

Lifetime Income Disclosure Act – Proposed Alternative Language

One Page Summary

Current LIDA: As currently drafted, LIDA would mandate a specific monthly dollar figure to be included annually on retirement plan statements utilizing a set of assumptions to be developed by the DOL and based solely on an annuity calculation methodology. This rigid approach precludes a plan sponsor from choosing an illustration method best suited for its plan participants and misses an opportunity to help participants learn about the factors that determine lifetime income by incorporating their own assumptions, investment options, and distribution strategies into the illustration.

Proposed LIDA: A congressional mandate for plan sponsors to include annually on retirement plan statements a ‘lifetime income stream equivalent’ of 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.

Financial Tool: In the 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 through a website or other similar means, including such a tool made available by the Secretary of Labor through the Department’s website.

- This proposed alternative approach would maintain the limitation on liability language in the original LIDA language.
- This approach retains the requirement that the plan sponsor provide a disclosure that contains information regarding the assumptions utilized, but does not require a model disclosure to be created by the Department of Labor (DOL will provide a disclosure associated with their own tool).

Advantages:

- Supports and harmonizes LIDA with the robust financial planning efforts that companies are already providing to their employees;
- Provides flexibility within the mandate for plan sponsors to tailor their plan participant communications based on the makeup of the workforce and the distribution options available to plan participants; and
- Encourages the expansion of financial tools utilized by plan participants.