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## ACLI Supports Congressional Efforts to Pass the Retirement Enhancement and Savings Act of 2016

On September 21, 2016, the Senate Finance Committee unanimously passed the Retirement Enhancement and Savings Act (RESA) of 2016. ACLI supports this bipartisan bill, derived largely from provisions in the Senate Finance Committee's Savings & Investment Bipartisan Tax Working Group report dated July 7, 2015, and urges Congress to quickly pass this important legislation.

RESA includes a number of provisions that are both bipartisan and bicameral. This bill would encourage small employer retirement plan coverage, worker participation and education, and help facilitate guaranteed lifetime income in retirement. Importantly, it enables both accumulation of retirement savings and educates and enables workers to have retirement income security.

### Encouraging Small Employer Pension Coverage

- Expand Multiple Employer Plans (MEPs). This provision expands retirement plan access by encouraging and helping 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. Sens. Susan Collins (R-ME) and Bill Nelson (D-FL) have sponsored a bill on this topic. Similarly, Reps. Vern Buchanan (R-FL) and Ron Kind (D-WI) have led similar efforts in the House.
- Small Employer Plan Start-Up Credit. This provision would encourage small employers to establish a plan by providing them with up to a \$5,000 credit towards start-up costs. The provision was included in legislation sponsored by Reps. Kind and Dave Reichert (R-WA).

### Encouraging Worker Participation and Education

- Auto-enrollment Enhancements. This provision removes the 10 percent cap on annually increasing employee contribution rates, allowing them to automatically save more for retirement. Employees can always opt-out. Furthermore, employers can take up to a \$1,500 credit to add auto-enrollment to a new or existing plan. This provision was included in the same legislation sponsored by Sens. Collins and Nelson and Reps. Buchanan and Kind.
- Facilitate Lifetime Income Disclosure. This provision will help participants better understand how their retirement savings could translate into monthly guaranteed lifetime income at retirement. It will address the retirement education gap by adding a uniform lifetime income illustration to participant benefit statements. Studies show that the effect of this information is increased retirement savings.<sup>1</sup> Sens. Johnny Isakson (R-GA) and Chris Murphy (D-CT) have sponsored a bill on this topic and Reps. Luke Messer (R-IN) and Mark Pocan (D-WI) have led similar efforts in the House.

### Assisting Workers in Securing Their Retirement Savings Over Their Lifetime

- Clarify the Current Annuity Selection Safe Harbor. By clarifying the current safe harbor, a key employer concern regarding adding an annuity option to their plan will be addressed. Prior to this change, employers were required to make a determination as to whether "an annuity provider is financially able to make all future payments under an annuity contract." This

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<sup>1</sup> Aon Hewitt, 2013 Thrift Savings Plan Survey Results.

standard has been difficult to meet in part because it is hard to know how an employer could draw this conclusion. When considering an insurer's financial capability, employers should be able to rely upon the work of state insurance commissioners and specific representations from the insurer regarding the plan's status in relation to state insurance regulation and enforcement. Employers will still be obligated to prudently select an annuity and an annuity provider.<sup>2</sup> The provision was included in legislation previously sponsored by Sen. Orrin Hatch (R-UT) and currently sponsored by Reps. Kind and Reichert.

- Provide Lifetime Income Portability. To continue lifetime income protections in the event of a sponsor-initiated change, this legislation permits participants to roll over lifetime income options to an IRA that provides the same or similar lifetime income protection. The provision was included in legislation previously sponsored by Sen. Hatch and currently sponsored by Reps. Kind and Reichert.

Consideration of this legislation is timely. Every day between now and the year 2030, 10,000 people will reach age 65. American workers should have greater access to employer plans to help them save for their retirement. They need to increase their savings and receive education about their savings. Lastly, they need access to lifetime income solutions. Many retirees will live another 20 to 30 years in retirement and need help managing their savings to ensure those savings last a lifetime.

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<sup>2</sup> The General Accounting Office (GAO) released a report titled "401(k) Plans: DOL Could Improve Use of Lifetime Income Options in August, 2011<sup>6</sup>. It gave the Department of Labor instructive guidance that could help employers address concerns about adding a lifetime income option to employee retirement plans. This clarification to the current safe harbor is responsive to GAO's concerns.