

# 2020 FEDERAL RETIREMENT SECURITY BLUEPRINT



Insured  
Retirement  
Institute

## 2020 FEDERAL RETIREMENT SECURITY BLUEPRINT

Americans face many challenges and obstacles in saving for retirement. In the past, employer-based pension plans were the primary source of retirement savings. Today, most Americans rely on other types of retirement savings vehicles, such as 401(k) plans or Individual Retirement Accounts, to save for retirement. These types of plans shift responsibility from the employer to individuals to ensure their own financial security and produce sustainable income during retirement. IRI's 2020 Federal Retirement Security Blueprint includes common sense, bipartisan policies to help Americans achieve these retirement goals.

### IRI'S 2020 FEDERAL BLUEPRINT WILL:

- 1.** Expand opportunities to save for retirement by enhancing access to, and features of, workplace retirement plans;
- 2.** Facilitate and encourage greater access to and use of lifetime income products in workplace retirement plans;
- 3.** Preserve and promote access for retirement savers to professional financial guidance, education, and information;
- 4.** Enhance protections to safeguard Americans from financial exploitation and fraud; and
- 5.** Maintain and augment the current tax treatment of retirement savings.

### WHO IS IRI?

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 more than 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.ironline.org](http://www.ironline.org).



## Expand Opportunities To Save For Retirement

### REQUIRE EMPLOYERS TO OFFER RETIREMENT PLANS FOR WORKERS

Most Americans are not saving enough for retirement because they do not have access to employment-based retirement savings plans. In fact, recent research has shown only 40 percent of full-time workers at small and medium-sized businesses have access to employment-based plans. To provide more Americans with the opportunity to increase their retirement savings, **Congress should enact legislation such as the “Automatic Retirement Plan Act of 2017” (H.R. 4523 - 115th Congress).** This bill

would generally require all but the smallest employers to maintain a retirement savings plan, and employees would be automatically enrolled (with the ability to opt out). It would also remove cumbersome legal and regulatory barriers that discourage employers from offering this benefit to their employees while preserving employer choice and maintaining protections for employers and their employees.

### AUTHORIZE THE FORMATION OF 403(b) POOLED EMPLOYER PLANS (PEPS)

Many 501(c)(3) nonprofits, public educational organizations, and religious institutions face financial and administrative challenges, as well as legal risks, when seeking to offer employees a retirement plan such as a 403(b) plan. As a result, many do not offer a retirement plan to their employees. Nonprofits, public schools, and religious institutions would be far more likely to offer retirement plans for their employees if they can band together to achieve economies of scale,

and delegate responsibility for sponsoring the plan to a professional plan fiduciary. **Congress should enact legislation amending Section 101 of Division O of the “Further Consolidated Appropriations Act, 2020” (H.R. 1865), (the “Setting Every Community Up for Retirement Enhancement (SECURE) Act”), to allow for the formation of 403(b) PEPs for employees of 501(c)(3) nonprofits, public educational organizations, or and religious institutions.**

### CLARIFY THE ELIGIBILITY PERIOD OF THE RETIREMENT PLAN START-UP TAX CREDIT FOR SMALL EMPLOYERS WHO JOIN MEPS OR PEPs

Section 104 of Division O of the **“Further Consolidated Appropriations Act, 2020” (H.R. 1865), (the “Setting Every Community Up for Retirement Enhancement (SECURE) Act”)**, enhanced the tax credit offered to small employers for starting a retirement plan for their employees and Section 101 expanded access for more small businesses to offer their employees a retirement plan by joining a MEP or PEP. While these improvements will help facilitate small businesses’ starting and offering retirement savings plans for their employees, the start-up credit appears to not be available to a small business

joining a MEP or PEP after its first three years of operation. **Congress should amend Section 104 of the “SECURE Act” to clarify that the three-year start-up credit will apply to small businesses for three years from the time the small business joins the MEP or PEP and not from the time the MEP or PEP begins operations.** Clarifying this provision would encourage more small businesses to offer a retirement plan and facilitate greater use of MEPs and PEPs as the means to offer their employees a workplace retirement plan.



