Testimony of Robert Melia – Executive Director of the Institutional Retirement Income Council (IRIC)

To the Advisory Council on Employee Welfare and Pension Benefit Plans

Regarding Lifetime Income Solutions as a Qualified Default Investment Alternative (QDIA) — Focus on Decumulation and Rollovers

August 15, 2018

Distinguished members of the ERISA Advisory Council, IRIC is grateful for the opportunity to share our thoughts on the important policy matter of retirement security for America by promoting lifetime income within our DC system.

IRIC is comprised of and represents the collective views of a broad cross-section of service providers in the Defined Contribution industry. The mission of IRIC is to facilitate the cultural shift of defined contribution plans from supplemental savings programs to programs that provide retirement security through lifetime income. By providing a forum for insightful, solutions-oriented thought leadership on institutional retirement income, IRIC is promoting the need for retirement income adequacy for defined contribution plan participants. IRIC members believe in and promote the concept that 401(k) and similar plans need to become distribution income vehicles and not merely savings vehicles. As a result, our members strongly support the concept of providing defined contribution participants with meaningful and practical solutions for retirement security through lifetime income strategies and products within our DC system.

Our testimony today will follow the outline the advisory council provided to us in your issue statement. Our comments will be more detailed in those areas where IRIC may have a particular expertise or a unique thought leadership position on the subject.

Definition of Lifetime Income ('LTI') within a DC plan

Broadly speaking, LTI products and solutions can include guaranteed income streams and non-guaranteed income streams. Non-guaranteed solutions include:

- Systematic withdrawals – These would be automatic withdrawals from a participant's account that occur consistently over a period of time. For example, annual payments that meet the requirements of the required minimal withdrawals under 401(a)(9) would be a systematic withdrawal.
- Periodic payments. These would include partial payments to an account holder that can occur upon request but would not be "systematic" payments. For example, a retired participant who requests a one-time $10,000 payment from his 401(k) account would be a periodic payment.
- Managed payout service / managed payout funds – These would be advice strategies that seek to meet the needs and security of participants by paying out to them an advised amount. It is a financial service that helps plan participants turn their 401(k) balances into monthly retirement income that can last for life but is not guaranteed by an insurance company. They take the form of a managed payout mutual fund and / or managed advice service that creates a stream of income from the funds within the participant's 401(k) plan.

Guaranteed solutions include:

- Variable annuities with living benefits such as Guaranteed Minimum Withdrawal Benefit (GMWBs) or Guaranteed Minimum Income Benefits (GMIBs). Key features include: Downside protection, upside market participation, guaranteed income at high water mark, enables more aggressive investment mix.
- Deferred fixed annuities (this can be bought at point of retirement or the years leading up to retirement. This solution can also include QLACs). Key features include: contributions and

transfers that buy a future guaranteed income stream at current rates. COLA can also be offered.

- Immediate annuities – key features include: Plan Sponsor selects an Insurance Company through a fiduciary process. In-plan fixed income annuity is issued to plan, for the benefit of the plan participant.
- Custom approach – Key features include: Certain asset managers in the very large end of the market have created custom approaches using the GMWB features mentioned above but customizing the offering by using multiple insurance companies and requiring a quarterly bidding process on the annuity payout rate.

IRIC believes that both guaranteed solutions and non-guaranteed solutions within our DC system can bolster America's retirement security. Because of the pooling of mortality / longevity risk, guaranteed solutions enable participants to have a higher level of income and security that they could otherwise have if they tried to self-insure. At the same time, certain IRIC members with the assistance of the Society of Actuaries have concluded that retirement security for a majority of participants age 60+ (roughly participants with consolidated retirement plan assets between $100 k and $1 Million) can be greatly enhanced through optimizing choices under our social security system and using DC assets to facilitate social security optimization.[i]

To be brief, our DC system already has a plethora of lifetime income solutions – but adoption and take rates lag. The reasons for the lack of adoption are explored further later in this testimony.

