

2022 FEDERAL RETIREMENT SECURITY BLUEPRINT

EXPAND USE OF PROTECTED LIFETIME INCOME

ALLOW BROADER USE OF QLACS

Treasury Department regulations have created a barrier that limits the amount a retirement saver can save when purchasing a qualifying longevity annuity contract (QLAC), thereby reducing their ability to insure against outliving their savings throughout their retirement years. **Congress should enact legislation such as the “Retirement Security and Savings Act” (S.1770-117th Congress) or the “Securing a Strong Retirement Act” (H.R.2954-117th Congress), which would direct the Secretary of the Treasury to eliminate the existing barriers and make QLACs more available.** The legislation would remove these barriers and allow more workers and retirees an opportunity to insure against the risk

of outliving their accumulated retirement savings, keep more of their tax-deferred savings longer, and provide the workers and retirees with protected guaranteed monthly income throughout their lifetime. The legislation would also ease the administrative challenges of rolling over funds to purchase a QLAC. It would allow larger contributions into QLACs so individuals can meet their longevity protection needs and clarify that a divorce occurring after a QLAC is purchased but before payments commence will not affect the previous permissibility of the joint and survivor benefits purchased under the contract.

FACILITATE THE USE OF LOW-COST ETF INVESTMENTS IN VARIABLE ANNUITIES

Exchange-traded funds (ETFs) are pooled investment vehicles providing instant access to a well-diversified, low-cost, high-value investment portfolio for individuals saving for retirement. Currently, ETFs are widely available through retirement plans, IRAs, and taxable investment accounts but generally are not available within variable insurance products. An annuity ETF structure could offer consumers lower-cost investment options and appeal to the fee-based advisory market, primarily utilizing ETF structures for client accounts. Due to the way ETFs are structured, current Treasury Department regulations, which pre-date ETFs, have created significant technical barriers to the inclusion

of ETFs on the menu of investment options offered in a vast majority of variable insurance products. While there remain some operational challenges to including ETFs as options within variable annuities, **Congress should enact legislation, such as the “Retirement Security and Savings Act” (S.1770-117th Congress) or the “Securing a Strong Retirement Act” (H.R.2954-117th Congress), which would direct the Treasury Department to amend its regulations to allow ETFs to be offered within variable insurance products.**

AUTHORIZE EXPANDED USE OF LIFETIME INCOME PRODUCTS AS DEFAULT INVESTMENT OPTIONS

Qualified default investment alternatives (QDIAs), created by the *Pension Protection Act of 2006* ([Public Law 109-280](#)), have proven to be an essential step forward in enhancing retirement security for America's workers. Unfortunately, current Department of Labor regulations inhibit the use of certain investment options that do not meet specified liquidity requirements. As such, plan sponsors are prevented from including guaranteed lifetime income products as default investment options for plan participants,

and there is currently no mechanism enabling savers to convert their QDIA savings into lifetime income. **Congress should enact legislation, such as the “Lifetime Income for Employees Act” (H.R. 6746-117th Congress), which would allow plan sponsors to utilize annuities that provide a guaranteed return on investment and have a delayed liquidity feature as a default investment vehicle for a portion of contributions made by a retirement saver who has not made investment selections.**

PERMIT DEFINED CONTRIBUTION PLANS TO OFFER PROTECTED LIFETIME INCOME OPTIONS AS A DEFAULT FORM OF DISTRIBUTION

Several recent studies have shown that millions of workers and retirees are concerned about their ability to accumulate sufficient savings to provide sustainable income to last during their retirement years. This anxiety has significantly grown in the past year with the COVID-19 pandemic's impact on retirees' and workers' physical and financial health. Additionally, recent research conducted by IRI revealed that workers have a high level of interest in having income generated from their retirement savings protected throughout their retirement years. The research also found that demand for protected lifetime income solutions, such as annuities, to be included in workplace defined contribution retirement plans is high, with more than two-thirds of workers being very or somewhat likely to allocate a portion of their plan to annuities. To address workers

and retirees anxiety and insecurity about outliving their retirement savings, **Congress should enact legislation that would provide employers with a fiduciary duty safe harbor if offering lifetime income solutions as a default distribution option for defined contribution plans. Congress should ensure that all fiduciary duties required under the *Employee Retirement Insurance Security Act* ([Public Law 93-406](#)) are complied with, and those savers are notified of the default annuitization and have the right to opt-out.** Providing for protected lifetime income distribution options to be offered as a default in defined contribution plans will help to further protect individuals from longevity risk and enhance and strengthen their retirement security.

CLARIFY FIDUCIARY STATUS FOR PROVIDERS OF GUARANTEED PRINCIPAL PRODUCTS IN WORKPLACE RETIREMENT PLANS

Many insurance companies offer products backed by the assets in their general account that protect the principal while providing interest at higher rates than other available options. Recently, the issuers of these products have been targeted by lawsuits seeking to hold them liable as fiduciaries under ERISA despite the existing statutory exception for general account products. This legal uncertainty inhibits insurers from offering such products to plan participants without violating ERISA's stringent prohibited transaction rules. Moreover, attaching ERISA fiduciary status to the issuers of general account products is unnecessary to

protect retirement savers, as plan sponsors are already subject to fiduciary duties under ERISA when deciding whether to offer these products to their plan participants. **Congress should enact legislation such as [H.R.7278-115th Congress](#), which would amend the *Employee Retirement Income Security Act of 1974* ([Public Law 93-406](#)) to clarify that the offering and sale of general account products would not trigger fiduciary status in order to ensure that retirement savers can continue to use these valuable products to achieve their retirement goals.**