## HELP EMPLOYEES SAVE FOR RETIREMENT WHILE REPAYING STUDENT LOANS

Student loan debt is a major challenge for American workers who are trying to manage competing financial priorities, including saving for their retirement through workplace plans. Research has shown individuals who have student loan debt have lower workplace retirement balances than those who do not. As a result, student loan debt is having an adverse impact on the ability of Americans to save for their retirement. To better position American workers who have incurred student loan debt to start building their retirement nest eggs, **Congress should enact the “Retirement Parity for Student Loans Act” (S.1428) or the “Retirement Security and Savings Act of 2019” (S.1431), to help workers who cannot afford to both save for retirement and pay off their student loan debt.** Under the proposed bills, workers in this situation would continue to make their student

loan payments, but they would also receive employer matching contributions into their retirement account as if those student loan payments were salary reduction contributions made to the retirement plan. **Congress should also enact the “Employer Participation in Repayment Act” (S.460/H.R.1043), which would expand the existing exemption from an employee’s income of employer provided education assistance allowed under Section 127 of the Internal Revenue Code to pay for student loans as well as tuition.** These are voluntary, not mandatory, benefits employers may elect to provide to workers to help these workers build their retirement savings while they are paying down their student loan debt and cannot afford to make their own contributions into a retirement savings plan.

## ALLOW CATCH-UP CONTRIBUTIONS FOR QUALIFIED CAREGIVERS AND INCREASE THE CATCH-UP CONTRIBUTION LIMITS FOR BABY BOOMERS

Many Americans leave the workforce, often for multiple years, to provide full-time care to a dependent family member, eliminating their earned income and their ability to participate in an employer-sponsored retirement savings plan. When these Americans return to the workforce, they should have the opportunity to make catch-up contributions to their retirement accounts so they can achieve a financially secure retirement without extending their time in the workforce. In addition, current law allows employees who have attained age 50 to make catch-up contributions to plans up to a dollar limit set by the Internal Revenue Service each calendar year. However, recent research conducted by the Insured Retirement Institute revealed retirement anxiety is growing among Baby Boomers. It showed many Baby Boomers have little

to no savings (45% have zero retirement savings) for their golden years, forcing more Baby Boomers to postpone retirement. To help encourage more Baby Boomers to save more, a higher dollar limit should be allowed for employees who reached age 60. **Congress should enact the “Expanding Access to Retirement Savings for Family Caregivers Act” (H.R. 3078), which would allow qualified caregivers the ability to make catch-up contributions for a period of time equal to their time spent as a caregiver in years prior to age 50. Congress should also enact Section 121 of the “Retirement Security and Savings Act of 2019” (S.1431) which would increase the catch up contribution limits for Baby Boomers.**

## INCLUDE FINANCIAL INSTITUTIONS AS SPONSORS OF MULTIPLE EMPLOYER PLANS (MEPS)

Under the current Department of Labor **“Association Retirement Plans and Other Multiple Employer Plans”** (MEPs), financial institutions, such as banks, insurance companies, broker-dealers, and asset management firms

are not authorized to sponsor a MEP. By their nature, financial services firms are well positioned to provide significant benefits to employers and their employees by offering high quality, low cost retirement plans that



could serve vast numbers of small employers who do not currently offer a workplace plan. To encourage the development of a competitive marketplace and prevent unqualified entities from entering the workplace retirement plan marketplace, the **Department of Labor should amend its MEPs rule to include in the category of persons able to act indirectly in the interest of employers to sponsor a MEP banks, insurance companies, broker-dealers, and asset management**

**firms.** Financial institutions (including pension recordkeepers or third party administrators) that sponsor MEPs would be held to the same fiduciary obligations and administrative responsibilities as all other MEP sponsors and would remain subject to prudential regulation, either directly or through a parent, subsidiary, or affiliate, by the state insurance departments, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, or the Office of the Comptroller of the Currency.

