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Office of Regulations and Interpretations
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue, NW
Room N-5655
Washington, DC 20210
Attn: Pension Benefit Statements - Lifetime Income Illustrations [RIN 1210-AB20]

Dear Sir or Madam:

MetLife is pleased to submit comments in response to the Department of Labor's Interim Final Rule (IFR) for Lifetime Income Illustrations on Pension Benefit Statements. MetLife commends the Department for the thoughtful approach it has taken on the IFR, and for the way in which it has considered the many comments it received in the 2013 Advanced Notice of Proposed Rulemaking for Lifetime Income Disclosures (ANPRM). As the leading provider of institutional income annuities, MetLife advocated for lifetime income disclosures for more than a dozen years leading up to the passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act in December 2019, and our company also provided comments to the Department in our response to the ANPRM, so we were very pleased to see the IFR.

We applaud the Department for focusing on uniformity and simplicity when developing the lifetime income model disclosures. The result is clear, unambiguous model language for benefits statements and a reasonable set of assumptions that complies with the amendment to ERISA Section 105 as amended by Section 203 of the SECURE Act.

For the 76.8 million defined contribution (DC) plan participants who will receive a lifetime illustration in the future, MetLife believes the statements will have two important effects: first, they will help DC plan participants understand how much their current retirement savings may translate into monthly income, and, secondly, they will encourage participants to save more in their DC plan once they have a more realistic picture of the expected value of their savings. In a society where more than half of working Americans live paycheck-to-paycheck, it's important to continue that concept of a monthly "paycheck" that will last through retirement.

We know that the Department has allowed for a 60-day comment period and will use the comments it receives to potentially improve the final rule before its effective date. However, because the disclosures were structured in simple, easy-to-understand language for DC plan participants, from MetLife's perspective very few changes are needed. If kept simple, the annual lifetime income disclosures, like the benefits statements provided by the Social Security Administration, can become one of the most instructive educational tools that can be provided to DC plan participants.

We have outlined our comments below:

(1) Required Lifetime Income Streams: MetLife has long supported requiring pension statements for all DC plans to include account balances, as well as the monthly payments generated by each. We were pleased that the SECURE Act required a participant's account balance be expressed as a lifetime income stream payable in equal monthly payments for the life of the participant (i.e., a single life annuity), as well as for the joint lives of the participant and spouse as a qualified joint and survivor annuity (QJSA). We appreciate the format the Department created and believe it ensures the required information will be depicted in a clear and concise manner and should be easily understood by the "average DC plan participant" (as required by the SECURE Act).

However, the Department could consider showing a projected monthly income equivalent (i.e., including investment return on the current account balance, with no new deposits, and projecting what the increased savings would be at age 67).

As MetLife noted in its ANPRM comment letter, we thought an investment return of 7% for this type of projection would be too aggressive. If the Department were inclined to use a projected account balance, we suggest that the Department use a 4% investment return (without a 3% discount rate for inflation), and indicate that this represents a real rate of return that has been reduced to reflect the potential effects of estimated annual inflation. We believe that a 4% after-inflation rate of return is reasonably conservative but still high enough to incentivize participants to save in their DC plan and may be a more stable investment assumption that will require less vigilance in revisiting and updating by the Department.

(2) Assumptions for Lifetime Income Stream Illustrations:

(a) Commencement Date and Age: We commend the Department for placing a premium on uniformity and consistency when deciding on age 67 for the annuity commencement date — aligning with the full or normal retirement age under Social Security for most workers (those born in 1960 or later). Although MetLife had recommended in our ANPRM comment letter that projections and lifetime income illustrations be based on a retirement age of 65 for all plan participants, our thinking has evolved over the last seven years. As we found in our MetLife Evolving Retirement Model Study released earlier this year, many plan participants are postponing retirement. More than half of employers surveyed (57%) believe that their employees will retire at an older age compared with today; they expect the average retirement age of their workers to increase by 1.6 years over the next five years — from 64.5 years old to 66.1. Among those workers who do expect to retire (9% do not), 43% expect they will retire at age 65 or older.

(b) Marital Status and Amount of Survivor's Benefit: MetLife was pleased to see that, in accordance with the SECURE Act, the IFR includes a 100% joint and survivor illustration for all participants, whether the person is presently married or not. This type of approach eliminates the need for plan sponsors and their recordkeepers to track actual marital status each quarter and feed such detail to the illustration system. It also addresses the reality that those participants that are not currently married may be in the future, and those that are currently married may not be in the future.

As for illustrating a 100% qualified joint and survivor annuity (QJSA) benefit instead of one that reduces upon the death of one of the annuitants (e.g., a 50% J&S benefit), we shared in our ANPRM comment letter that this simplifies the illustration (e.g., there is no need to explain whose death triggers the benefit reduction) while also adding an element of conservatism to the illustrated benefit amount. Few, if any, DC plans are subject to QJSA requirements and, as such, may have no context for the J&S concept. Simply illustrating how long income will last for one and for two individuals on a simplified basis avoids any presumption about QJSAs. Additionally, we agree that a surviving spouse's income needs do not necessarily decrease by 50%; hence, why

we agree with using the survivor benefits of 100% in the IFR rather than a reduced benefit amount.

MetLife further supports that the QJSA illustration be based on the assumption that the spouse is the same age as the participant (i.e., age 67 for purposes of the illustration). However, we believe a plan sponsor should not be precluded from using the actual age of the spouse, if they prefer, within the safe harbor.

