



Insured Retirement Institute

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Dear Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs:

The Insured Retirement Institute (IRI)¹ writes in anticipation of the committee's confirmation hearing for the Mr. Gary Gensler, President Biden's nominee for Chairman of the U.S. Securities and Exchange Commission. We respectfully request that Committee members consider inquiring of the nominee about his views, thoughts, and plans to address the challenges America's workers and retirees face as they seek to accumulate sufficient savings to enjoy a secure and dignified retirement.

Congress enacted the comprehensive Setting Every Community Up for Retirement Enhancement Act (SECURE Act) in December 2019. With its enactment, America's workers and retirees were able to take a step forward on the path to retirement security as the new law expanded access to workplace retirement savings and protected lifetime income. However, there is still much more that can and needs to be done, especially with many workers and retirees experiencing an unexpected detour on that path when our nation found itself amid an unprecedented health crisis that spurred momentous disruptions to our nation's and the world's economies. These disruptions resulted in unanticipated market volatility impacting the retirement savings of millions of workers and retirees, deepening their anxiety about their retirement outlook².

America's Retirement Security Crisis

Americans are at an increased risk of outliving their savings and assets due to a confluence of several factors – chiefly the shift from defined benefit to defined contribution plans and an increase in longevity. These challenges have placed significant savings and income burdens squarely on the shoulders of individuals – particularly middle-income Americans –and increasing pressure on both the public and private retirement systems to meet those challenges.

As the sixty-million strong Baby Boomer generation reaches retirement age at the rate of 10,000 a day until 2030, they face immediate and unprecedented income challenges which did not exist for previous generations. According to IRI's *Boomer Expectations for Retirement 2019* report, only 23 percent of Baby Boomers, aged 56 to 61, expect to receive a pension from their private employer. In 1985, over 114,000 private sector defined benefit plans were in place but by

¹ The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks, and marketing organizations. IRI members account for 90 percent of annuity assets in the U.S., include the top 10 distributors of annuities ranked by assets under management, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community. Learn more at www.irionline.org.

² [2020 Retirement Survey](#), Kiplinger's Personal Finance and Personal Capital, January 6, 2021. The survey found that nearly three-quarters of respondents (74percent) are somewhat to very worried about their investments, nearly half (48percent) said they check their portfolio or retirement account balances either daily or weekly.

2019, only 25,000 remained³ and only 16 percent of workers had access to such a plan⁴. With the remaining public-sector defined benefit plans increasingly being frozen or terminated, virtually all the options to replace the loss of defined benefit plans require individual savings. This shift coupled with today's historically low savings rates – 45 percent of Baby Boomers have nothing saved for retirement⁵ – and insufficient access to workplace retirement plans has forced many Americans to reconsider their retirement options and alternative sources of income.

Additionally, the move away from defined benefit pensions has increased the likelihood of a retiree outliving their savings. According to the Society of Actuaries Longevity Illustrator⁶, for a couple at age 65, there is an 89 percent chance one will reach age 85, a 73 percent chance one will reach age 90, and in nearly one-half of couples, one person will survive to at least age 95. This means individuals are now responsible for ensuring their savings last through retirements that can span 20 to 30 years or more. Therefore, it is not surprising when IRI research revealed that only 23 percent of the Baby Boomer generation believes it will have enough money to last throughout retirement⁷. These trends place nearly 30 million Americans at immediate risk.

Baby Boomers are not the only generation to be impacted by shifting opportunities and longer lifespans. Forty percent of Generation Xers have no retirement savings, a decrease from the 45 percent who reported retirement savings in 2016⁸. And while the oldest Gen Xers have nearly a decade before reaching traditional retirement age, only one-third have tried to calculate how much they will need to save to retire, 30 percent anticipate having to work past age 65, and a quarter doubt if they will retire⁹. Similarly, while 80 percent of Millennials are saving for retirement, they are wildly under-saving with nearly half having saved less than \$10,000¹⁰. Both Generation Xers and Millennials expressed concerns that changes to the Social Security system will keep the program from providing meaningful income in their retirement years, with just 47 percent of Generation X¹¹ and 55 percent of Millennials¹² expressing confidence in the program.