## ALLOW MEMBERS OF THE READY RESERVE TO MAXIMIZE THEIR RETIREMENT SAVINGS

Recent changes to the Department of Defense retirement system reduced the amount of guaranteed retirement pay in return for the establishment of new individual retirement accounts (IRAs) for each member of the Reserves. The rationale for this change was to allow reservists to establish an IRA while in the service to make up for the cut in guaranteed retirement pay. For this system to work, the individual would have to contribute the maximum amount of money allowed by law to the IRA every year. However, if that individual already has a retirement plan through their full-time employer, they would only be able contribute the maximum amount allowed by law to one of their IRAs. Individuals who make

the maximum contribution to their employer-based plan would be unable to contribute additional funds to their military retirement IRA and vice versa. **Congress should enact legislation, such as the "Servicemember Retirement Improvement Act" (H.R.1317-115th Congress), to fix this problem and allow Reserve members to contribute the maximum amount allowable by law per year to both their employer-based retirement account and their military IRA.** The legislation would also double the maximum allowable contribution amount to the Thrift Saving Plan (TSP) for federal employees in the Reserves who are not eligible to make contributions to any other plan.

## OFFER WORKPLACE RETIREMENT PLANS TO EMPLOYEES OF LEGAL CANNABIS BUSINESSES

The **"Agriculture Improvement Act of 2018" (H.R. 2 - 115th Congress)** attempted to provide clarification about provisions of the Internal Revenue Code and the Controlled Substance Act as applied to the cannabis industry. However, it did not provide adequate certainty and clarity to facilitate and encourage the offering of retirement plans and individual retirement accounts for workers at cannabis companies that are legally operated in their state. Plan providers remained concerned about the risk of violating anti-money laundering laws if they offer retirement plans for employees of a business that engages in activities which are illegal under federal law even if those activities are legal under state law.

The cannabis industry is already sizeable, employing approximately 300,000 employees nationwide. As more states pursue and enact laws to legalize cannabis, this workforce will continue to grow. To provide greater certainty and clarity to retirement plans and individual retirement account service providers, **Congress should enact legislation to amend current federal law to provide protection and insulation from liability for both participants in and institutions offering and administering retirement plans or individual retirement accounts for the employees of cannabis companies who are regulated and licensed by a state.**





## Facilitate and Encourage Greater Access and Use of Lifetime Income Products in Workplace Plans

### ALLOW BROADER USE OF QLACS

Under current Treasury Department regulations governing qualifying longevity annuity contracts (QLACs), individuals can put no more than the lesser of \$135,000 or 25% of the individual's retirement plan or IRA account balance into a QLAC. These limits were included in the regulation because the Treasury Department lacked the statutory authority to exempt more than 25% of any account from the required minimum distribution rules. Additionally, while the current regulations only permit a spouse to receive a lump sum return of premium and a 100% survivor annuity, they do not address how the QLAC death benefit rules apply if the beneficiary is the owner's spouse on the date the contract is issued and because of a subsequent divorce is no longer the owner's spouse when the annuity

payments commence or when the owner dies. **Congress should enact legislation, such as the "Retirement Security and Savings Act of 2019" (S.1431) or the "Retirement Plan Simplification and Enhancement Act of 2017" (H.R.4524), to expressly authorize the Treasury Department to ease the administrative challenges associated with rolling over funds to purchase a QLAC, allow larger contributions into QLACs so individuals can meet their longevity protection needs, and clarify a divorce occurring after a QLAC is purchased, but before payments commence, will not affect the permissibility of the joint and survivor benefits previously purchased under the contract.**

### FACILITATE THE USE OF LOW-COST ETF INVESTMENTS IN VARIABLE ANNUITIES

Exchange-traded funds (ETFs) are pooled investment vehicles providing instant access to a well-diversified portfolio, low-cost, high-value investment opportunity for individuals saving for retirement. Currently, ETFs are widely available through retirement plans, IRAs, and taxable investment accounts but generally are not available within variable insurance products. An annuity ETF structure could offer consumers lower cost investment options and appeal to the fee-based advisory market, which primarily utilizes ETF structures for client accounts. Current Treasury Department regulations pre-

date ETFs, and because of the way ETFs are structured, have created a technical gap preventing them from being included on the menu of investment options offered in variable insurance products. While there remain some operational challenges to including ETFs as options within variable annuities, **Congress should enact legislation, such as Section 204 of the "Retirement Security and Savings Act of 2019" (S.1431), directing the Treasury Department to amend its regulations to allow ETFs to be offered within variable insurance products.**

### REDUCE THE AGE REQUIREMENT FOR IN-SERVICE ROLLOVERS TO PURCHASE LIFETIME INCOME PRODUCTS

Under Internal Revenue Service (IRS) rules, an employee who participates in an employment-based retirement plan faces a tax penalty if they take a distribution from a qualified, employer-sponsored retirement plan, without leaving the employer before reaching the age of 59 ½ to purchase an annuity or other guaranteed lifetime income product. **Congress should amend the IRS Code to**

**allow plan participants aged 50 and older to initiate special in-service rollover rules for the purchase of deferred income annuities.** Allowing such purchases of deferred income annuities would help facilitate greater access to lifetime income products for participants at an earlier age.



