



Financial Security for Life

Statement for the Record

Submitted to the

United States Senate
Committee on Finance

“Building on Bipartisan Retirement Legislation:
How Can Congress Help?”

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On Behalf of

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The American Council of Life Insurers (ACLI) is pleased to submit this statement for the record on “Building on Bipartisan Retirement Legislation: How Can Congress Help?” ACLI thanks Chairman Ron Wyden (D-OR) and Ranking Member Mike Crapo (R-ID) for holding this important hearing. This statement will highlight the successes of the current retirement system, the challenges many workers and retirees face, especially in light of the COVID-19 global pandemic, and public policy proposals supported by ACLI that would enhance and build upon the successes of our nation’s retirement system.

THE AMERICAN COUNCIL OF LIFE INSURERS

The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers’ financial and retirement security. Financial security is our core business, and retirement security for all Americans is a critical mission. We protect 90 million American families with financial products that reduce risk and increase financial security, including life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, dental and vision benefits, and other supplemental benefits. As society and work changes, we are committed to financial security solutions that protect all Americans, regardless of where and how they work, their stage in life, or the economic status of their household. Americans are living longer, and financial security into retirement is a big challenge facing our country. Life insurers help people retire with financial security, through products that are available, accessible, and affordable to all.

ACLI members represent 95 percent of industry assets in the United States. Through a well-crafted partnership of the private solutions ACLI members provide, and public solutions that are necessary, we believe the benefits of financial security can be made available to all Americans. Accordingly, ACLI member companies offer insurance contracts and investment products and services to employment-based retirement plans (including defined benefit pension plans, 401(k), SIMPLE, SEP, 403(b), and 457(b) plans) and to individuals (through IRAs and annuities). Three out of five small employers (those with 99 or fewer employees) rely on life insurer products and services in their employment-based retirement plan. ACLI members are also employer sponsors of retirement plans for their employees. And there are more than 15 million annuity-based IRAs held by individuals. As product and service providers, as well as plan sponsors, life insurers know that, coupled with Social Security, adequately and consistently saving for retirement, effectively managing assets throughout retirement and utilizing appropriate financial protection products ensure Americans’ retirement and financial security.

Americans are faced with significant financial security challenges, and the insurance industry is a vitally important part of how Americans are able to plan, save and guarantee themselves a secure retirement.¹ In 2020, American families received \$392.3 billion in payments from annuities, \$130 billion in payments from life insurance, \$20 billion in disability income insurance benefits and \$11.4 billion in long-term care insurance benefits. No other industry provides Americans with the level of financial guarantees provided by the life insurance industry.

¹ ACLI analysis of *preliminary* 2020 NAIC Annual Statement data.

THE RETIREMENT SYSTEM IN AMERICA

The retirement system for private-sector workers in America builds upon the contributions made to Social Security and is enhanced by employment-based retirement plans, individual retirement accounts, annuities, and other investments. Private sector savings play a vital role in retirement security for millions of Americans. Current tax incentives for pensions and retirement savings encourage employers to provide and maintain work-based plans and have enabled millions of American families to accumulate savings, thereby improving their retirement security. According to the Bureau of Labor Statistics, more than 80 percent of full-time civilian workers have access to a retirement plan through their employer, and of these workers, 82 percent participate in a workplace plan.² Yet, there remain workers, mostly those who are working part-time and those at small businesses, without such access. More can and should be done to ensure that everyone who can afford to save for retirement is saving for retirement.

CHALLENGES FACING RETIREMENT SAVERS

While the current combination of Social Security and employment-based and individual retirement arrangements has successfully demonstrated that workers can attain retirement security, the global pandemic has brought into sharp focus challenges Americans face with ensuring they have both short-term and long-term savings – both key components to financial health. In 2019 for example, almost 50 percent of all U.S. households had less than \$5,300 in liquid savings that can be used for an emergency.³ This was exacerbated in 2020 as families faced financial crises with the economic downturn related to COVID-19. Some retirement savers, having little to no emergency savings, tapped their retirement savings through plan loans and distributions features made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. According to Fidelity Investments, the median amount of coronavirus distribution was \$4,800, indicating an amount of emergency savings deficiency for many families.

