

August 3, 2018

The Honorable Orrin Hatch  
Chairman, Senate Finance Committee  
United States Senate  
Washington, D.C. 20510

The Honorable Kevin Brady  
Chairman, House Ways & Means Committee  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Ronald Wyden  
Ranking Member, Senate Finance Committee  
United States Senate  
Washington, D.C. 20510

The Honorable Richard Neal  
Ranking Member, House Ways & Means Committee  
United States House of Representatives  
Washington, D.C. 20515

Dear Members of Congress,

The undersigned organizations strongly support passage of retirement legislation during this Congress to enhance retirement security in America. We appreciate your prior leadership and bipartisan support of retirement savings plan improvements, including the Pension Protection Act of 2006 (PPA). As you consider the Retirement Enhancement and Savings Act (RESA), we urge you to make important modifications to the Lifetime Income Disclosure Act (LIDA) provision to provide greater flexibility to plan sponsors on how they communicate to plan participants on the importance of saving for a lifetime of needs and giving participants the ability to model retirement income options based on individual circumstances. These modifications would ensure that RESA's LIDA provisions benefit all plan participants, by reflecting the wide range of disclosures currently reflected in a competitive market.

Since LIDA was first introduced in 2009, members of the retirement community have voiced serious concerns about the specific lifetime income disclosure obligation imposed on communications between the employer and employee-participants. The rigidity of the mandated disclosure would create needless confusion and additional costs, as well as stifle innovation, without advancing retirement security or lifetime income planning.

As currently drafted, LIDA would mandate a specific monthly amount to be included on annual retirement plan statements based on an annuity calculation using current account balances, and a set of assumptions developed by the Department of Labor (DOL). This rigid approach would preclude a plan sponsor from informing its plan participants in a way best suited for them and may inhibit participants from learning about the many factors that determine post retirement lifetime income. This provision would also create confusion, as the monthly amount figure would be meaningless for most plan participants because the vast majority of defined contribution retirement plans do not have an annuity option.

We would like to work with you to enhance retirement savings opportunities, including lifetime income options, but in a more effective and flexible manner than LIDA currently would provide. Below we share an alternative approach that would encourage plan participants to consider lifetime income streams and would develop personalized lifetime income planning tools

We agree with the primary public policy goal of LIDA to increase plan participant understanding of the importance of saving for a lifetime of needs, but believe strongly that there are better ways to achieve it than the proposed rigid, limited approach, which calculates lifetime income based solely on a current account balance.

We believe the current legislative proposal should be revised to allow tools already in the marketplace that enable plan sponsors to include descriptions of other distribution methods or access to tools that allow participants to model their retirement savings options based on their individual circumstances. LIDA has not kept up with the dramatically increased amount of financial tools available to plan sponsors and participants since the proposal was first drafted.

Therefore, we propose that LIDA's "lifetime income stream equivalent" (the specific monthly dollar figure determined by the DOL) be replaced with:

- a. **Lifetime income information:** A congressional mandate for plan sponsors to include on annual retirement plan statements a lifetime income stream equivalent (an estimated monthly dollar amount) based on one of the following: (a) a qualified joint and survivor annuity, (b) a single life annuity, (c) an amount equal to a percentage of the total accrued benefit as of the first year of retirement (such percentage being selected by the participant or beneficiary or otherwise reasonably designed to spread payments over the life of the participant or beneficiary), (d) an amount computed based on the remaining life expectancy of the participant or beneficiary (in accordance with the minimum distribution requirements of section 401(a)(9) of the Internal Revenue Code), or (e) an amount based on any other appropriate method of calculation, with the method being reasonably designed to provide retirement income over the life of the participant or beneficiary. Such lifetime income streams shall be based on reasonable assumptions and may have a term certain or other reasonable features.
- b. **Financial Tool:** As an alternative to providing one of the above options, a plan sponsor may satisfy the mandate by providing participants and beneficiaries access to a lifetime income modeling tool made available online, including through the Department of Labor's website.

This alternative approach would maintain the original limitation on liability provisions in LIDA. In addition, this approach would retain the requirement that the plan sponsor disclose information regarding the assumptions utilized.

This approach would support and coordinate the robust financial planning tools that companies are already providing to their employees and would help make significant improvements in retirement security. At the same time, it provides flexibility within the mandate for plan sponsors to tailor communications based on the makeup of the workforce and the distribution options available to plan participants.

We look forward to working with you on LIDA and support the passage of RESA with these improvements.

Sincerely,

The ERISA Industry Committee  
Investment Company Institute  
U.S. Chamber of Commerce

cc: US Senate  
US House of Representatives