiduciary liability concerns of plan sponsors. Adding more objective criteria could alleviate these concerns. This could be addressed through pending legislation, the Increasing Access to a Secure Retirement Act of 2017 (H.R.4604) and the Retirement Enhancement and Savings Act of 2018 (S. 2526 and H.R. 5282), as both introduce some objectivity through a requirement to meet certain National Association of Insurance Commissioners (NAIC) solvency standards. Additional objectivity, such as meeting a specified rating agency standard, could be achieved beyond those criteria.

Insofar as many retirees are reluctant to commit to an annuity purchase that would limit their access to their retirement savings, it also would help to create a safe harbor for the offering of withdrawal programs that could aid retirees in managing their retirement income. Plan sponsor concerns about fiduciary liability in the administration of structured withdrawal programs and possibly education about such programs could be alleviated with a safe harbor.

Please visit the Academy [lifetime income page](#) on our website for all of the Academy's resources on lifetime income. We would be pleased to share our perspective with the sponsors of the legislation and assist them with this important policy initiative. If you have any questions or would like to discuss these issues, please contact Monica Konaté, pension policy analyst, at konate@actuary.org or 202-223-8196.

Sincerely,

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Co-chairpersons, Lifetime Income Risk Joint Task Force
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² U.S. Government Accountability Office; [The Nation's Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security](#); October 2017.

³ Bipartisan Policy Center; [Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings](#); June 2016.