<u>Rationale for including LTI features in a DC plan option</u>

From a policy perspective, the primary reason LTI features should be included in our DC system is the higher level of security that institutional products can provide over retail alternatives for the thousands of baby boomers who are retiring from their careers, and the multitude of millennials who are now entering the height of their saving years.

Every day, $1 Billion dollars leaves the DC industry and is rolled over to an IRA or individual annuity according to Cerulli, a Boston based research firm. Due to the demographics of America, this trend will continue for many years. In fact, outflows from our DC plans exceed contributions flowing into the DC system, again due to the demographics of America.[ii] The sooner our DC system provides income solutions that attract participants' utilization of such solutions, the sooner additional security can be provided to those retiring boomers and generations behind the baby boom generation.

The example below illustrates the effect institutional buying power can have regarding the security of America. Many participants and sponsors do not realize the institutional buying power a retirement plan has with its investment provider and recordkeeper. Large plans can offer investments within their plan with fees as low as 0.1% to 0.2% while IRAs can have all-in fees in excess of 1% of the rollover assets. Over many years, this difference in fees can have a dramatic effect on a participant's retirement security. In fact, in May of 2016, Plan Sponsor Journal reports that a fee differential of 1% can have a very significant impact over the long haul:

> "… Paying just 1% more in fees would cost a Millennial more than $590,000 in sacrificed returns over 40 years of saving. In another scenario, a Millennial with the option of investing in either of two commonly held funds can save nearly $215,000 in

> fees—and, with compounding, retire nearly $533,000 richer—by choosing the one with fees that are 0.93% lower…"[iii]

For insurance products, the same is true. A GMWB variable annuity offered by an insurance company member of IRIC on the retail side can have all in fees at or above 3%. A GMWB offered by that same insurer on a DC institutional platform would have fees of approximately 1.5%; or half of the retail cost.

The other policy reasons for intervention is longevity risk and the risks that longevity will have on federal and state social programs. If retirement readiness is not improved and seniors become a greater portion of the overall population, there is a risk that an increasing number of citizens will seek to rely on state and federal government social insurance programs if they run out of assets late in life. This would put additional pressure on such programs and the overall federal deficit as well as state budgets.

Finally, it should be noted that while rollover IRA's can enjoy protection from the claims of creditors in the context of a bankruptcy proceeding under the Federal bankruptcy laws, such protection may not exist in the case of creditor claims outside of a formal bankruptcy. The level of protection of a rollover IRA in a non-bankruptcy situation will be a function of local state law. In contrast, the non-alienation provisions of ERSIA protect an account in a 401(k) plan from the claims of creditors in both a bankruptcy and a non-bankruptcy context.

In short, the DC system can be an efficient mechanism in delivering retirement security. The DC system can deliver security through appropriate default mechanisms to large populations that would lessen the pressure on certain social programs and provide additional security to our aging population. When compared to the person – by – person sale effort of the retail marketplace our institutional DC platforms can be utilized to deliver additional security and ameliorate longevity risk in a far more efficient manner.

Lifetime Income products and innovations in the DC market place or elsewhere

IRIC prides itself on thought leadership regarding income in the DC space. One of our asset manager members is innovating with a deferred annuity / QLAC that will be part of a customized target date fund. Another research member, along with the Society of Actuaries, continues to test different theories and scenarios on the optimization of retirement security by incorporating social security elections and other non-retirement assets, while other members along with a prominent asset manager conjoined to offer a state of the art GMWB offering to large clients with multiple insurers backing the guarantee and bidding on contribution flows to the GMWB product offerings. Finally, IRIC also works to educate sponsors on the various new products and works hard to gain more and more acceptance of innovative income products in the consultant and intermediary space.

