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

When it comes to retirement, life insurers are committed to working with policy-makers to find solutions to expand employer retirement plan coverage, increase savings rates, and provide guaranteed lifetime income so that every American family can achieve a comfortable, independent, and dignified retirement.

These common-sense improvements can strengthen our private retirement system and provide better retirement savings opportunities for more American households. All of the reforms and enhancements described here can, and should, be accomplished without diminishing the critical worker protections provided by ERISA, our well-established national framework for regulating private retirement plans.

Life Insurance Companies' Initiatives to Expand Coverage

Life insurers provide many savings options, including employer-based retirement plans and IRAs used by millions of Americans in their retirement planning. Today, 80 percent of full-time workers have access to a workplace retirement plan. IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement workplace retirement savings. Life insurers remain committed to seeking public policy to expand coverage to even more workers and families.

Public policy should expand access to workplace savings by:

- Making it easier and advantageous for small employers to offer workplace savings opportunities such as starter 401(k)s with simple to administer rules.¹
- Further encouraging and helping employers not yet prepared to sponsor their own retirement plan to join a multiple employer plan.²
- Permitting and encouraging employers currently without a workplace savings plan to automatically enroll employees into an IRA.³
- Providing a start-up credit to employers to offset initial and administrative expenses related to establishing workplace savings plans and automatic IRAs.⁴

Life Insurance Companies Are Working to Increase Participation and Savings Rates

Employer-sponsored retirement plans offer more than 83 million American workers and their families the opportunity to accumulate savings and improve their retirement security. More than 80 percent of full-time workers with access to a plan at work participate. Life insurers endorse proven voluntary efforts to boost savings rates, and continue to support public awareness about the importance of

¹Secure Annuities for Employee Retirement (SAFER) Act of 2013 (S.1270) – Senator Orrin Hatch (R-UT)

²Universal, Secure, Adaptable (USA) Retirement Funds Act (S.1979) – Senator Tom Harkin (D-IA); SAFER Act; Retirement Plan Simplification and Enhancement Act of 2013 (H.R.2117) – Rep. Richard Neal (D-MA); Small Businesses Add Value for Employees (SAVE) Act of 2011 (H.R.1534) – Rep. Ron Kind (D-WI)

³SAVE Act

⁴SAFER Act; Retirement Plan Simplification and Enhancement Act

accumulating savings and generating income to last a lifetime.

Public policy should encourage increased participation and savings rates by:

- Making the use of automatic enrollment, and automatic contribution escalation in qualified plans the default plan design and providing additional safe harbor relief to encourage adoption of these auto-features as well as the periodic re-enrollment of noncontributing workers.⁵
- Encouraging employers' to auto-enroll new employees with a default savings rate of 6% and remove the 10% cap on auto-escalation for safe harbor plans.⁶
- Facilitating higher contribution levels through a "stretch match" safe harbor that encourages workers to contribute more than 6% of compensation without increasing employer cost.⁷

Life Insurance Companies' Role in Guaranteeing Lifetime Income

Life insurers offer annuities, which are multi-year financial contracts that accumulate funds to provide a steady stream of income for either a set period of time or for the annuity owner's (or joint owners') lifetime. Since annuities are the only financial product that can guarantee a lifetime income stream, they provide peace of mind and financial security for their owners.

Public policy should facilitate access to and promote the use of guaranteed lifetime income by:

- Promoting retirement readiness with benefit statements that show participant savings as monthly retirement income in addition to an account balance.⁸
- Giving employers a clear way to meet their fiduciary obligation and provide guaranteed lifetime income options to plan participants.⁹
- Easing the administrative burden on employers of providing annuities in plans.¹⁰
- Reaffirming that investment options with guaranteed lifetime income features are eligible for qualified default investment alternative treatment.¹¹

State Initiatives to Expand Employer Coverage and Worker Participation

Every business with employees regularly interacts with the state government when it does business, starting with the initial application to conduct business in the state and continuing through regular submissions of business reports and tax returns. At any of these points of interaction, the relevant state agency (Department of Treasury, Secretary of State, etc.) can provide information to employers and employees about retirement plans for workers including:

- information about types of plans;
- ways to find a retirement plan provider;
- retirement plan calculators; and

⁵ SAFER Act; Retirement Plan Simplification and Enhancement Act

⁶ SAFER Act; Retirement Plan Simplification and Enhancement Act

⁷ SAFER Act; Retirement Plan Simplification and Enhancement Act

⁸ USA Retirement Funds Act; SAVE Act; Security Throughout Retirement Act (draft) – Sen. Maria Cantwell (D-WA); Lifetime Income Disclosure Act: H.R.2171 – Rep. Rush Holt; and S.1145 – Sen. Johnny Isakson

⁹ USA Retirement Funds Act; Security Throughout Retirement Act

¹⁰ USA Retirement Funds Act; SAFER Act; Retirement Plan Simplification and Enhancement Act

¹¹ USA Retirement Funds Act

- links to U.S. DOL websites with retirement information.

In addition to this employer outreach, we recommend consideration of other initiatives to increase both awareness of, and participation in, employer and individual retirement plans. These include:

- Create public/private partnerships to directly reach employers and encourage retirement plan participation. A possible model for the states is the new Washington State Small Business Retirement Plan Marketplace, created by SB 5826 in 2015. This program will connect small employers with existing low cost retirement plan options as well as the federal myRA saving plan.
- Engage public awareness campaigns with state and private resources
- Encourage participation in new federal MyRA Program
- Extend federal “savers credit” to state personal income tax, targeting lower incomes
- Offer a business tax credit for new retirement plan formation
- Create financial literacy programs in the public education system