## AUTHORIZE EXPANDED USE OF LIFETIME INCOME PRODUCTS AS DEFAULT INVESTMENT OPTIONS

Under the **"Pension Protection Act of 2006" (H.R.4 - 109th Congress)**, the Department of Labor (DOL) was directed to adopt rules to allow capital appreciation and/or capital preservation products to qualify as Qualified Default Investment Alternatives (QDIAs). However, the DOL regulations require a product to be transferable every 90 days to qualify as a QDIA. As a result, employers cannot provide their workers with capital preservation lifetime income products, leaving workers without access

to guaranteed lifetime income. This is inconsistent with Congress's intent. **Congress should enact legislation directing the DOL to remove the 90-day transferability requirement from the QDIA regulations with respect to lifetime income investments so long as they provide protections designed to ensure participants are not locked into investments without a full understanding of transferability restrictions.**

## UPDATE THE REQUIRED MINIMUM DISTRIBUTION (RMD) RULES TO REFLECT LONGER LIFESPANS

The Required Minimum Distribution (RMD) age was set in 1962, when life expectancies were considerably shorter than they are today. Workers today face an increased risk of outliving retirement assets because of longer lifespans. For a married couple age 66, there is a 66 percent chance of at least one spouse living to age 90, and 33 percent chance of at least one spouse living to 92. Although Section 114 of Division O of the **"Further Consolidated Appropriations Act, 2020" (H.R.1865)**, (the **"Setting Every Community Up for Retirement**

**Enhancement (SECURE) Act"**) raised the RMD age from 70 ½ to 72, **Congress should enact legislation, such as the "Retirement Security and Savings Act of 2019" (S.1431) or the "Retirement Plan Simplification and Enhancement Act of 2017" (H.R.4524), to further increase the RMD age from 72 to at least 75, update the mortality tables to reflect longer life expectancies and modify the RMD rules to exempt certain annuity benefits and payments from the minimum income threshold test.**

## **Preserve and Promote Access for Retirement Savers to Professional Financial Guidance**

### PROMOTE ADOPTION AND UNIFORM IMPLEMENTATION OF BEST INTEREST STANDARDS OF CONDUCT FOR FINANCIAL PROFESSIONALS ACROSS REGULATORY JURISDICTIONS

For nearly a decade, Congress and regulators at the federal and state levels have been working to formulate appropriate standards of conduct for financial professionals who provide personalized advice about investments and/or insurance to retail consumers. The Securities and Exchange Commission (SEC) adopted Regulation Best Interest and Form CRS (Customer Relationship Summary) last year to ensure investors receive advice that is in their best interest. These new rules, which will become effective on June 30, 2020, will help investors make informed decisions about the

type of financial professional that would best meet their needs while preserving investors' choice and access to the products and services, they need to achieve their financial goals. **Policymakers in Washington and across the nation should align their standards of conduct with the new SEC rules to ensure all Americans are protected by a clear, consistent, and workable best interest standard that will provide meaningful and effective consumer protections without depriving them of access to valuable financial products and services.**



## ADOPT A VARIABLE ANNUITY SUMMARY PROSPECTUS

For more than ten years, IRI has been working with the Securities and Exchange Commission (SEC) to create a more rational, useful, and consumer-friendly disclosure document to help investors understand essential information about variable annuities and variable life insurance. Last year, the SEC issued a proposal, “Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts,” that would accomplish this objective. The SEC proposal would modernize disclosures through a layered approach designed to provide investors with key information relating to the contract’s terms, benefits, and risks in a concise and more reader-friendly presentation, with

access to more detailed information available online and electronically, or in paper format on request. There is widespread support among investors for a shorter, more consumer-friendly prospectus. An IRI study found 95 percent of investors would prefer a summary prospectus and six out of 10 individuals said they would be more likely to talk to their financial advisor about, and consider, a variable annuity if they had access to a variable annuity summary prospectus. **IRI urges the SEC to move forward expeditiously to finalize the proposal so investors can begin receiving important information about variable insurance products in a more meaningful and user-friendly way.**