Policy can support this innovation through legislation such as the Retirement Enhancement and Savings Act of 2018 (RESA)[iv]. IRIC and its members strongly support the concept of providing defined contribution participants with:

- Additional knowledge on their own retirement readiness through "income" projections on participant statements
- The ability to protect the benefits of an investment in a guaranteed income product in the event their plan sponsor decides to no longer offer the guaranteed product or change plan recordkeepers

- The security and comfort associated with an approved methodology to ensure appropriate fiduciary review of the insurer offering the guarantee

We appreciate the fact that RESA will make significant strides in bringing additional security to future retirees by advancing the three points noted above. RESA will provide the legislative catalyst needed to increase adoption and market acceptance. Service providers will then have a marketplace and incentives to continue investing in development and refinement of institutional income products.

Observations on the usage of Lifetime Income products in DC plans

LIMRA, a separate trade organization that provides comprehensive, unbiased research and education covering all aspects of the retirement industry has track the usage of part of the guaranteed Institutional market. Five of the seven members that participate in the LIMRA survey are also members of IRIC. According to LIMRA, at the end of 2017 there are 35,500 plans that offer an in-plan guaranteed solution; there are more than $4.5 billion of assets that have invested in the guarantee that include 83,300 participants. Interestingly, the in-plan offerings are spread evenly across all plan sizes; the mega / large market has 31% of the assets; the mid-market has 36% of the assets while the small market has 33% of the assets that comprise in-plan guarantees.

Despite the figures above, a closer look of the trends show that the guaranteed in-plan market has flattened over the last three years. The table below represents part of the tracking study by LIMRA:

	2015	**2016**	**2017**
Number of plans offering in-plan guarantees	35,500	35,400	35,500
Participants in plans offering in-plan guarantees	3.08 million	3.15 million	3.47 million
Assets in plans offering in-plan guarantees	$162.1 billion	$156 billion	$155 billion

There are several surveys and observations that can explain, at least in part, the reason for the stagnation of the in-plan income market. Those reasons are detailed later in this testimony. The good news however is that most employers (85%) believe that the core purpose of sponsoring a DC plan is to offer a stream of income in retirement according to a 2016 survey by MetLife. In a separate 2016 survey, Willis Towers Watson found that 94% of plans have either added a guaranteed lifetime income solution to their plan or were contemplating adding a solution:

- 23% of plans solutions already adopted a guaranteed lifetime income product
- 2% were adding a guaranteed lifetime income product
- 16% were in the process of determining and analyzing lifetime income products and were contemplating adding a guaranteed lifetime income product in the next year, but were not yet committed to adding the feature.
- 53% may take up the issue after the next year and determine if adding a guaranteed lifetime income product made sense for their plan

In short, plan sponsor interest in the addition of lifetime income solutions to the DC system far outpaces the actual adoption of products and solutions that are currently available in the marketplace. In light of this finding, we explore below what obstacles are preventing additional adoption that would meet plan sponsor desires while also meeting the policy objective of additional retirement security for America. And with that, we point out certain steps our regulators and legislators could do to ameliorate some of the obstacles that prevent widespread adoption and utilization of such solutions.

In the Willis Towers Watson Survey, the top obstacles that prevent adoption are:

- Fiduciary risk
- Cost
- Market offerings are not satisfactory or are too new
- Choosing one solution assumes a single solution meets the needs of all participants
- Administrative Complexity

The MetLife survey found similar reasons

- Fiduciary exposure (38.3%)
- Costs (33.3%)
- Operational hurdles (32.9%)
- Non-portability (28.9%)
- Risk exposure from the insurer guaranteeing the product (26.5%)
- Lack of interest from participants (17.3%)
- Not the role of the employer to provide lifetime income products (13.3%).

