

February 28, 2024

The Honorable Bernie Sanders  
Chairman  
U.S. Senate Committee on Health, Education,  
Labor and Pensions  
428 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Bill Cassidy, M.D.  
Ranking Member  
U.S. Senate Committee on Health, Education,  
Labor and Pensions  
428 Dirksen Senate Office Building  
Washington, DC 20510

Dear Mr. Chairman and Mr. Ranking Member:

On behalf of the American Council of Life Insurers, thank you for holding the Senate Committee on Health, Education, Labor, and Pensions hearing entitled: *Taking a Serious Look at the Retirement Crisis in America: What Can We Do to Expand Defined Benefit Pension Plans for Workers?* We appreciate your continued support and leadership on keeping the focus on retirement security.

ACLI advocates on behalf of 275 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 change, we are committed to providing 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 in retirement is a big challenge facing our country. Life insurers help people achieve their financial and retirement security goals, through products that are available, accessible, and affordable to all.

ACLI members represent 93 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 insurers' products and services in their employment-based retirement plans. ACLI members are also sponsors of retirement plans for their own 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 understand that by adequately and consistently saving for retirement, effectively managing assets throughout retirement and utilizing appropriate financial protection products, Americans can supplement Social Security and ensure retirement and financial security for life.

Americans face significant financial security challenges, and the life insurance industry plays a critical role in helping them plan, save and secure a guaranteed income in retirement. In 2022, American families received \$422.9 billion in payments from annuities, \$138.2 billion in payments from life insurance, \$21.6 billion in disability income insurance benefits and \$13.3 billion in long-term care

insurance benefits.<sup>1</sup> No other financial institutions provide Americans with the level of financial guarantees offered by life insurance companies.

## **Guaranteed Lifetime Income Products are Critical Retirement Savings Tools in Today's Retirement Landscape**

Planning for retirement continues to remain a challenge for many Americans. Fewer companies offer traditional lifetime pension benefits to new employees. More Americans rely on 401(k) plans and similar defined contribution retirement savings plans at work. Americans are living longer – sometimes 30 years or more after they retire. For many, Social Security's protected income is not enough for a secure retirement. These savers will need additional guaranteed lifetime income.

That is why retirement savers are increasingly turning to annuities as part of their plan for long-term financial security. An annuity is a contract between a consumer and a life insurance company. The consumer pays the insurer, which then pays the consumer per the terms specified in the contract. Annuities allow retirement savers to replicate a pension plan's guaranteed lifetime income stream. And unlike traditional defined benefit plans, in which the employer assumes the financial risk, with an annuity, the insurance company assumes the financial risk.

There are several types of annuities, with different features that can best fit the needs of different financial objectives. An immediate annuity provides immediate access to income in exchange for a lump sum. If retirement is still years away, a deferred annuity will help grow your savings until you are ready to begin receiving payments. Annuities are the only individual financial product that offer a guarantee of lifetime income and the peace of mind that comes from knowing that one will never outlive her retirement savings.

Stringent state and federal consumer protections regulate the sale of annuities. Since 2020, 42 states, covering nearly 80 percent of U.S. consumers, have adopted the new enhanced consumer protections in the National Association of Insurance Commissioners (NAIC) updated model regulation on annuity transactions. ACLI expects all states to adopt this increased standard by 2025. The NAIC updated model regulation aligns with the U.S. Securities and Exchange Commission's Regulation Best Interest. These state and federal efforts protect moderate-income retirement savers, unlike the Department of Labor's fiduciary-only proposal that would eliminate the option for retirement savers without the financial means or minimum account balances to hire a fiduciary to work with financial professionals compensated on a commission basis.

Guarding against running out of money during retirement is paramount. This year marks the beginning of "Peak 65," the largest surge of retirement age Americans turning 65 in American history. A record 4.1 million Americans are turning 65 this year. Over 4 million Americans will turn 65 each year through 2027, with more than 11,200 Americans retiring every day. A recent study conducted by Morning Consult for ACLI found that retirement savers are interested in taking steps to protect their savings through retirement. More than half (54 percent) say the current economy has them considering independently purchasing a guaranteed lifetime income product that pays out like a pension and nearly three quarters (73 percent) express interest in independently purchasing a guaranteed lifetime income product that pays out like a pension, including 68 percent who do not already have a pension.<sup>2</sup>

With the reduction of defined benefit plans in the marketplace, it's important to consider that annuities are the only way savers can secure lifetime income in retirement through the private

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<sup>1</sup> ACLI analysis of 2022 NAIC Annual Statement data.

<sup>2</sup> Morning Consult conducted a nationwide, online survey of 1,003 employed adults planning for retirement between the ages of 45 and 65 on behalf of the American Council of Life Insurers (ACLI). The survey took place May 10 through May 15, 2023 and has a margin of error of plus or minus 3 percent found at: [https://consumerprotection.life/wp-content/uploads/2023/05/2305054\\_ACLI\\_Retirement-Planning\\_CT\\_FINAL\\_3.pdf](https://consumerprotection.life/wp-content/uploads/2023/05/2305054_ACLI_Retirement-Planning_CT_FINAL_3.pdf)

sector. Annuities provide a “private pension” like what beneficiaries would enjoy through their defined benefit pension plan. Policies should continue to evolve to promote savings and address longevity protection by increasing access to lifetime income options, removing barriers to annuities in qualified retirement plans, with the aim to create a more financially inclusive retirement landscape and one that provides opportunities for greater retirement security.

