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Dear Members of the U.S. Senate Committee on Health, Education, Labor, and Pensions:

The Insured Retirement Institute (IRI)[1] writes in anticipation of the committee's confirmation hearing for the Honorable Marty Walsh, President Biden's nominee for Labor Secretary. 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 outlook[2].

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 individual consumers' shoulders – 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 that 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 2019, only 25,000 remained[3] and only 16 percent of workers had access to such a plan[4]. With the remaining public-sector defined-benefit plans increasingly

[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 or very worried about their investments. Nearly half (48percent) said they check their portfolio or retirement account balances either daily or weekly.

[3] Scott G Young, "PBGC 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.

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 retirement[5] – 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 Illustrator[6], 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 was not surprising when IRI research revealed that only 23 percent of the Baby Boomer generation believes it will have enough money to last throughout retirement[7]. 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 2016[8]. 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 retire[9]. Similarly, while 80 percent of Millennials are saving for retirement, they are wildly under-saving, with nearly half having saved less than $10,000[10]. 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 X[11] and 55 percent of Millennials[12] 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 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 expenses[14]. Nearly 20 percent of workers also report contributing less to a workplace retirement savings plan before the onset of the pandemic[15]. Those who reported contributing less to their 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 Z[16].

The most recent research, a survey conducted in November 2020 by Kiplinger's Personal Finance and Personal Capital[17] revealed that nearly 60 percent of Americans withdrew or borrowed money from an IRA or 401(k) during the pandemic. Nearly two-thirds (63 percent) used those retirement savings to cover basic living expenses. The survey also found that the amounts people

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[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, "PBGC 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*
[16] *Ibid*
[17] 2020 Retirement Survey, Kiplinger's Personal Finance and Personal Capital, January 6, 2021

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 committee members to consider posing to the nominee during the upcoming confirmation hearing.

1. How would the nominee propose to expand opportunities for America's workers and retirees to save for their retirement during their working years?

   a. Nearly five million employers currently do not offer a workplace retirement plan, leaving 28 million full-time employees and 15 million part-time employees without access to a workplace retirement plan. Would the nominee support generally requiring small businesses with 10 or more employees to offer a workplace retirement plan into which workers would be automatically enrolled with the right to opt-out?

   b. Many households have student loan debt and the average amounts owed continue to rise. Many younger workers cite their student loan debt as a primary reason for their inability to save for retirement. Would the nominee support allowing employers to provide matching contributions into an employee's retirement account based on the amount of the employee's student loan payments?

   c. America's workers are not saving enough to ensure their own financial security. Current law allows individuals over the age of 50 to make catch-up contributions to improve their chances of saving enough for retirement. Would the nominee support extending this opportunity to other categories of individuals? If so, what other categories of individuals does the nominee believe should be given the ability to make catch-up contributions?

2. How would the nominee propose to encourage and facilitate access to and use of protected lifetime income to ensure America's workers and retirees do not outlive their retirement savings?

   a. America's workers and retirees are living and working longer. Would the nominee support an increase in the required minimum distribution age, adjusting mortality tables to reflect longer life expectancies, and modifying and exempting certain annuity benefits and payments from the minimum income threshold test to improve their retirement security?

   b. As employer-based pension plans have declined as the primary source of retirement savings, most of America's workers rely on other retirement savings vehicles, such as 401(k) plans or Individual Retirement Accounts, to save for retirement. Would the nominee support expanding the options now authorized to be used as qualified default investment alternatives (QDIAs) in retirement plans to include protected and guaranteed lifetime income options such as an annuity?

c. Many insurance companies offer products backed by the assets in their general account that protect 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, preventing insurers from offering such products to plan participants without violating ERISA's stringent prohibited transaction rules. Moreover, attaching ERISA fiduciary status to 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 employees. Would the nominee support a technical correction to ERISA to clarify that the offering and sale of general account products would not trigger fiduciary status to ensure that retirement savers can continue to use these valuable products to achieve their retirement goals?

3. 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. Much like the fiduciary standard that applies to registered investment advisers, this new framework requires financial professionals to act in their client's best interest without putting their own interests ahead of their clients. However, it also recognizes that a one-size-fits-all solution is not appropriate as many clients neither want nor need ongoing advice from a fiduciary or the additional fees that come 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. The prior Administration amended the long-standing principles-based rules governing the selection of investment options by retirement plan sponsors under ERISA despite the lack of any demonstrable defects or gaps in investor protection under those rules. This rulemaking's primary objective was to inhibit the ability of plan sponsors to consider environmental, social, and governance (ESG) factors when selecting plan investments. Still, the ramifications of the amended rule go far beyond ESG investments. Under this new rule, which became effective on January 12, 2021, plan sponsors' investment selection process will be much more complicated and burdensome than is necessary to effectively protect plan participants from financial risk. President Biden has already called on the Labor Department to review this rule. Would the nominee support the restoration of the rules governing the selection of plan investment options to their pre-2020 form to ensure that plan sponsors can consider all factors, including but not limited to ESG factors they deem relevant and appropriate when building their plan investment menu?

   c. With society's widespread use of technology in 2020, would the nominee support the continued modernization of the regulatory framework to facilitate the use of new, modern, and innovative technologies by plan sponsors and participants to streamline processes and improve the end-user experience through expanded use of electronic signatures, notarizations, and delivery of required retirement plan notices and documents?

d. The federal government mandates financial counseling for federal student loan borrowers to improve college students' financial literacy. Still, the counseling sessions do not provide any information to the individuals about the many workplace retirement savings choices presented when they obtain a job. Would the nominee support the addition of a requirement to receive counseling about the different types of retirement savings accounts and risk options offered by workplace retirement plans for federal student loan borrowers? Would the nominee support expansion of the requirement to include participants in federal apprenticeship programs?

On behalf of our members, the Insured Retirement Institute appreciates the opportunity to share the suggested questions we have proposed as you consider the nomination of President Biden's nominee for Labor Secretary, the Hon. Marty Walsh. 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 Labor Department 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,

Wayne Chopus
President and CEO
Insured Retirement Institute