

November 28, 2018

The Honorable Orrin Hatch
Chairman, Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Kevin Brady
Chairman, Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

The Honorable Ron Wyden
Ranking Member, Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Richard Neal
Ranking Member, Committee on Ways and Means
United States House of Representatives
Washington, DC 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 leadership and bipartisan support of retirement savings plan improvements, including the Pension Protection Act of 2006 (PPA). As you consider legislation to enhance retirement security, such as the House Amendment to the Senate Amendment to H.R. 88, it is critical that you modify the Lifetime Income Disclosure Act (LIDA) provision currently contained in the legislation. Such changes are needed to (1) provide greater flexibility to plan sponsors on how they communicate to plan participants on the importance of saving for a lifetime of needs and (2) give participants the ability to model retirement income options based on individual circumstances. In addition, these changes would ensure that the government is not inadvertently providing its imprimatur to one specific product—annuities—over other investment products.

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.

LIDA will impose significant new disclosure requirements on plan sponsors and present plan participants with complex illustrations that may have very little relevance to their personal circumstances. This seems in conflict with efforts by the Administration to simplify participant disclosures. In September 2018, for example, President Trump signed an Executive Order that requests the Department of Labor, in consultation with the Department of the Treasury, to “complete a review of actions that could be taken through regulation or guidance, or both, to make retirement plan disclosures required under ERISA and the Internal Revenue Code of 1986 more understandable and useful for participants and beneficiaries, while also reducing the costs and burdens they impose on employers and other plan fiduciaries responsible for their production and distribution.” In contravention of this goal, the legislative text of LIDA mandates that the new additional disclosure document includes language that:

“(II) explains that the actual payments under the lifetime income stream described in clause (i)(III) which may be purchased with the total benefits accrued will depend on numerous factors and may vary substantially from the lifetime income stream equivalent in the disclosures.”

We are concerned that while the Administration is working diligently to make participant disclosures more understandable and useful, Congress is moving in the opposite direction by attempting to require

plan sponsors to provide a disclosure that will only drive up costs and burdens on plan sponsors and cause confusion among participants due to the particular calculation method mandated by the bill.

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. Several months ago, we shared with you an alternative approach that would encourage plan participants to consider lifetime income streams and would develop personalized lifetime income planning tools. Attached to this letter is a document that describes the proposed changes.

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 and in the form of an annuity payment.

Our proposed alternative 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.

In the recent past, retirement legislation has generally been implemented with consensus from all interested parties that support improving retirement security in America. We are hopeful that this precedent continues with the passage of retirement legislation in the 115th Congress. We look forward to working with you on LIDA and support the passage of retirement security legislation with these improvements.

Sincerely,

The ERISA Industry Committee
Investment Company Institute
American Retirement Association
Alight Solutions
Empower Retirement
Fidelity Investments
J.P. Morgan Asset Management
Putnam Investments
The Charles Schwab Corporation
The Vanguard Group, Inc.
T. Rowe Price Group, Inc.

cc: United States Senate
United States House of Representatives
The Honorable R. Alexander Acosta, Secretary of Labor
The Honorable Steven T. Mnuchin, Secretary of the Treasury