

ACLI URGES CONGRESS TO PASS THE RETIREMENT ENHANCEMENT AND SAVINGS ACT

The Retirement Enhancement and Savings Act (RESA) was passed unanimously out of the Senate Finance Committee in September of 2016. The legislation incorporates a variety of provisions long-supported in a bipartisan and bicameral manner to improve and enhance the employer-provided retirement system. Among many other things, the legislation encourages workers to save more for retirement, and small employer retirement plan coverage, worker participation and education, and facilitates guaranteed lifetime income in retirement. Specifically, RESA:

ENCOURAGES SMALL EMPLOYER PLAN COVERAGE

- Expands Multiple Employer Plans (MEPs). This provision expands retirement plan access by permitting 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 efforts in the House.
- Provides a 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. Ron Kind and Dave Reichert (R-WA).

ENCOURAGES WORKER PARTICIPATION AND EDUCATION

- Facilitates Auto-enrollment Enhancements. This provision removes the 10% cap on automatic employee contribution rate increases, allowing employees to automatically save more for retirement on a yearly basis. 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.
- Facilitates Lifetime Income Disclosure. This provision will help participants better understand their retirement savings by providing an illustration of how their savings account balance translates into monthly lifetime income in retirement, similar to the illustration included in the federal Thrift Savings Plan annual statement. It also provides employers greater certainty in offering plan participants the option to elect to take a portion of their retirements savings in the form of an annuity. Senators 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.

ASSISTS WORKERS IN SECURING THEIR RETIREMENT SAVINGS OVER THEIR LIFETIME

- Improves Upon the Current Annuity Selection Safe Harbor. Clarification of the current safe harbor provision mitigates employer concerns of adding an annuity option to their retirement plan offerings. Currently, employers are required to make a determination as to whether “an annuity provider is financially able to make all future payments under an annuity contract.” This 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, but now able to offer this option to their employees. The provision was previously included in legislation sponsored by Senator Orrin Hatch (R-UT) and Reps. Kind and Reichert.
- Provides 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 Senator Hatch and currently sponsored by Reps. Richard Neal (D-MA) and Mike Bishop (R-MI).

ACLI POSITION

ACLI strongly supports RESA and urges Members of Congress to take action to enhance retirement savings. **Please support RESA when it is considered in the House and Senate.** This legislation is extremely timely - every day between now and the year 2030, 10,000 people will reach age 65. Providing American workers with greater access to employer plans and options related to those plans helps them save for their retirement. Additionally, facilitating lifetime income solutions and communicating how retirement savings translate into a monthly benefit empowers and educates participants to make better decisions. Many retirees are expected to live another 20-30 years in retirement and need to understand how to manage their savings to ensure they last their lifetime.