## REDUCE THE REGULATORY BARRIERS TO THE DEVELOPMENT AND OFFERING OF INNOVATIVE PRODUCTS SUCH AS REGISTERED INDEX LINKED ANNUITIES

Under current SEC rules, certain annuity products must be registered using SEC forms designed for use in connection with IPOs (Forms S-1 and S-3). These forms require the disclosure of financial information prepared in accordance with generally accepted accounting principles (“GAAP”), as well as extensive information that is not relevant to prospective annuity purchasers. For insurers not otherwise required to prepare GAAP financials (such as private companies and mutual companies), the GAAP requirement is particularly problematic and effectively serves as a barrier to entry into the growing market for registered index-linked annuities (“RILAs”) and a deterrent to the development of other innovative products that might not be eligible to use the registration

forms designed for insurance products (Forms N-4 and N-6). This regulatory structure ultimately impairs consumer choice without any corresponding benefit to consumers or the SEC. To encourage innovation and to ensure investors can easily find the information they need about RILAs and other innovative new products without having to wade through irrelevant, excessive, and confusing disclosure documents, **the SEC should provide relief from the requirement for annuity issuers to use GAAP financials and/or develop new registration forms more closely tailored to the particular products being offered. In the absence of voluntary action by the SEC, Congress should enact legislation directing the SEC to provide such relief and/or develop the forms.**

## ENCOURAGE ELECTRONIC DISCLOSURE FOR RETIREMENT PLANS

According to the Progressive Policy Institute, the volume of printed disclosures provided to participants in employer-sponsored retirement plans is intimidating to workers. Moreover, the static nature of printed documents does not invite the interactive engagement consumers need to appropriately manage their retirement portfolios. Encouraging the use of modern electronic communication would have a direct and beneficial impact on workers and beneficiaries. Participants of all ages and incomes increasingly prefer to access information online, allowing them to more easily act on that information.

**Congress should enact the “Receiving Electronic Statements to Improve Retiree Earnings (RETIRE) Act” (H.R.4610/S.3795 - 115th Congress), and the Department of Labor should move expeditiously to adopt its “Default Electronic Disclosure by Employee Pension Benefit Plans under Employee Retirement Income Security Act” proposal, both of which would permit electronic delivery to be the default option for providing required disclosures to plan participants, with an option to receive paper if desired.**



## EXTEND RETIREMENT SAVINGS COUNSELING TO FEDERAL STUDENT LOAN, JOB TRAINING, AND APPRENTICESHIP RECIPIENTS

Since 1986, the federal government has mandated financial counseling for federal student loan borrowers to improve college students' financial literacy. The counseling sessions are required when entering college and before exiting college. They are intended to provide basic information about federal student loan programs and are delivered through an in-person presentation, an online program, or an audiovisual presentation. These counseling sessions provide no information about the many workplace retirement savings choices that will be presented when they obtain a job. This lack of education about workplace retirement savings options also is an issue for those individuals who have completed a federally funded job training or apprentice program as they enter

the market in search of employment. **Congress should enact a law to include retirement savings as an element of federal student loan borrowers' exit counseling requirements and extend this counseling to recipients of federally funded job training and apprentice programs.** By adding and extending retirement savings counseling, the beneficiaries of these federal financial assistance and training programs will be empowered with information about the different types of retirement savings accounts and risk options. This information will help them to make well-informed decisions about developing their own sustainable retirement savings strategies and start saving for retirement during their working years.