As we dig into the data further, the Willis Towers Watson survey found the following plan sponsor concerns specifically about insurance backed guaranteed solutions in column one. In column two we point out how to relieve the concern through current or proposed legislative or regulatory initiatives. Column three comments on the issue:

Plan Sponsor Concerns	Legislation / Regulations	Comments
Insurance-backed products create new administrative complexities for the plan sponsor and record-keeper	RESA and other similar bills would resolve the portability issue which is the primary administrative complexity	IRIC supports RESA
We are generally uncomfortable taking on fiduciary risks associated with insurance-backed products	The fiduciary safe harbor in RESA is workable, protects participant interests while providing sponsors reasonable relief from fiduciary risk	IRIC believes the fiduciary safe harbor in RESA would be a legislative catalyst for retirement income
We are concerned that plan participants invested in insurance-backed products may face portability restrictions if terminating employment or otherwise leaving the plan	RESA solves for the portability issue by enabling participants to "port" or rollover their guaranteed investment into an IRA with the Insurer.	IRIC believes that Participants will rollover their guaranteed amount to preserve the assets and the guarantee for future income needs. This will not contribute to any leakage from the retirement system.
Fees for insurance-backed products are too high relative to the benefit provided, i.e., reduced longevity risk	Fee disclosure under 408(b)(2) and 404a(5) along with fiduciary standard of care already show reduced cost when compared to retail products.	This statement would not be a concern in the institutional market place as plan sponsors use their institutional buying power to generate additional retirement security for their participants
We are actively monitoring this area for future developments	RESA would be the legislative catalyst needed to significantly open the market	In a survey done by IRIC, members believe that non-guaranteed solutions will see wider adoption in next two years. However, if RESA passes, IRIC members believe that guaranteed solutions will see significant growth
We see the benefit to plan participants of	RESA safeguards would eliminate	IRIC believes that we need a legislative catalyst to

insurance-backed products, but we do not want to be early adopters	this concern	bring guaranteed income as a mainstay in the DC market place
We are concerned that offering insurance-backed products may limit our ability to change record-keepers or providers in the future	RESA's portability provisions eliminate this concern	The primary reason that guaranteed products may entangle a sponsor to a certain recordkeeper is that guarantees that are "in the money" (participants purchased the guarantee during favorable market conditions or favorable interest rate environments) would be liquidated and lost when plan assets move to the new RK and new investment menu. RESA's portability provisions would eliminate this risk
The 5-step safe harbor available to plan fiduciaries for selection of insurance-backed products is not sufficiently clear	RESA's new safe harbor would be well received in the market place and eliminate this barrier.	IRIC believes the new safe harbor in RESA would give sponsors the relief needed to adopt guaranteed income products.

Analysis of QDIA issues

IRIC believes that the QDIA guidance could be improved in three areas:

1. Plans that do not include guaranteed lifetime income as part of their plan's QDIA, but offer guaranteed lifetime income solutions upon retirement, should be afforded fiduciary relief either through the RESA safe harbors or through an expansion of the current QDIA regulations to include qualified default INCOME alternatives. (QDIA-2)
2. In a letter dated October 2014 from Phyllis C. Borzi, Assistant Secretary for Employee Benefits Security Administration to Mark Iwry, Senior Advisor to the Secretary and Deputy Assistant Secretary for Retirement and Health Policy, Department of the Treasury, the EBSA certified that adding a unallocated deferred annuity contract to a target date fund that otherwise meet the QDIA requirements would not in and of itself cause the investment to no longer meet the QDIA requirements. It would be helpful if this letter and guidance was broadened to include variable annuities with living benefits (i.e. GMWBs) in addition to relief afforded deferred fixed annuities that were part of a target date fund / QDIA.
3. In an informational letter in December of 2016 to Mr. Chris Spence, Senior Director, Federal Government Relations, TIAA from Louis J. Campagna, Chief, Division of Fiduciary Interpretations; Office of Regulations and Interpretations – EBSA, the EBSA confirmed that adding an annuity to a default investment that did not meet the liquidity requirements of the QDIA regulations (liquidable and transferable with 90-day notice / request from the participant) could still be a prudent default investment.

   > "It is the view of the Department that a fiduciary of a participant-directed individual account plan could, consistent with the provisions of Title I of ERISA, prudently select an investment with lifetime income elements as a default investment under the plan if it complies with all the requirements of 29 CFR 2550.404c-5 except for reasonable liquidity and transferability conditions beyond those permitted in paragraph (c)(5)(i) of the regulation."