While workplace retirement plans with payroll-deducted contributions are incredibly effective at helping people save, impediments still exist that prevent many Americans from maximizing this important savings tool. Certain segments of the population have greater barriers to savings. Despite 80 percent of full-time civilian workers having access to a retirement plan in the workplace, only 40 percent of part-time workers enjoy access to workplace savings, in particular, gig economy workers and people who work for small employers.⁴ Additionally, Federal Reserve data shows that Black and Hispanic savers have savings rates that lag significantly behind their white counterparts. These deficiencies are magnified in women. Millennials also tend to be less prepared for retirement than earlier generations at the same stage in life with 45 percent having no dedicated retirement savings. Almost 41 percent are burdened with student loan debt and may delay saving for retirement.⁵ This segment may also face challenges related to access to a retirement savings plan in the workplace. Adult caregivers are also in a challenging situation. Many financially assist their children, while an estimated 9.7 million adult children over the age of 50 care for their parents as well.⁶

² Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States, March 2020, <https://www.bls.gov/ncs/ebs/benefits/2020/employee-benefits-in-the-united-states-march-2020.pdf>

³ ACLI analysis of the Federal Reserve, Survey of Consumer Finances, 2019.

⁴ Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States, March 2020, <https://www.bls.gov/ncs/ebs/benefits/2020/employee-benefits-in-the-united-states-march-2020.pdf>

⁵ ACLI analysis of the Federal Reserve, Survey of Consumer Finances, 2019

⁶ MetLife, Mature Market Institute, *The MetLife Study of Caregiving Costs to Working Caregivers*, <https://www.caregiving.org/wp-content/uploads/2011/06/mmi-caregiving-costs-working-caregivers.pdf>

BOLD SOLUTIONS TO ADDRESS RETIREMENT CHALLENGES

The passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, the most comprehensive retirement legislation passed since the Pension Protection Act in 2006, is expected to prove instrumental in increasing access to retirement plans. The provisions within the SECURE Act built upon the current successful private sector system, making important enhancements to improve American's financial retirement security. For example, the SECURE Act includes provisions making it easier for employers to sponsor a retirement plan, encouraging employees to save, and helping them prepare for a secure retirement through lifetime income solutions, have real-world positive benefits. Increasing access for employees of small employers alone is anticipated to result in more than 700,000 new retirement savings accounts.

To build upon the success of the SECURE Act, other effective public policy proposals, in addition to action by plan sponsors and providers, can help to address savings challenges and help Americans ensure a secure retirement. Policymakers should continue to seek to increase access to workplace retirement savings, strive for financial equality, and encourage essential financial protections offered by guaranteed retirement income products. The focus should continue to be on ways to help more people achieve a financially secure retirement — increasing savings rates, workplace access and lifetime income security for *all* Americans, all key to financial security.

The following are policy proposals that seek to increase retirement security and savings that ACLI supports include:

1. Increased Access to and Participation in Retirement Plans

A sizable majority of full-time workers have access to a retirement plan in the workplace. Still, more could be done to expand access and coverage. While access is high for workers at larger employers, roughly 50 percent of all workers employed by small businesses – those with fewer than 50 workers – have access to a workplace retirement plan.⁷ Of those workers, only 39 percent take advantage of the plan in the workplace.⁸ While small businesses have access to a robust marketplace of product offerings, the uncertainty of revenue is the leading reason given by small businesses for not offering a plan, followed by cost, regulatory and administrative burdens and lack of employee demand. Congress should build upon the current employer-provided system and advance policy that seeks to increase access to workplace savings. Measures that accomplish these goals include:

- **Retirement Savings Option for All Employees:** Requiring a universal approach for employers without a retirement plan to provide workers with access to payroll deducted savings through an IRA, 401(k), or other qualified retirement savings plan, is key to fundamentally expanding access to the power of workplace, payroll deducted savings. Employers should have the flexibility to choose to use IRAs or set up a 401(k), or other qualified retirement savings plan. Employers should not be overly burdened by administrative costs in order to comply and workers must have the right to opt out of participation. When offered a retirement plan by their employer, four out of five full-time private-sector workers participate. Additionally, nearly 73 percent of employers now

⁷ Bureau of Labor Statistics, National Compensation Survey 2020, <https://www.bls.gov/news.release/ebs2.t01.htm>

⁸ Id.

automatically enroll new participants into their plan.⁹ While employees have the option to opt out, most do not. In fact, with new employees, participation rates nearly double to 93 percent when automatically enrolled, compared with 47 percent under voluntary enrollment.¹⁰ ACLI strongly supports a universal approach in which all employers with more than 10 employees offer a plan in the workplace. This would provide an estimated 27.7 million workers with access to an employment-based retirement plan with 20.8 million additional workers participating in those plans.¹¹

