

plan sponsors May 3 urged the agencies not to require tax code Section 401(k) plans to provide such an option to their participants.

Instead, comments by the organizations, included among 655 separate responses, urged the Labor Department and Treasury to promote education and to strengthen an existing safe harbor on the selection of annuity providers.

However, comments from nonpartisan public policy organizations and from the insurance industry supported the idea that a lifetime income option either be required or encouraged.

In February, the Labor Department and Treasury issued a request for information seeking ideas on how to turn defined contribution pension plans and individual retirement accounts into a lifetime stream of income for participants (20 PBD, 2/2/10; 37 BPR 301, 2/9/10). Comments were due May 3 (RIN 1210-AB33).

**No 'Preconceived Notions.'** Phyllis Borzi, assistant secretary of labor for the Employee Benefits Security Administration, said May 4 at a conference sponsored by the International Foundation of Employee Benefit Plans that she did not come to the process on retirement lifetime income "with any preconceived notions."

Instead, she said she does not know whether providing for guaranteed income from defined contribution plans is a policy arena in which Congress and federal regulatory agencies need to be involved.

Separately, Government Accountability Office correspondence released May 4 highlighted the need to improve financial literacy and said ensuring that the population has adequate income throughout retirement remains a major policy challenge.

The April 28 correspondence addressed to Sen. Herb Kohl (D-Wisc.), chairman of the Senate Special Committee on Aging, said aging workers must accumulate sufficient assets and learn how to manage those assets for a retirement in which "couples both aged 62 have a 47 percent chance that at least one of them will live to their 90th birthday."

Although retirement savings "may be larger in the future as more workers have opportunities to save over longer periods through strategies such as automatic enrollment, many will likely continue to face little margin for error," the correspondence said. Poor investment decisions can mean the difference between a secure retirement and poverty, GAO said.

"How we address this issue for the already large segment of the population depending on limited retirement savings to ensure income adequacy throughout retirement continues to be one of the key policy challenges facing the Congress and the nation," the report said.

**Industry Rejects Mandate.** Groups such as the ERISA Industry Committee (ERIC), Washington, D.C., which represents major U.S. employers, said in comments filed with the departments that it opposed "any requirement that plans offer lifetime income arrangements (LIAs) as distribution options."

ERIC said a mandate would subject plan fiduciaries to potential liability and plans to substantial costs and that there would be little additional gain for the "overwhelming majority of plan participants."

According to ERIC, "Plans would incur substantial costs in evaluating and selecting LIA providers, and in establishing and maintaining the disclosure, communi-

## Annuities

### Employer Groups Urge Federal Agencies Not to Mandate Lifetime Income Option

**R**esponding to a request for information by the Department of Labor and the Treasury Department on the need for retirement plan lifetime income, major organizations representing employee benefit

cations, processing, and recordkeeping systems that an LIA would require."

ERIC further urged the federal agencies to provide a "genuine safe harbor for the selection of an annuity provider." It said an existing safe harbor for the selection of annuity providers issued by the Labor Department in 2008 (194 PBD, 10/7/08; 35 BPR 2328, 10/14/08) is inadequate because it does not give the "compliance certainty that a genuine safe harbor provides."

ERIC's recommendation against requiring lifetime income options in Section 401(k) plans or individual retirement accounts was supported by comments from the U.S. Chamber of Commerce, the Profit Sharing Council of America, the American Society of Pension Professionals & Actuaries, and the Committee on Investment of Employee Benefit Assets. These organizations also said that greater communication and education about lifetime income options was needed.

In its comments, the Profit Sharing Council laid out numerous products available to provide lifetime retirement income and said the "market should be permitted to develop and improve such products without government interference that could hamper this process."

**Life Insurance Industry Comments.** In a teleconference May 4, Frank Keating, president and chief executive officer of the American Council of Life Insurance (ACLI), said there is a need for retirees to have the option of annuitizing a portion of their retirement assets to provide a lifetime stream of income. Otherwise there is a danger that many people will outlive their assets, he said. Keating suggested that the federal agencies concentrate on educating employers and employees about the benefits of having a lifetime income option.

ACLI said in its comments that guidance from the Labor Department and Treasury to "employers and employees to clarify that plans may offer participants the flexibility to annuitize a portion of their account balance would be helpful."

Mathew Greenwald, president of the national public opinion firm of Mathew Greenwald & Associates, Washington, D.C., reported during the teleconference the results of a survey, *Participant Reaction to Guaranteed Lifetime Income Option and Illustration*, which polled 750 plan participants who lacked a lifetime income option.

In contrast to comments from the Profit Sharing Council that there was "little interest" among plan participants in lifetime income options, Greenwald said his survey showed that 78 percent of participants were interested in having their employer provide them with information on what they should do with their retirement plan savings once they retire.

**View of Employee Organizations.** Comments also were filed by a number of nonprofit, nonpartisan, public policy organizations that promote retirement security for women, including the American Federation of State, County, and Municipal Employees; the National Senior Citizen Law Center; the Pension Rights Center; and the National Organization for Women.

These organizations strongly recommended that Section 401(k) plans and other employer-based defined contribution plans be required to offer a lifetime income option.

By DAVID B. BRANDOLPH  
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## Retirement Planning

### More Americans Delaying Retirement Due to Recession, Aging of Baby Boomers

**T**he closer individuals get to retirement, the less likely they are to say they will have enough money to have a comfortable retirement, Frank Newport, editor in chief of the Gallup Poll, told BNA March 7.

A Gallup survey found that Americans increasingly are delaying their expected retirement date beyond age 65. Since 1995, the percentage of nonretirees who said they were likely to retire after age 65 has more than doubled, from 12 percent to 34 percent, according to the survey, released April 26.

Over half of individuals (56 percent) between the ages of 18 and 29 said they would have enough saved, while only 46 percent of those between ages 30 and 49, and only 32 percent between ages 50 and 64 agreed with that statement, Newport said.

Since the beginning of the recession in 2007, the percentage of individuals saying they would retire after 65 ticked up from about 30 percent to 34 percent, Gallup found. The percentage of Americans saying they would retire before age 65 dropped from 34 percent in 1996 to 27 percent in 2010, up slightly from 24 percent in 2008 and 2009, the survey found.

The telephone survey of 1,020 adults conducted April 8-11, found that just over a quarter, 27 percent, said they expected to retire at the Medicare-eligible age of 65, Gallup found.

The aging of the baby boom generation and the recession are major factors in the changing figures over the past 13 years, Gallup suggested. Baby boomers, who now are nearing the traditional retirement age, may have a different attitude about the nature and rewards of work than their generational predecessors, Gallup said.

In addition, with many people's retirement savings depleted by the recession, more people are likely to see the value in staying on the job, Gallup said. About 46 percent of nonretired Americans in 2010 said they believed they will have enough money to live comfortably in retirement, up from only 41 percent last year. However, the 2010 percentage is much lower than in 2002 through 2004, when 59 percent thought they would have enough funds, the survey found.

People age 60 to 69 who continue to work may be better off psychologically than their nonworking peers, but this may be because older adults who are not working may have health conditions that prevent them from doing so, Newport said.

There may be some positive results for the U.S. economy as a result of people waiting longer to retire, Gallup said. For example, some economists have projected a greater need for additional labor to make the economy stronger, and older workers could help with that need. Additionally, those who continue to work beyond the traditional retirement age drain less from Social Security and Medicare, Gallup said.

By SEAN FORBES

For more information, contact Gallup at <http://www.gallup.com>.