   The letter then proceeds to describe the steps a sponsor should consider and take to ensure that the selection of a default with an annuity meets the prudence requirements of ERISA.

Over the last 5 years, income from DC plans has become a much more important policy objective. Since fixed annuities are able to provide significantly more income because the investment in the fixed annuity limits its liquidity, we believe that revising the liquidity and transfer requirements of the QDIA regulations could provide an opportunity to enhance the use of default investment mechanisms and default income generation while increasing income and security to Americans though the use of annuities. We suggest that the EBSA request information from insurers regarding fixed annuities and how such insurance products could be incorporated into QDIA investments with a goal of maximizing income while still offering transferability up to a certain age or with less frequency than the current 90-day requirement.

Assessment of Deterrents to incorporating LTI products in DC plans

See comments above in the section entitled *"Observations on the usage of Lifetime Income products in DC plans"*

Review of Portability of LTI options including plan-to-plan rollovers

In order for LTI to gain market acceptance, two important portability issues need to be addressed; one involving consolidation of participant's accounts from former plans and IRAs the second facilitating rollovers of guaranteed products. IRIC proposes and supports enhancement of portability in two distinct ways:

- First, we propose to facilitate portability from former employers' plans to new employers' plans, which will help facilitate the conversion of the consolidated amounts into retirement income.
- Second, we propose to enhance the portability of guaranteed retirement income when the plan sponsor no longer offers the guaranteed benefit / investment option. This is necessary to solve for portability barriers that have prevented adoption of guaranteed income solutions.

We believe that it is important for employees' savings to be easily portable when employees move from one employer to another, so that their savings can be consolidated at their new employer. There are several ways that public policy can facilitate this portability. In this regard, we strongly support the 2016 recommendations of the ERISA Advisory Council, which are set forth below: The Secretary of Labor would be directed to issue such guidance or educational materials as are appropriate to encourage and support the adoption of secure electronic data standards for the development of a process, system, platform, and/or clearinghouse to facilitate the acceptance and expedite processing of eligible rollovers into qualified retirement plans. This includes:

- Standard data elements
- Electronic forms processing
- Electronic transfer of funds.

The Secretary of Labor would be directed to publish retirement plan sponsor education to encourage sponsors to support participant-initiated plan-to-plan transfers and publish sample participant communications that educate participants on the potential benefits of and process for consolidating accounts.

The Secretary of the Treasury would be directed to:

- Consolidate and clarify existing guidance with respect to the safe harbor requirements to obtain relief from disqualification for plans accepting rollovers, and
- Revise, simplify, and update the notice required under Code section 402(f) (regarding tax consequences of distributions and rollover rights) and provide accompanying guidance to encourage plan-to-plan transfers and account consolidations.

In short, as baby boomers near retirement, they begin to think about ALL their retirement assets and begin the process of consolidating their assets that are likely spread across several IRAs and / or former retirement plans. In today's market that consolidation process is almost exclusively performed by wealth management specialists and investment / financial services firms eager to receive rollover assets into a single retail IRA or individual annuity and create a distribution plan for the participant in retirement. As noted earlier in this testimony, America's retirement security would be substantially increased if the institutional DC market could consolidate assets into the baby boomer's / participant's defined contribution account. Having all retirement assets in a participant's final DC account is an essential element to increased retirement security.

An additional reform needed would be the ability to rollover to an IRA or receive in the form of a distributed annuity any guaranteed product that is no longer offered by the plan sponsor. An impediment to the adoption of guaranteed products is the inability to rollover or transfer these guarantees when an employer no longer wants to offer the guaranteed product. In such a case, the participant may lose their guarantee and any value associated with the guarantee if the guarantee is no longer offered in the plan. However, if the decision by the plan sponsor to no longer offer the guaranteed product triggered a distributable event that enabled the participants with the guaranteed product to rollover the guarantee to an IRA or distributed annuity, there no longer would be an impediment to adoption of such products due to portability concerns. RESA already has provisions that would enable portability of lifetime income products that would eliminate the portability barrier that prevents adoption of guaranteed lifetime income solutions.