- **Increased Default Contribution Levels:** Currently, employers typically automatically enroll employees into their retirement plans at three percent of their employees' salary. While automatic enrollment is an excellent tool to help workers contribute to their retirement plan, increasing the contribution percentage each year, similar to a provision included in the Retirement Security and Savings Act (RSSA) of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD), would result in more meaningful savings levels.¹²
- **Automatic Enrollment Incentive for Small Businesses:** Similar to automatic escalation tools, automatic enrollment has proven to be extremely effective in increasing participation rates, and ultimately, savings balances. Pending legislation would provide small businesses with a tax credit of \$500 per year for three years for automatic enrollment.¹³ Not only would this mitigate the cost for these businesses, but it would ensure more workers are saving at work.
- **Credit for Small Employers Providing Retirement Plans for Military Spouses:** It is critical to address savings shortages prevalent among military spouses. Military spouses support their servicemembers and families through relocations and deployments, frequently sacrificing their own career aspirations – and often their ability to save for their own retirement.¹⁴ Congress should provide a tax credit for small employers that: make military spouses eligible for their retirement plan within two months of hire; provide a matching or non-elective contribution to the plan; and ensure these spouses are 100 percent vested in all employer contributions within the same time frame.

⁹ Willis Towers Watson, *2017 Defined Contribution Plan Survey*, <https://globenewswire.com/news-release/2018/02/26/1387421/0/en/U-S-employers-enhancing-defined-contribution-retirement-plans-to-help-improve-workers-financial-security.html>

¹⁰ Jeffrey W. Clark, Jean A. Young, Vanguard, *Automatic Enrollment: The Power of Default*, <https://institutional.vanguard.com/iam/pdf/CIRAE.pdf>

¹¹ ACLI estimates based on the *National Compensation Survey: Employee Benefits in the United States*, March 2020, [National Compensation Survey: Employee Benefits in the United States, March 2020](#)

¹² Id.

¹³ [S. 1770](#), The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD). [H.R. 2954](#), The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX).

¹⁴ [S. 1770](#), The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD), [S. 1273](#), the Military Spouses Retirement Security Act introduced in the 117th Congress by Senators Susan Collins (R-ME), Maggie Hassan (D-NH), James Lankford (R-OK), Mike Bennet (D-CO), Angus King (I-ME) and Steve Daines (R-MT).

2. Incentivizing Savings for Vulnerable and At-Risk Populations

Special consideration should be given to individuals who face unique challenges when it comes to retirement savings. These groups, many times, can benefit greatly from focused public policy initiatives to make their path to saving for retirement easier. These include:

- **Institutionally Disadvantaged Savers:** For too long, racial injustice and systemic inequity have excluded communities of color from traditional pathways to financial security and created fewer opportunities for financial peace of mind. Everyone, no matter their age, job, income level, gender or race, deserves the chance to build financial certainty and Congress should look for ways to collaborate with critical industries in order to drive solutions that address systemic inequities by investing in underserved communities, advancing financial education, and removing barriers to access.
- **Low Income Earners:** While the current Saver's Credit allows low- and middle-income earners a tax credit, RSSA would significantly improve the incentive by expanding those eligible for the credit, making the credit refundable, and contributing it directly to a retirement plan or Roth IRA.¹⁵
- **Part-time Workers:** Part-time workers have historically had less access to and lower participation in retirement plans. Currently, only 39 percent of part-time workers have access to a retirement plan at work.¹⁶ With the enactment of the SECURE Act, current law now requires employers to allow long-term, part-time workers with at least 500 hours of service in three consecutive years to participate in their 401(k) plans. RSSA expands eligibility to those with at least 500 hours of service in *two* consecutive years.
- **Student Loan Borrowers:** Innovative policy approaches that would assist employees in saving for retirement should be a top priority for legislators. One legislative approach ACLI supports would enable employers to contribute a "match" to an employee's 401(k), 403(b) or SIMPLE plan account based on the employee's student loan repayments.¹⁷
- **Those Closest to or in Retirement:** The way we live and work has been impacted by the global pandemic. Those closest to retirement need even more flexibility regarding how they continue to accumulate assets, but also, when they are obligated to begin tacking distributions. More and more savers are opting to stay in the workforce and public policy should accommodate them by increasing the required minimum distribution (RMD) age from 72 to 75 and allowing those 62-64 to save even more.¹⁸ Savers that are close to or in retirement may want to take steps to ensure they do not outlive their savings. Only one vehicle can guarantee this, an annuity. Removing barriers to annuities provides savers with the option to ensure they have income for life. Qualified longevity annuity contracts (QLAC) help retirees ensure retirement solvency. Public policy should modernize the QLAC rules, by repealing the 25-percent account balance limit,