- (c) **Interest Rate:** We agree that using an interest rate equal to the 10-year constant maturity Treasury rate, published by the Federal Reserve Board, is an appropriate assumption. This is a standardized, generally understood and publicly-accessible rate. Also, it is sufficiently conservative that it will implicitly take into account the approximate level of risk and expense charges incorporated in the pricing of a commercial annuity – making it easier for DC plan participants to approximate what it could actually cost them to purchase a lifetime income stream. While this rate is not technically precise, we value simplicity in approximating the annuity rate for the plan participant over technical precision. The 10-year constant maturity Treasury rate is preferable to the “applicable interest rate” under Internal Revenue Code section 417(e)(3)(C). Furthermore, we believe the rates should be used from the last business day of the month to align with the date used for the account balance.
- (d) **Mortality:** We support the use of the mortality table in Code section 417(e)(3)(B) as a reasonable assumption. This is the unisex mortality table used by defined benefit (DB) plans, and we agree that this is administratively simple and would relieve plan sponsors and recordkeepers from having to know participants’ genders. This aligns with the ERISA plan requirement that, when annuities are offered by the plan, they must be priced on a gender-neutral basis, even if an annuity product is or is not made available through the plan.
- (e) **Insurance Loads:** As mentioned above in assumption (C) regarding interest rates, MetLife believes the 10-year constant maturity Treasury rate is sufficiently conservative that it will implicitly take into account the approximate level of risk and expense charges incorporated in the pricing of a commercial annuity. Additionally, as noted by the Department, there are many different types of annuity products, each with different related costs, so it would be difficult for the Department to select a uniform pricing load for the illustration. For these reasons, we do not believe the final lifetime income illustrations should include an explicit “insurance load.”
- (f) **Inflation Adjustment:** MetLife was pleased to see that the IFR does not include an assumed adjustment for inflation. Providing an inflation-adjusted income illustration (with a resulting lower starting income amount) would add complexity, potential participant confusion, and the lower benefit amount might discourage participants from saving. Although some insurance companies, including MetLife, offer inflation-indexed annuities, which guarantee fixed-income payments that are typically indexed to inflation based on an annual cost-of-living-adjustment factor, in our experience very few plan participants select this feature.

We had previously suggested in our ANPRM comments that if the Department ultimately decides to simply express all results in nominal (i.e., not adjusted for inflation) dollars, it may be prudent to include an explanatory note with language such as the following: “Your projected savings and their income equivalent are not adjusted for the effects of future inflation. Your expenses in the future are likely to be higher than they are today due to the impact of inflation over time. Inflation is the rate at which the general level of prices for goods and services is rising, and, subsequently, purchasing power is falling. As inflation rises, every dollar will buy fewer goods or services.”

- (g) **Term Certain and Other Features:** We recognize that Section 203(b) of the SECURE Act gives the Department discretion to prescribe special rules to lifetime income streams with “a term

certain or other features,” such as guaranteed lifetime withdrawal benefits (GLWBs), guaranteed minimum withdrawal benefits (GMWBs), term certain and other option riders. However, we believe introducing multiple rates into the lifetime income illustration is inconsistent with the overall goal of simplicity and could cause significant confusion for plan participants. Further, the simple illustration is clearly not intended to be about any particular product and should not be confused with actual product pricing as might be implied by using actual contractual rates.

Although some other commenters may purport that these products are prevalent in the market, it is our understanding that very few plan participants select these options and, if they do, very few ultimately annuitize their balance. For that reason, in the spirit of simplicity, if an in-plan product with incremental income amounts exists, we think it makes sense to add the total guaranteed monthly payment amount from all of the participant’s in-plan annuity units accrued to the current date to the estimated monthly payment amount of the non-annuity portion of the participant’s account. This would give participants a clear picture of how much income their retirement savings, including the portion already allocated to guaranteed income, would generate.

(3) Explanations for Lifetime Income Stream Illustrations:

MetLife appreciates the manner in which the Department carefully drafted the explanations that plan administrators *must* provide to participants, as well as the model language that *may* be used to satisfy the explanations required in these paragraphs. The language is clear and concise, and MetLife has very few comments or suggested changes.

(e) Special Rules for In-plan Annuities

(1) Plans That Offer Distribution Annuities: We also appreciate the flexibility that the Department has afforded to plan administrators that offer distribution annuities in allowing the administrator to use the group annuity contract terms to calculate the monthly payment amounts (except for the assumptions relating to assumed commencement date and age, as well as assumed marital status and age of spouse). Although they are not required to, if a plan administrator decides to use the contract terms, it will give the plan participant a realistic picture of the guaranteed monthly income their savings will generate.

If the plan administrator chooses to use the contract’s terms, we believe the required language in paragraph (e)(1)(iii) and the Model Benefit Statement set forth in Appendix II is appropriate as written. However, we do have one suggestion. The Department may want to consider adding the following language: **All guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.**

(2) Special Rules for In-plan Annuities – Participants That Purchase Deferred Annuities (including qualifying longevity annuity contracts (QLACs)): We agree that deferred income annuities that have been purchased by the plan participant, as distinct from a DC plan offering deferred income annuities as a plan feature but not yet elected by a plan participant, should be translated to a single life annuity and a QJSA. We agree with the information that must be disclosed about the lifetime income payments.

Today, most DC plan participants don’t truly know what their retirement savings are worth or how to make their savings last. Additionally, according to MetLife’s research, nearly all employers (96%) recognize that the decline of DB plans has generally resulted in greater reliance on DC plans to provide retirement income. With today’s workers increasingly relying on the DC plan as their primary and, in many cases, only source of retirement savings, we believe that translating the value of those savings into easy-to-understand income terms is critical.

MetLife stands ready to assist the Department as you finalize the Lifetime Income Illustrations on Pension Benefit Statements. Please feel free to contact Roberta Rafaloff, vice president, Institutional Income Annuities, at (212) 578-1166 if you have any questions or need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Graham Cox".

Graham Cox
Executive Vice President
Retirement & Income Solutions