

# Fact Sheet

U.S. Department of Labor

Employee Benefits Security Administration

## Lifetime Income Options for Retirement Plans

*The Department of Labor's Employee Benefits Security Administration, in conjunction with the Department of the Treasury, has published a Request for Information asking for ideas on how to help reduce the chances that workers will run out of funds during their retirement years.*

### What is a Request for Information?

A Request for Information (RFI) is not a rule or regulation. It is a pre-rulemaking act by an agency, or in this case two agencies, to collect information and data on a specific topic. This RFI is the starting point for a discussion of whether, or to what extent, the agencies might take some action to address identified problems facing today's retirees.

### What is the Focus of the RFI?

An ever increasing number of workers are looking to their defined contribution plans for their retirement security, but at the same time many workers are receiving their retirement benefits in lump sum distributions. This could increase their risk of not having an adequate income during retirement. Recent reports by the Government Accountability Office and the Department of Labor's ERISA Advisory Council, a 15-member council representing employees, employers, the general public, and industry, have documented this risk.

The RFI is merely a vehicle to engage interested persons in exploring ways that the Agencies and the private sector can work together to ensure that workers have the tools they need to help ensure their retirement savings last a lifetime.

### How Does the RFI Address this Problem?

The RFI asks a number of questions on a broad range of topics designed to build a public record that will help both of the Agencies assess the magnitude of the problem and then determine what, if any, actions might be appropriate to address the problem. The Agencies do not have any pre-determined outcomes or goals, other than to engage interested persons in an open, broad, and objective dialogue of issues and solutions.

### Background

- Traditionally, retirement security was provided to many workers through defined benefit pension plans sponsored by their employers; such plans are typically

required to make annuities available to participants at retirement. Department of Labor data, however, show a trend away from employer sponsorship of defined benefit plans, toward sponsorship of defined contribution plans, e.g., 401(k) plans, in which benefits are typically distributed in a lump sum.

- The number of active participants in defined benefit plans fell from about 27 million in 1975 to approximately 20 million in 2006. By contrast, the number of active participants in defined contribution plans increased from about 11 million in 1975 to 66 million in 2006.
- The result of these trends is that employees rather than employers are increasingly responsible for assuring the adequacy of their retirement savings. In addition, because defined contribution plans typically distribute retirement savings in a lump sum payment, employees are also responsible for ensuring that their savings last throughout their retirement.

### **Overview of the Request for Information**

- On February 2, 2010, the Department, in conjunction with the Department of the Treasury, published an RFI as a first step towards exploring what steps might be taken to enhance retirement security.
- The RFI explores whether and how to enhance retirement security for employees in defined contribution plans by facilitating access to, and use of, lifetime income or other arrangements designed to provide a lifetime stream of income after retirement.
- The RFI asks 39 specific questions designed to obtain focused commentary to help the Department determine what, if anything, the next steps should be.
- Responses to the RFI are available for public inspection at <http://www.dol.gov/ebsa>.