¹⁵ [S. 1770](#), The Retirement Security and Savings Act of 2021, introduced in the 117th Congress by Senators Portman (R-OH) and Cardin (D-MD). [H.R. 2954](#), The Securing a Strong Retirement Act of 2021, introduced in the 117th Congress by Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX).

¹⁶ Bureau of Labor Statistics, National Compensation Survey 2020, <https://www.bls.gov/news.release/ebs2.t01.htm>

¹⁷ [S. 1443](#), the Retirement Parity for Student Loans Act of 2021, introduced in the 117th Congress by Senators Wyden (D-OR), Cantwell (D-WA), Cardin (D-MD), Whitehouse (D-RI) and Brown (D-OH). [S. 1770](#), The Retirement Security and Savings Act of 2021. [H.R. 2954](#), The Securing a Strong Retirement Act of 2021.

¹⁸ [S. 1770](#), The Retirement Security and Savings Act of 2021. [H.R. 2954](#), The Securing a Strong Retirement Act of 2021.

increasing the eligible QLAC amount to \$200,000 and making important changes to ensure spousal survivor rights.¹⁹

3. Additional Plan Innovations

While the SECURE Act certainly made a large impact on the retirement savings landscape, small changes can build upon and improve the current retirement system. These include:

- Expansion of the Open Multiple Employer Plans (Open MEPs) provision to include 403(b) plans sponsored by certain tax-exempt employers and public educational institutions.
- Clarification of the rules applicable to stable financial planning tools that can meet savers' financial needs. Currently there is ambiguity surrounding fiduciary liability as it relates to general account funds. Insurance companies offer guaranteed principal and interest through these conservative, insured instruments. Backed by the insurer's general assets, general account products often provide higher rates of return than other fixed return and stable value investment vehicles. Many employers include them among the investment options available to their retirement plan participants. Large sums of 401(k) assets are invested in these products. It is critical that Congress provide clarity to permit these stable, safe arrangements to continue.
- Support for legislative efforts, like the Lifetime Income for Employees Act, bipartisan legislation introduced in the 116th Congress by Representatives Don Norcross (D-NJ) and Tim Walberg (R-MI). This bill would remove a barrier that prohibits annuities from being offered as a default investment option in workplace retirement plans.²⁰
- Facilitate emergency saving to ensure Americans have funds to cover unexpected financial challenges while protecting critical long-term retirement savings. Several proposals have been introduced in the Senate.²¹
- Reinforcement of the value and benefits associated with modern, electronic delivery of retirement plan documents and notices, while ensuring an opt-out option for plan participants. COVID-19 has demonstrated that access to important documents electronically is a critical need of Americans.

CONCLUSION

Providing Americans, especially vulnerable populations, with greater access to retirement savings tools will help them better prepare for retirement. Many retirees can expect to live more than 30 years or longer in retirement. Facilitating lifetime income solutions and increasing financial education empowers and educates Americans to make better decisions. By taking action now, Congress has an opportunity to help more people retire with peace of mind. ACLI urges policymakers to support and enhance the current retirement system. We and our members stand ready to assist the Congress in this worthwhile endeavor.

¹⁹ [S. 1770](#), The Retirement Security and Savings Act of 2021. [H.R. 2954](#), The Securing a Strong Retirement Act of 2021.

²⁰ [H.R. 8990](#), The Lifetime Income for Employees Act, introduced in the 116th Congress by Representatives Don Norcross (D-NJ) and Tim Walberg (R-MI).

²¹ [S. 1870](#), The Enhancing Emergency and Retirement Savings Act of 2021, introduced in the 117th Congress by Senators James Lankford (R-OK) and Michael Bennet (D-CO). [S. 1019](#) - Strengthening Financial Security Through Short-Term Savings Accounts Act of 2019, introduced in the 116th Congress by Senators Doug Jones (D-AL), Tom Cotton (R-AR), Cory Booker (D-NJ) and Todd Young (R-IN).