COVID-19 Impacts America's Retirement Security

A survey conducted by the Alliance for Lifetime Income in July 2020 found that 70 percent of retirement savers are now more pessimistic in their retirement outlook due to the pandemic and 56 percent may need to delay their retirement to a later date. The same survey also found that only one in three Americans are very confident they will be able to cover all their retirement expenses.¹³

Another survey conducted by Transamerica found that more than half of workers have had their employment situation impacted by the pandemic through reductions in hours, wages, lay-offs, furloughs, and early retirements. These actions have negative consequences on a worker's ability to contribute to an employer-provided retirement account. The Transamerica survey found that one in five workers either have or are planning to withdraw funds from retirement savings accounts to cover living expenses¹⁴. Nearly 20 percent of workers also report contributing less to a workplace retirement savings plan than prior to the onset of the pandemic¹⁵. Those who reported contributing less to their

³ Scott G Young, "[PBG 2019 Actuarial Report](#)," Pension Benefit Guarantee Corporation, March 26, 2020.

⁴ "[Bureau of Labor Statistics Data](#)," U.S. Bureau of Labor Statistics, accessed December 7, 2020.

⁵ "[Boomer Expectations for Retirement 2019, Ninth Annual Update on the Retirement Preparedness of the Boomer Generation](#)," Insured Retirement Institute, April 8, 2019.

⁶ [Longevity Illustrator](#), Society of Actuaries.

⁷ "[Boomer Expectations for Retirement 2019: Ninth Annual Update on the Retirement Preparedness of the Boomer Generation](#)," Insured Retirement Institute, April 8, 2019.

⁸ "[Generation X and Retirement Readiness: They're \(Mostly\) Doing It Wrong](#)," Insured Retirement Institute, 2018.

⁹ *Ibid*

¹⁰ "[Millennials and Retirement 2020: Understanding, Savings, and Planning](#)," Insured Retirement Institute, 2020.

¹¹ "[Generation X and Retirement Readiness: They're \(Mostly\) Doing It Wrong](#)," Insured Retirement Institute, 2018.

¹² "[Millennials and Retirement 2020: Understanding, Savings, and Planning](#)," Insured Retirement Institute, 2020.

¹³ Scott G Young, "[PBG 2019 Actuarial Report](#)," Pension Benefit Guarantee Corporation, March 26, 2020.

¹⁴ "[Retirement Security Amid COVID-19: The Outlook of Three Generations](#)," May 2020..

¹⁵ *Ibid*

retirement savings can be further broken down generationally, with about 16 percent being Baby Boomers, 18 percent being Generation Xers, around 15 percent being Millennials, and about 27 percent identified as Generation Z¹⁶.

The most recent research, a survey conducted in November 2020 by Kiplinger's Personal Finance and Personal Capital¹⁷ revealed that nearly 60 percent of Americans withdrew or borrowed money from an IRA or 401(k) during the pandemic, and nearly two-thirds (63 percent) used those retirement savings to cover basic living expenses. The survey also found that the amounts people withdrew or borrowed from their retirement accounts were significant with 32 percent withdrawing \$75,000 or more and 58 percent of those who took loans borrowed between \$50,000 and \$100,000. Additionally, the survey showed more than a third (35 percent) said they now plan to work longer due to the financial impact the pandemic has had on their retirement.

The negative economic effects of the COVID-19 recession are clearly further exacerbating the retirement savings crisis our nation was already facing and has put millions of America's workers' retirement security in great jeopardy. As this subcommittee and Congress consider ideas to help America recover from the COVID-19 pandemic's recession and mitigate the deepening retirement security crisis, we respectfully encourage you to pursue and enact measures to help American retirement savers get back on track towards achieving a secure and dignified retirement.

Suggested Questions for the Nominee

IRI respectfully submits the following questions for members of the committee to consider posing to the nominee during the upcoming confirmation hearing.

1. How would the nominee propose to preserve and promote access for retirement savers to professional financial guidance, education, and information?
 - a. Federal and state regulators have recently enhanced the standard of conduct for financial professionals who provide personalized advice about investments and/or insurance to retail consumers. This new framework requires financial professionals to act in their client's best interest without putting their own interest ahead of their clients. However, it also recognizes that a one-size-fits-all solution is not appropriate as many clients neither want or need ongoing advice from a fiduciary, or the additional fees that come along with this service. Does the nominee believe the effectiveness of this newly established framework should be objectively assessed in practice before regulators consider making any further significant changes to ensure that America's workers and retirees are protected by a clear, consistent, and workable best interest standard without depriving them of access to valuable financial products and services?
 - b. In October 2020, the SEC and FINRA held a joint roundtable on Reg BI and the related Form CRS disclosures.¹⁸ During this session, the agencies shared that, based on preliminary examinations, financial professionals and firms were making good faith efforts in compliance with the new rules. In December, the SEC's Division of Examinations announced the next phase of Reg BI's implementation, describing Reg BI as "a new, substantially elevated standard of conduct under the Exchange Act for broker-dealers and

