

Employee Benefits Security Administration
Attn: Lifetime Income Joint Hearing
Room N-5655
U.S. Department of Labor
200 Constitution Avenue, NW.
Washington, DC 20210

August 16, 2010

On behalf of the National Women's Law Center and the Pension Rights Center, the undersigned respectfully request to testify at the Lifetime Income Joint Hearing to be held on September 14, and if necessary, on September 15, 2010.

The undersigned propose to testify on the following topics:

1. Certain Specific Participant Concerns Affecting the Choice of Lifetime Income Relative to Other Options.
 - Participants, and particularly women, may have concerns regarding the pricing of lifetime income options, given the high cost of annuity products on the open market. Lifetime income options offered through employer-sponsored DC plans would be required to offer gender-neutral pricing, and would likely be lower-priced than annuities offered on the open market given that employer-based retirement savings plans may be able to negotiate lower fees overall, premised on a group rate and that, as increasing numbers of participants in employer-sponsored plans select annuities, costs (and risk) could be spread out and the price of annuities would drop further. (2 minutes)
 - Participants, and particularly low- and moderate-income participants, may be concerned that their entire account balance would be "locked" into a lifetime income product. However, participants could be given the option of receiving his or her account balance (or portion of the account balance) amount as an annuity, so long as the amount to be annuitized at least equals some minimum threshold. (2 minutes)
 - Conversely, some participants may be concerned that they would not be able to use the retirement savings accumulated over their career to maximize the lifetime income received. We therefore recommend that the Secretaries of Labor and Treasury consider requiring plan administrators to accept rollovers from other qualified retirement accounts, to give low- and moderate-income workers an opportunity to receive larger lifetime income payments. (2 minutes)
3. Disclosure of Account Balances as Monthly Income Streams.

- Although workers understand that traditional DB pensions provide a lifetime income stream, few workers conceptualize their DC plan balances in terms of a potential lifetime stream of income. Consequently, lifetime income options should be offered in conjunction with significant educational efforts for plan participants. For example, the Lifetime Income Disclosure Act (S. 2832), introduced in 2009 by Senators Bingaman, Isakson and Kohl, would require 401(k) plans to inform participants of the projected monthly retirement income they could purchase, based on their existing 401(k) account balance. While the bill does not mandate or even facilitate the purchase of annuities through DC plans, it would afford participants personalized information about the purchasing power of their retirement savings. This would enable plan participants to better plan for retirement, by raising awareness of the need for secure lifetime income in retirement and helping them understand in a concrete way what income they could receive from their savings. (5 minutes)

5. Alternative Designs of In-Plan and Distribution Lifetime Income Options.

- Some groups have recommended amending the qualified joint and survivor annuity (QJSA) rules, which provide important spousal protections, to lifetime income options offered through employer-sponsored DC plans, asserting that this would encourage employers to offer annuity options by reducing costs and/or limiting employers' fiduciary liabilities. But some proposals would effectively eliminate the spousal protections that apply under current law to annuities offered under DC plans. And spousal protections are vital to women, who are more likely than men to rely on their spouses' retirement benefits. In contrast, it is unclear whether weakening the QJSA rules would in fact induce more plans to offer lifetime income options (since at least one association of investment companies has stated that the reason that plan sponsors do not offer annuities is not the QJSA requirements but low demand from participants). (5 minutes)

The undersigned respectfully request to testify to address these issues, as well as any others that may be of assistance to the Departments of Labor and Treasury. Please contact either of us should you have any questions.

Sincerely,

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