## Increase Protections To Safeguard Americans From Financial Exploitation And Fraud

### AUTHORIZE AND INCREASE FEDERAL RESOURCES TO STATE ADULT PROTECTIVE AGENCIES

The adoption of the "SeniorSafe Act", new FINRA rules, and laws and regulations in 25 states have empowered financial industry professionals to report suspected cases of elder financial exploitation to appropriate government agencies, such as state Adult Protective Services (APS). These state APS agencies serve a critical role in the effort to protect older Americans against financial fraud and exploitation. Unfortunately, APS offices across the country are badly underfunded, leaving them without enough staff or resources to fully investigate all reports of suspected financial abuse that will result due to the adoption of the new federal and state laws. These agencies are primarily funded by their individual state and funds can be obtained through a variety of federal grant programs, such as those established by the Consumer Financial Protection Bureau under the "**Dodd-Frank Wall Street Reform and Consumer Protection Act**" (Public Law 111-203). While the CFPB has the authorization to provide grant funding, it has not been implemented due

to alleged funding hindrances. **Congress should adopt legislation, such as "Empowering States to Protect Seniors from Bad Actors Act"** as proposed by the National Association of Insurance Commissioners and the North American Securities Administrators Association, **to ensure the CFPB delivers the needed funds to the grant programs. Additionally, Congress should enact legislation to amend the "Older Americans Act of 1965" (Public Law 89-73), such as the "Elder Protection and Abuse Prevention Act" (H.R.6744 – 115th Congress), to authorize federal assistance for under-funded state APS agencies to help them combat financial exploitation of older Americans. Congress should also enact legislation to increase the amounts appropriated to support these and other similar federal programs to ensure state APS agencies have the resources they need to investigate and prosecute suspected abuse and exploitation of the growing population of older Americans.**





# 2020 ADVOCACY BLUEPRINT

## INCREASE PROTECTIONS AND SAFEGUARDS FOR PERSONAL FINANCIAL INFORMATION

With the ever-increasing use of digital solutions, it is vital that protections are in place to safeguard consumers' personal data, provide a uniform privacy standard, and ensure consistent breach notification processes to better protect consumers. **Congress should enact legislation to establish federal standards for security, privacy,**

**and notification preempting the growing patchwork of state regulatory regimes.** Any legislation enacted by Congress should consider the unique aspects of various sectors while providing a broadly applicable framework and rely on regulatory enforcement rather than enforcement by a private right of action.

## PROHIBIT THE PRIVATE COLLECTION OF TAX DEBT FOR OLDER AMERICANS

The Government Accountability Office found older Americans lose an estimated \$2.9 billion annually due to financial exploitation by scammers, which can include family members, paid home-care workers, or strangers who take advantage of seniors' financial decision-making. One of the most prevalent scams involves seniors who are targeted by persons impersonating IRS officials seeking to collect past due tax debt. This scam has an air of authenticity, because the Internal Revenue Service (IRS) has been mandated to use private collection agencies to collect tax debts. Since 2013, more than 2.4 million Americans have been targeted by scammers impersonating IRS officials and more than 14,700 taxpayers have lost more than \$72.8 million. In

these cases, criminals generally threaten victims with foreclosure, arrest, or deportation if payment is not made. To help prevent older Americans from becoming victims of such scams, **Congress should amend the law mandating the IRS use private debt collection agencies to prohibit the assignation of the tax debt of any individual over the age of 65 to any authorized private tax debt collection agencies.** The proposed amendment would require the tax debt for these older Americans be pursued only by the IRS. Such a prohibition will help prevent older Americans from becoming victims of this scam and potentially losing hundreds or thousands of dollars of their hard-earned savings.

## Maintain And Augment The Current Tax Treatment Of Retirement Savings

### MAINTAIN TAX-DEFERRED TREATMENT FOR RETIREMENT SAVINGS

The **"Tax Cuts and Jobs Act" (Public Law 115-97)**, recognized the vital role tax deferred retirement savings plays in spurring America's economic growth and prosperity. By maintaining the tax-deferred treatment of retirement savings, Congress preserved the tools necessary to help Americans save for their retirement

during their working years. Research conducted by IRI shows Americans will save less if tax deferral is reduced or eliminated. **Congress should continue to promote the use of tax deferral for retirement savings to encourage more Americans to prepare and save for a secure retirement.**



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## PROTECT THE CURRENT STRUCTURE AND DIVERSITY OF WORKPLACE RETIREMENT PLANS

There are several types of employment-based defined contribution retirement plans. Different structures are needed to account for the differences among workers in various employment sectors, such as the private, governmental, church, educational, and nonprofit sectors. The most prominent types are 401(k), 403(b), and 457(b) plans. Proposals to consolidate these types of plans have been discussed during previous efforts to reform the tax

code for purposes of simplification and consolidation. These proposals were not included in the **"Tax Cuts and Jobs Act" (Public Law 115-97)** and the distinct types and structures of retirement plans designed to address the needs of different types of workers were maintained in the tax code. **Congress should continue to protect and retain the current structure and diversity of workplace retirement plans.**

