

MEMO# 24265

April 26, 2010

Draft Institute Letter Responding to Joint DOL and Treasury Request for Information on Lifetime Income Options

URGENT/ACTION REQUESTED

[24265]

April 26, 2010

TO: PENSION COMMITTEE No. 12-10

PENSION OPERATIONS ADVISORY COMMITTEE No. 10-10 RE: DRAFT INSTITUTE LETTER
RESPONDING TO JOINT DOL AND TREASURY REQUEST FOR INFORMATION ON LIFETIME
INCOME OPTIONS

Attached is a draft letter from the Institute responding to the request for information on lifetime income options jointly issued by the Departments of Labor and Treasury. [\[1\]](#) The RFI asks a number of questions intended to help determine whether, and if so, how, the Agencies could or should enhance retirement security for participants in employer-sponsored retirement plans and IRAs by facilitating access to, and use of, lifetime income or other arrangements designed to provide a lifetime stream of income after retirement. Based on Institute and other research and data, and our analysis of the policy issues, the draft response letter makes the following points:

- Participants have distribution choices and effective strategies to manage assets in retirement, including annuity and non-annuity approaches. Institute research shows that people act responsibly with their defined contribution balances at retirement.
- Because all strategies have tradeoffs, and participants have different circumstances and needs, decisions on managing assets in retirement must be made on an individual basis.
- Low take-up rates for annuities among pension plan participants who have distribution choices is not necessarily evidence of a market failure or bias caused by how the annuity decision is “framed.” Most retirees already hold most of their lifetime wealth in annuity-equivalent form.
- It is critical to raise awareness of retirement income options and help plan sponsors

and participants understand and evaluate their choices. Providing high quality information, education and advice should be a shared priority of government and the private sector.

- The government should not mandate or incentivize particular retirement income products, because of the wide variation in individual circumstances, the difficulty inherent in attempting to delineate which products should qualify for special treatment, and Americans' desire for flexibility with their 401(k) accounts. Rather, government policy should recognize that both annuity and non-annuity strategies are valid.

Please review the draft and provide any comments to Mike Hadley (202-326-5810, mhadley@ici.org) or Elena Chism (202-326-5821, Elena.Chism@ici.org) by close of business Thursday, April 29, 2010. The deadline for submitting responses to the Agencies is May 3, 2010.

Elena Barone Chism
Associate Counsel Michael L. Hadley
Associate Counsel

[Attachment](#)

endnotes

[1] See [Memo](#) to Pension Committee No. 2-10 and Pension Operations Advisory Committee No. 2-10 [24126], dated February 2, 2010. The RFI is available at <http://www.dol.gov/federalregister/PdfDisplay.aspx?DocId=23512>.

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