Ideas to encourage participants' use of LTI products

1. *Require Employees to Purchase Lifelong Income*[v]

Through the use of certain mandates, America can help provide more stable and secure income for retirees who lack the income guarantee previously provided by traditional DB plans.

Background. Social Security continues to provide a strong income foundation for many workers in retirement, especially those with below-average incomes. That said, many retirees still rely on payments from traditional DB plans to supplement the income they receive from Social Security. In recent years we've seen a significant decline in DB benefits. In fact, DC plans have now become the predominant retirement savings vehicle in the United States, and the share of retirees that rely primarily on DC savings has increased sharply. However, DC plans are still mainly designed for the accumulation phase and, for many, they lack the lifetime income distribution options previously provided by DB plans.

From the participant's point of view, DC plans have two main disadvantages when compared with DB plans. First, participants in DC plans bear all the responsibility and uncertainty for investing and drawing down their savings by themselves, whereas in DB plans investment professionals make the decisions. Second, unless they purchase an annuity, and very few do, participants in DC plans are fully exposed to the risk of outliving their savings. With steadily increasing life expectancy it is no wonder that concerns regarding retirement consistently top the list of Americans' financial concerns. Without policy intervention the next generation is facing a significant retirement challenge.

Our Proposal. We have seen that automatic enrollment and automatic escalation features in DC plans have been accepted by participants and plan sponsors; the use of these features is intended to help participants create a more secure financial retirement. The next step in the process would be to introduce guaranteed income in retirement as a required default. It is our recommendation that plan sponsors be mandated to incorporate design features that default to lifetime income from the DC plan. The proposed approach is to mandate that at least a portion (50%) of a participant's accumulated assets be used to purchase some form of guaranteed income unless the participant opts out of this distribution option. There are several options that a plan sponsor could use to meet this requirement. For example:

- A target date fund (TDF) or other QDIA that includes the purchase of an insurance contract that provides guaranteed lifetime income. The insurance contract can include fixed annuities, deferred fixed annuities, variable annuities with living benefits or other contracts that provide guaranteed lifetime income. The TDF / QDIA glidepath must result in at least 50% of the participant's balance being invested in the guaranteed income contract unless the participant opts out, with the remainder of the account available to the participant in a lump sum or other form of distribution. The QDIA should institute the guarantee at an appropriate age (for example many of the TDFs with a GMWB institute the guarantee and the associate insurance fee approximately 10 years prior to the targeted retirement date.)
- QLACs — If a plan uses QLACs or other deferred income annuities where income payments start in late life (after age 80), the percentage of the balance to be allocated to guaranteed income would be reduced to 25% of the total TDF assets at normal retirement age ("NRA"). If the QLAC limits are raised above the current $130,000 or 25% of account balance either through legislation supporting mandates or other legislation, we would support such improvements.
- If the plan does not utilize a TDF / QDIA with guaranteed contracts from an insurance company, the plan can alternatively require that at least 50% of the participant's balance would be defaulted to the purchase of guaranteed lifetime income. The guaranteed income purchased can include, but is not limited to, traditional fixed annuities, deferred fixed annuities, variable annuities with living benefits, or other contracts that provide plan participants guaranteed lifetime income. The employer could purchase a lifetime income annuity, either directly from an insurance company, or through an insurance exchange (a shopping service). This would allow the employer to select an institutionally priced income annuity and help ensure that participants would receive lifetime income from the accumulated value of their account for reasonable fee and far below the fees charged on the retail side of the business.