## PROVIDE FAVORABLE TAX TREATMENT FOR GUARANTEED LIFETIME INCOME

Distributions and withdrawals from guaranteed lifetime income products – like annuities – are currently taxed as ordinary income. However, these products provide significant social and economic benefits. By helping older Americans avoid outliving their assets, lifetime income from annuities can reduce pressure on Social

Security and other social safety nets. **Congress should create tax incentives – such as a lower tax rate, an exclusion of a portion of lifetime annuity income from taxation, or an increased catch-up contribution – to encourage greater use of guaranteed lifetime income products.**

## OPPORTUNITIES FOR THE USE OF INNOVATIVE FINANCING MECHANISMS TO SUPPORT REBUILDING OUR NATION'S INFRASTRUCTURE

The life insurance industry has \$6.5 trillion invested in the United States today and serves as one of our nation's largest institutional investors. The industry employs a unique investment strategy whereby it seeks to deploy capital to long-term, highly illiquid assets that can generate predictable revenue over their life, providing a better return and reducing reinvestment risk. As such, infrastructure investments are ideal for the industry. For example, the life insurance industry purchased 33 percent or \$60 billion dollars of "Build America Bonds", a program authorized in 2009 in the **"American Recovery and Reinvestment Act" (Public Law 111-5)** that expired in 2010. This program matched up perfectly

with the long-term investment needs of life insurers, and the funding provided by the industry's purchase of these bonds provided capital to finance projects in all 50 states, the District of Columbia, and two territories. **As Congress begins to explore ways to fund and finance investments in our nation's infrastructure, they should examine and consider establishing or re-establishing innovative financing mechanisms, such as the "Build America Bonds" program, to attract and leverage the significant investment resources the life insurance industry could bring to financing all types of infrastructure projects.**



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## CLARIFY THE IRC §199A DEDUCTION APPLIES TO FINANCIAL PROFESSIONALS

The **"Tax Cuts and Jobs Act" (Public Law 115-97)** created § 199A, a 20 percent deduction on "qualified business income" for owners/shareholders of pass-through businesses, such as S corporations, partnerships, and sole proprietorships. However, owners and shareholders of certain types of businesses – the "specified service trades or businesses" – are limited in their ability to apply the 20 percent deduction if their overall taxable income exceeds certain thresholds. Unfortunately, financial advisors, financial planners, and investment advisers currently fall under this definition. As a result, they are unfairly and unintentionally disadvantaged, and their ability to invest in and build their businesses is diminished. These financial

service professionals employ thousands of individuals across the United States and are community leaders, supporting millions of clients by aiding on a wide range of issues, dealing with challenges such as how to create a savings plan and how to plan for family transitions. **Congress should amend the Internal Revenue Code (IRC) §199A to allow these hard-working business owners to fully benefit from this new deduction by clarifying financial advisors, financial planners, and investment advisers qualify as "qualified trades or businesses" and will not be considered "specified service trades or businesses."**

## EXAMINE OPPORTUNITIES TO MAKE LONG-TERM CARE INSURANCE MORE TAX ADVANTAGED, AFFORDABLE AND ACCESSIBLE

The number of Americans who will require long term care services is expected to increase significantly, with seventy percent of people turning 65 expecting to require long-term care in their lifetime. However, the current public long-term care insurance financing system is already being stretched thin, as millions of American retirees and their families are being forced to tap into savings to pay for the increasing costs associated with their long-term care needs. Most Americans either do not understand the financial risks they may face as a result of a long-term care event or do not adequately prepare for the costs of long-term care as part of their retirement planning.

As a result, demand is growing for innovative private sector solutions. **Congress should conduct hearings to examine the threat posed by the potential cost of long-term care to our nation's retirement income security. Through those hearings, Congress should develop a comprehensive national long-term care financing proposal to address this challenge through legislative and regulatory changes promoting private-sector innovation and development of new products designed to increase tax-advantaged, accessible, and affordable private long-term care insurance options.**