### **Congress Should Expand on its Successful Track Record with Continued Bipartisan Retirement Policy Legislation**

Fortunately, retirement security policy legislation has historically been a bipartisan endeavor. The most impactful reforms have come from across-the-isle collaboration aimed at increasing Americans’ retirement savings.

The passage of the *Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019*, and the *SECURE 2.0 Act* in 2022, were the most comprehensive retirement packages passed since the Pension Protection Act in 2006 and are proving instrumental in increasing access to retirement plans. Additionally, these new laws took numerous steps to not only improve access to lifetime income, but to ease burdensome regulations that overcomplicated the use of these products.

For instance, boosting retirement security for employees at small firms and part-time workers was a big part of these efforts. We expect the benefits of the original SECURE Act and the SECURE 2.0 Act to be fully felt over several years but here is what we are seeing now:

- In 2019, prior to the enactment of the original SECURE Act, 48 percent of those employed by a small private sector business (less than 50 workers) had access to a defined contribution plan.
- In 2023, 52 percent of those employed by a small private sector business (less than 50 workers) had access to a defined contribution plan.
- In 2019, prior to the enactment of the original SECURE Act, 35 percent of all part-time workers had access to a defined contribution plan.
- In 2023, 40 percent of all part-time workers had access to a defined contribution plan.<sup>3</sup>

Still, there is more work to be done. Both the House and Senate lawmakers are at work to build upon this progress, and we ask policymakers to continue to look at how public support can spur private action to help Americans save for and guarantee a more secure retirement. Policymakers should continue to encourage retirement savings and support guaranteed income options for retirement. Focusing on ways to help more people achieve a financially secure retirement — increasing savings rates, access to workplace-based retirement plans and lifetime income security for *all* Americans, are all key to financial security.

As Congress continues to look for opportunities to increase Americans’ financial security, one critical element is the removal of barriers to guaranteed lifetime income products. Removing barriers to annuities, as well as modernizing existing law, provides savers with the option to ensure they have income for life. Public policy changes to increase access to and information about annuities through the workplace plans and beyond help to build a financial safety net that is critical in retirement.

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<sup>3</sup> Bureau of Labor Statistics, National Compensation Survey, accessed on January 25, 2024

## Pension Risk Transfer Protects Pension Beneficiaries

Congress has long recognized an annuity issued by a life insurance company as the only permissible substitute for an employer's pension obligations. The Department of Labor's Interpretative Bulletin 95-1 provides guidance to ERISA fiduciaries when selecting an annuity provider for the transfer of pension plan benefit obligations. The *SECURE 2.0 Act* directed the Secretary of Labor to review and, in consultation with the Advisory Council on Employee Welfare and Pension Benefit Plans, determine if amendments are warranted to Interpretative Bulletin 95-1. Employers who do not want to continue assuming the risk of maintaining a defined benefit plan have the ability to enter into a pension risk transfer arrangement with an insurance company – thereby transferring the risk to the insurance company while ensuring that plan participants and retirees receive the exact retirement benefit they have earned.

Robust and extensive state regulation and oversight to ensure that insurers can fulfill their long-term promises to customers. State insurance regulators use a variety of tools and confidential disclosures to supervise solvency issues and assess risks for both the insurer and from the broader holding company, when an insurer is part of a group.<sup>4</sup> This system has proved highly effective: since the 2008 financial crisis, ***no insurance company has failed to make a life annuity payment to a plan participant following a pension risk transfer.***<sup>5</sup> That track record is a function of the robust reserving and capital standards applied to insurers. Any additional Department of Labor guidance should recognize this strong solvency regime and not hinder employers' efforts to purchase annuities to protect private pensions for their plan participants and beneficiaries.

## Conclusion

The dedication of the Senate HELP Committee to advancing meaningful retirement security policy has had real-world, positive implications for savers. The current success of the retirement system can be improved further with even greater access and savings for *all* Americans. Public policy should continue to evolve to ensure low-income earners, part-time workers, and others can save at work. America's life insurers continue to support policies that enable all Americans to have access to information about more savings options, and the benefits of guaranteed lifetime income through annuities.

Thank you for your leadership on bipartisan policy solutions to increase retirement savings in America. We look forward to continued collaboration on retirement security policy efforts.

Sincerely,



Susan K. Neely  
President & CEO

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<sup>4</sup> NAIC, State Insurance Regulation, (2021) available at: [https://content.naic.org/sites/default/files/inline-files/topics\\_white\\_paper\\_hist\\_ins\\_reg.pdf](https://content.naic.org/sites/default/files/inline-files/topics_white_paper_hist_ins_reg.pdf).

<sup>5</sup> National Organization of Life Health Guaranty Associations ("NOLGHA"), Consumer Protection Comparison, The Federal Pension System and the State Insurance System (2016), available at <https://www.nolgha.com/resource/code/file.cfm?ID=2559>.