- If the plan does not utilize a TDF / QDIA with guaranteed contracts from an insurance company, the plan can alternatively require that at least part (amount to be determined by regulations) of the participant's balance would be defaulted to the purchase of a <u>non-guaranteed</u> lifetime income solution. For example, earlier in this testimony we discussed Steve Vernon's study: How to "Pensionize" Any IRA or 401(k) Plan.[vi] This solution would be appropriate for many middleclass participants that have between $100,000 and $1 Million dollars in define contribution / retirement assets. This solution would have to be an irrevocable election to meet the policy objective of income for life. We would like to note that although not guaranteed by an insurance company, the income from this solution is nonetheless a lifetime solution due to the way the income would be distributed. Since the required minimum distribution solution table would be used, where the income calculated and distributed would be over the remaining life expectancy, most participant would not run out of money based on the calculation used.[vii]

Although the above mandated distribution options may sound far-reaching, IRIC would point out that our own Social Security system requires distribution in the form of an annuity and for most of the history of DB plans, distributions were generally made available only in the form of an annuity. The proposal would only be a default requirement – not a mandate of an annuity distribution (participants could opt out of the defaulted form of distribution). Additionally, IRIC would like to point out that current proposed legislation (Congressman Richard Neal's bill - The Automatic Retirement Plan Act of 2017) would require that at least 50% of every vested account must be available for distribution in a form that provides guaranteed income for life. IRIC's proposal builds on the Neal bill by requiring a default to guarantee form of income (for 50% of the vested account balance) in addition to simply making the guaranteed option(s) available to participants.

Finally, IRIC supports the idea that converting a participant's balance and accrued benefit into useful 'income' figures will help participants understand their income, security and retirement readiness. IRIC specifically agreed with the EBSA's approach in 2013 on income projections on statements. As specifically stated by the DOL in the Federal Register, the rule contemplated would have required that the current balance and current accrued benefit to be projected to normal retirement age:

> "(vi) If the participant has not reached normal retirement age as defined under the plan, the current dollar value of the projected account balance at normal retirement age…"would be used based on certain assumptions.

The RESA legislation has a similar provision that would require participants to see their balance in the form of an income stream. IRIC shared some ideas with Senator Hatch and Senator Wyden (authors and current sponsors of RESA) regarding the RESA requirements in this regard. Due to the number of references to RESA throughout this testimony, we have included a copy of our letter to Senators Hatch and Wyden in appendix 'A' of this testimony. Suffice it to say that the conversion of assets to a stream of guaranteed income on an annual statement would gain significant participant understanding of the benefits of guaranteed income and we believe cause many participants to accept the defaulted guaranteed income solution that is part of their plan design as proposed by IRIC.

Thank you for taking the time to consider our testimony. IRIC stands ready to provide any additional assistance the advisory council may need. To contact IRIC, please call or email Bob Melia – IRIC's executive director. 609 941-8362 / robertmelia61@gmail.com .

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[i] See How to "Pensionize" Any IRA or 401(k) Plan; STANFORD CENTER ON LONGEVITY.
Steve Vernon, FSA Research Scholar Stanford Center on Longevity

[ii] See Cerulli Associates: 401(k) Becomes Cash-Flow Negative By 2016 By Michael Kling

[iii] See The Evolving DC Plan - From Accumulation to De-accumulation – by William R. Charyk, partner, Arent Fox LLP John A. Pickett, senior vice president, Captrust Advisors, Mark J. Foley, vice president, institutional income, Prudential Retirement and Bob Melia Vice President of Product Development for the Retirement Plan Services Product and Solutions Management team at Lincoln Financial Group

[iv] Other pending legislation that would promote innovation and lifetime income acceptance include: Automatic Retirement Plan Act of 2017,; Lifetime Income Disclosure Act, S. 267;

[v] IRIC would like to recognize SSGA and the work product of the SSGA Blue Zone Mastermind group efforts. Many of the concepts in this section originated with this group formed by SSGA. IRIC and SSGA Blue Zone Mastermind groups have several common members.

[vi] See How to "Pensionize" Any IRA or 401(k) Plan; STANFORD CENTER ON LONGEVITY.
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[vii] See Table III from IRS publication 590

APPENDIX A – IRIC's letter to Senators Hatch and Wyden regarding RESA legislation

RESA_2018_Comment_letter_final.pdf

URL Link to the letter is below

http://iricouncil.org/wp-content/uploads/2018/04/RESA-2018-Comment-letter-final.pdf