

August 7, 2013

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210
Attention: Pension Benefit Statements Project

RE: Pension Benefit Statement — Lifetime Income Illustrations (RIN 1210-AB20)

To Whom It May Concern:

WorldatWork respectfully submits these comments to the Department of Labor (Department) on the Pension Benefit Statement advance notice of proposed rulemaking.

Background on WorldatWork

WorldatWork (www.worldatwork.org) is a nonprofit human resources (HR) association for professionals and organizations focused on compensation, benefits, work-life effectiveness and total rewards — strategies to attract, motivate and retain an engaged and productive workforce. WorldatWork and its affiliates provide comprehensive [education](#), [certification](#), [research](#), [advocacy](#) and [community](#), enhancing careers of professionals and, ultimately, achieving better results for the organizations they serve. WorldatWork has more than 65,000 members and subscribers worldwide; 95 percent of Fortune 500 companies employ a WorldatWork member. Founded in 1955, WorldatWork is affiliated with more than [70 local HR associations](#) and has offices in Scottsdale, Ariz., and Washington, D.C.

WorldatWork members are HR professionals who believe there is a powerful exchange relationship between employer and employee, as demonstrated through the [WorldatWork Total Rewards Model](#). Total rewards involves the deliberate integration of five key elements that effectively attract, motivate and retain the talent required to achieve desired organizational results. The five key elements are compensation, benefits, work-life, performance and recognition, and development and career opportunities.

This model recognizes that total rewards operates in the context of overall business strategy, organizational culture and HR strategy, as well as a complex external environment. Within this context, an employer leverages the five elements to offer and align a value proposition that benefits the

Washington, D.C.
Office & Conference Center

1100 13th Street NW
Suite 800
Washington, D.C. 20005 USA

Phone: 202/315-5500
Toll-free: 877/951-9191
Fax: 202/315-5550
Toll-free fax: 866/816-2962

www.worldatwork.org

organization and the employee. An effective total rewards strategy results in satisfied, engaged and productive employees, who in turn deliver desired performance and results.

Pension Benefit Statement – Lifetime Income Illustrations

WorldatWork appreciates the opportunity to provide the following comments on the Department's Pension Benefit Statement advance notice of proposed rulemaking. The majority of WorldatWork members are committed to providing valuable and robust retirement options to their employees. Employers understand that saving for retirement is an integral key to the retirement security of their employee populations and, to improve upon that, increased employee involvement and responsibility is vital. Further education and enhancements are necessary to achieve that goal; however, there are concerns with the requirement to include lifetime income illustrations on benefits statements.

Mandate

In soliciting feedback from a select focus group of our members, comprised of employee benefits experts, there is agreement that a mandate is not necessary to achieve the Department's goal of providing participants with information to better understand how to plan for retirement and change their financial behavior. While WorldatWork agrees that participants need to fully comprehend how their retirement savings will translate into income after retirement, we feel that a mandate to predict and illustrate this conversion on benefits statements would cause more harm than good in achieving the Department's goal. WorldatWork believes that to mandate the illustration would cause further confusion among participants. This confusion would be the result of providing an estimated retirement number based on a variety of assumptions that may not materialize and offering a retirement figure that may not necessarily be achieved. Previous mandates have been shown to create confusion, as evidenced by survey results regarding previous retirement plan-disclosure requirements. According to the 2013 WorldatWork Survey, ["Trends in 401\(k\) Plans and Retirement Rewards"](#):

- "Only 1 in 5 companies reported believing that new plan fee disclosure rules have made participant communications more clear than they were before. Of the remaining respondents, 22% said they believe that the new rules have made participant communications less clear than they previously were, and 58% said that the rules have made it neither more nor less clear for plan participants."

We also are concerned that this mandate could cause further administrative burdens that might be passed down to plan sponsors and/or participants in the form of increased fees. The more fees incurred, the less there is to be saved.