¹⁶ *Ibid*

¹⁷ [2020 Retirement Survey](#), Kiplinger's Personal Finance and Personal Capital, January 6, 2021

¹⁸ SEC Roundtable on Regulation Best Interest and Form CRS. The press release is available here: <https://www.sec.gov/news/press-release/2020-229> and the webcast may be viewed in its entirety here: https://www.sec.gov/video/webcast-archive-player.shtml?document_id=102620-best-interest-roundtable.

associated persons of a broker-dealer.”¹⁹ As part of this effort, Division staff will examine whether broker-dealers have written policies and procedures and systems in place to achieve compliance with Reg BI. Does the nominee support the SEC’s expansion the scope of examinations in 2021 that focus on specific requirements of Reg BI as the next appropriate stage in assessing the effectiveness of Reg BI?

2. The COVID-19 pandemic dramatically changed the way Americans went about their daily lives and conducted business. Social distancing measures became necessary to combat the spread of the virus and many businesses adopted digital solutions. However, the insured retirement industry remains subject to a variety of laws and rules that require individuals to be physically present to conduct business and access the products and services they need to prepare for their retirement. Federal and state regulators have authorized temporary relief measures to ease these burdens during the pandemic, and this experience has clearly demonstrated that the industry can operate in a modernized environment without impairing the effectiveness of the important and robust consumer protection objectives of the pre-existing regulatory framework.

With this in mind, and recognizing the widespread use of technology in modern American society, would the nominee support the continued modernization of the regulatory framework to facilitate the use of new, modern, and innovative technologies by issuers and broker-dealers to streamline processes and improve the investor experience through, for example, expanded use of electronic signatures and notarizations, and the designation of electronic means as the default method of delivery for required disclosures and other documentation?

3. For American workers to best plan and prepare for retirement, increased access to and better understanding of emerging retirement products becomes critical in working to resolve the widening retirement crisis in our country. In the historic and continued low interest economy, offering investors innovative retirement products, coupled with the appropriate information and disclosures to investors detailing the benefits and risks the products is a viable and necessary step forward. Registered index-linked annuities (RILA) are a prime example of the retirement income industry’s efforts to create innovative new products to meet the needs of today’s retirement savers. RILAs, which are the fastest-growing segment of the annuity industry, can bring balance to retirement portfolios by allowing participation in market growth while reducing exposure to market loss, helping savers reach retirement goals. Under current SEC rules, however, RILAs must be registered using forms designed primarily for equity offerings and therefore require extensive information that is not relevant to prospective annuity purchasers. These forms also require disclosure of financial information prepared in accordance with generally accepted accounting principles (“GAAP”), which many insurers are not otherwise required to produce, thereby creating a barrier to entry into this marketplace and impeding competition.

Would the nominee prioritize the development of a more effective RILA-specific registration form to facilitate greater competition in this space and to address the misalignment between the current registration forms used for RILAs and the information needed by investors who might benefit from purchasing these products without having to wade through irrelevant, excessive, and confusing disclosure documents?

¹⁹ [SEC Staff Statement on Recent and Upcoming Regulation Best Interest Examinations from the SEC Division of Examinations](#)

On behalf of our members, the Insured Retirement Institute appreciates the opportunity to share with you the suggested questions we have proposed as you consider the nomination of President Biden's nominee for SEC Chairman, Mr. Gary Gensler. We know that you understand how critical it is to learn about what policies and programs he will be prioritizing during his tenure leading the SEC that address the retirement security challenges America's workers and retirees are facing as they seek to save for and produce a sustainable income during their retirement years.

If you have any questions or require additional information about any of the information we have provided, please do not hesitate to contact Paul Richman, IRI's Chief Government and Political Affairs Officer, at (202) 469-3004 or prichman@irionline.org or John Jennings, IRI's Associate Director of Government Affairs, at (202) 469-3017 or jjennings@irionline.org if we can provide any additional assistance as you and your staff prepare for the upcoming confirmation hearing.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Chopus', written in a cursive style.

Wayne Chopus
President and CEO
Insured Retirement Institute