

MEMO# 27331

June 25, 2013

ICI Draft Comment Letter on DOL Lifetime Income Illustration Proposal

URGENT/ACTION REQUESTED

[27331]

June 25, 2013

TO: PENSION COMMITTEE No. 14-13
PENSION OPERATIONS ADVISORY COMMITTEE No. 13-13 RE: ICI DRAFT COMMENT LETTER
ON DOL LIFETIME INCOME ILLUSTRATION PROPOSAL

Attached for your review is a draft comment letter responding to DOL's Advance Notice of Proposed Rulemaking (ANPRM) on lifetime income illustrations. [\[1\]](#) According to the ANPRM, DOL is considering requiring the inclusion of lifetime income stream illustrations on pension benefit statements for defined contribution plan participants. The ANPRM outlines proposed guidelines and a safe harbor approach for expressing a participant's account balance as an annuity and projecting the current account balance to the participant's retirement date (and likewise expressing the projected balance as an annuity).

Our draft letter explains that the narrow approach DOL is considering would not include many of the innovative approaches to providing income stream illustrations already in use today and would cut off further development of new and better tools for participants. We also describe several specific concerns with the proposed annuity conversion method, including that the illustration's reliance on prevailing interest rates will result in variability of estimates that will be essentially meaningless for participants not near to retirement; the method ignores prevalent distribution behavior by participants (who tend not to annuitize); and the estimates generated by the safe harbor assumptions do not reflect actual pricing of annuities. The letter recommends that DOL take a more flexible approach by encouraging, rather than requiring, illustrations and providing broader guidance that would encompass other methods of translating an account balance into a lifetime income stream, such as systematic withdrawal calculations based on modeling designed to achieve high probabilities of income replacement throughout retirement. Finally, the letter questions whether DOL has authority under ERISA to mandate the inclusion of income stream illustrations on benefit statements and notes that the costs associated with the proposal likely would be much higher than anticipated by DOL.

We would appreciate your comments and feedback on the draft letter. We kindly ask that you provide any comments to the undersigned (elena.chism@ici.org or 202-326-5821) by

Monday, July 1, 2013, as comments are due to DOL by July 8, 2013. [\[2\]](#)

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[Attachment](#)

endnotes

[\[1\]](#) For a detailed description of the ANPRM, see [Memorandum](#) to Pension Members No. 22-13 [27228], dated May 8, 2013.

[\[2\]](#) The Institute and other associations have asked for an extension of the deadline for comments to August 7, 2013. See [Memorandum](#) to Pension Members No. 27-13 [27321], dated June 19, 2013. At this time, we do not know whether DOL plans to provide any extension.

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