Finally, WorldatWork is concerned that to mandate the illustration on participant benefits statements would overly expose plan sponsors to the inevitable threat of lawsuits, especially when the predicted balances, in reality, turn out to be less than estimated/illustrated. We believe that it is misleading to articulate a projection based on set assumptions that are unchanging due to behavior and uncontrollable events or influences.

For the reasons indicated above, WorldatWork believes the illustration of lifetime income on benefits statements should be made optional. Currently, there are alternative and proven tools in place for employers to more effectively impact participant savings behaviors; these include auto-enroll and

escalation options, in addition to employers providing further financial education. According to the 2013 WorldatWork Survey, [“Trends in 401\(k\) Plans and Retirement Rewards”](#):

- “53% of companies that offer automatic escalation set the initial default employee contribution between 3% and 4%. (See Figure 14a.) This is in accordance with the 3% minimum initial default amount required under the Pension Protection Act (PPA) for ‘safe harbor’ automatic contribution arrangements (plans meeting the safe harbor requirements eliminate the need to satisfy nondiscrimination rules). Overwhelmingly, 97% of companies increase the default at 1% per year — also consistent with the safe harbor contained in the PPA that requires employers to default to a minimum of 4% the second year, 5% the third and 6% the fourth year. (See Figure 14b.) Auto escalation levels for the safe harbor plans cannot exceed 10%.”
- “The policy objective of increasing participation rates through automatic enrollment appears to be achieving its goal. When taken in aggregate, 30% of companies reported employee 401(k) plan participation in the 80%-89% range. (See the bar chart in Figure 3.) But when broken down by whether the company has auto enrollment, a significant disparity in employee participation emerges. 37% of companies with auto enrollment reported participation in the 80%-89% range, but only 21% of companies without auto enrollment report similar 80%-89% participation. Further, 36% of those with auto enrollment reported participation in the ‘90% or greater’ range while only 19% without auto enrollment report similarly in the ‘90% or greater’ range. (See the line graph in Figure 3.) Ultimately, companies without auto enrollment are more likely to report lower employee participation rates than those with automatic enrollment. To build on the successes of automatic features, additional enhancements (e.g., higher permissible default rates) may improve retirement income adequacy and coverage.”

If Mandated

If the Department decides to mandate an income illustration on benefits statements, WorldatWork has a number of recommendations to maximize success for both sponsors and participants in the form of safe harbors. We recommend that:

- Instead of illustrations based on set models, participants should be directed to the Department’s online resources and models, such as the provided calculator.
- Instead of illustrations based on set models, participants should be directed to other approved external online sources or services to provide advice and guidance.
- Instead of illustrations based on set models, the Department should offer more flexible principles to follow such as it did in Interpretive Bulletin 96-1.
- Sponsors be ensured comprehensive protection from liabilities such as fiduciary concerns, prescriptive over-enforcement, and frivolous lawsuits over the assumptions.
- Illustrations should be required to be disclosed only once yearly on participants’ benefits statements.
- There should be clear and consistent disclosure/disclaimer language warning participants that the illustration is just an estimate and not a guarantee of payout at actual retirement, further protecting sponsors from liability.
- The Department encourage sponsors to provide advice above and beyond what the Department is recommending, as well as protect those sponsors that already are providing tools to their participants above and beyond what the Department is proposing.

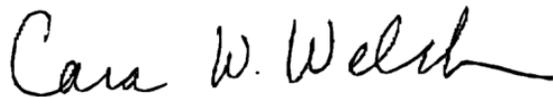
- The Department allows sponsors the flexibility to disclose the illustration as either an annuity or installment.

Conclusion

We appreciate the opportunity to provide comments in response to the Department's Pension Benefit Statement advance notice of proposed rulemaking. We ask the Department to recognize that employers are deeply invested in the financial well-being of their employees, especially their retirement security. WorldatWork understands that income projections alone will not lead to a secure retirement and supports additional efforts to increase participation and rates of contribution among plan participants to achieve positive change in savings behavior.

We look forward to working with the Department of Labor collaboratively on subsequent regulatory action.

Sincerely,



Cara Woodson Welch, Esq.
Vice President, Public Policy, News & Publications