
Life Insurers: Helping American Families Achieve a Safe and Secure Retirement

FEDERAL SOLUTIONS FOR RETIREMENT SECURITY

The U.S. private retirement system is strong and provides savings options for millions of Americans. Through employer-based retirement plans of all sizes as well as IRAs and annuities, options are available to help working Americans save for a secure retirement. Today, nearly 80 percent of full-time workers have access to a workplace retirement plan and more than 80 percent of these workers participate. IRAs and individual annuities can help those without access to employer-sponsored plans as well as supplement workplace retirement savings.

Common-sense improvements can strengthen our private retirement system and can be accomplished without diminishing the critical worker protections provided by ERISA, our well-established national framework regulating private retirement plans.

Life insurers are leading providers of 401(k)s, 403(b)s, 457s, IRAs, and annuities. When it comes to retirement, life insurers are committed to seeking public policy that expands access to even more workers and families. This includes opportunities for all workers to choose to receive at least a part of their retirement income as a guaranteed “paycheck for life” through annuities. In addition, life insurers provide disability income and long-term care insurance, products that provide important financial security protections during working years and in retirement.

POLICY-MAKER CONSIDERATIONS

Expand access to workplace savings with:

- **Starter 401(k)s:** Small employers should be encouraged to offer workplace savings opportunities with simple administrative rules and no required employer contributions.
- **Multiple employer plans (MEPs):** Rules should further encourage and help employers not yet prepared to sponsor their own retirement plan to join together to achieve economies of scale and receive advantages with respect to plan administration, making plans more affordable and effectively managed.
- **Auto-IRA:** Employers without a retirement savings plan should be encouraged to automatically enroll employees into a payroll deduct IRA. “Auto-IRA” sponsors should receive the same level of protection and state wage law preemption offered to employers sponsoring “auto-401(k)s.”
- **myRA plan:** Small businesses without retirement plans should be encouraged to offer employees an opportunity to participate in the new myRA, a Roth

IRA backed by Treasury bonds. Offered by the U.S. Treasury starting in 2015, myRA provides the option to save for retirement with as little as \$5 a month.

- **Start-up credit:** Small employers that provide payroll deduction IRAs should be eligible for a start-up cost credit to offset the employer’s initial plan formation and administration expenses.
- **SIMPLE IRA and 401(k) plans:** SIMPLE plans should be made more appealing to small businesses. Permitting a higher level of employer contribution and improving rollover rules could make the plans more valuable to employees.

Increase participation and savings rates through:

- **Automatic enrollment and auto-escalation:** Employers should be encouraged to auto-enroll new employees with a default savings rate of 6 percent and remove the 10 percent cap on annually increasing employee contribution rates. Also, including periodic re-enrollment of non-contributing workers would likely boost participation and savings in retirement plans.

- **Savers' credit:** Improve tax incentives for lower and middle income workers to save for retirement.
- **Stretch match:** Employers should be permitted to encourage higher contribution levels through a "stretch match" safe harbor that incents workers to contribute more than 6 percent of compensation without increasing employer cost.

Facilitate access to and promote the use of guaranteed lifetime income with:

- **Lifetime income disclosures:** ERISA should be amended to include a lifetime income disclosure on participant benefit statements to make it easier for workers to understand how their savings can address their month-to-month living expenses.
- **Annuity selection safe harbor:** The safe harbor rule should be improved to provide greater certainty for plan sponsors and fiduciaries when selecting guaranteed lifetime income products. It should be clear that the rule applies to all guaranteed income products including payout annuities with a fixed term. When considering an insurer's financial

capability, employers should be able to rely on specific representations from the insurer regarding its status in relation to state insurance regulation and enforcement.

- **Lifetime income portability:** To continue lifetime income protections in the event of a sponsor-initiated change, participants should be permitted to roll over lifetime income options to an IRA that provides the same or similar lifetime income protection.
- **Joint and survivor annuity options:** Employers should be permitted to shift responsibility of compliance with the joint and survivor annuity rules to annuity administrators.

Simplify and improve plans through:

- **E-delivery:** Rules should allow electronic delivery of plan materials to be the default option while allowing participants the option to receive paper copies.
- **Notice and disclosure rules:** Rules should promote the efficient distribution of notice and disclosure information, allowing consolidation of materials and eliminating costly duplication.

80



Eighty percent of full-time workers are offered enrollment in workplace retirement plans. Eighty percent participate.

80



Nearly 80 percent of full-time civilian workers have access... The U.S. Bureau of Labor Statistics, March 2013
More than 80 percent participate... The U.S. Bureau of Labor Statistics, March 2013