

### Senior Members of House Committee on Education and the Workforce Introduce “Lifetime Income Disclosure Act”

(Washington, D.C.) – U.S. Reps. Rush Holt (NJ-12) and Tom Petri (WI-06), senior members of the House Committee on Education and the Workforce, today introduced legislation to help ensure that Americans have saved enough for their full retirement. With the shift to 401(k) plans, American workers have become increasingly responsible for saving for and managing their retirement investments. However, many Americans are not saving enough, and they are unsure how quickly to draw down their savings in their retirement years.

The Lifetime Income Disclosure Act (H.R. 677) would require 401(k) plan sponsors to inform participating workers of the projected monthly income they could expect at retirement based on their current account balance. The measure is patterned on the Social Security Administration’s annual statements, which are mailed annually to working Americans to inform them of estimated monthly benefits based on their current earnings. Congress mandated annual Social Security statements in 1989, and they have proven to be very useful to workers in preparing for retirement.

“We should do everything we can to help Americans save for retirement. Our bipartisan bill is a common sense approach to providing Americans with the tools and information they need to plan for a secure retirement future,” Holt said.

“As retirement plans shift increasingly toward a defined contribution basis, individuals have a greater responsibility to ensure that they are providing adequately for their retirement,” Petri said. “The information called for in the Lifetime Income Disclosure Act will serve as a scorecard showing savers their progress toward reaching this critical financial goal.”

Rep. Ron Kind (WI-03) and David Reichert (WA-08) are cosponsors of the legislation.

By providing similar information for 401(k) plans, the Lifetime Income Disclosure Act would give American workers a more complete snapshot of their projected income in retirement.

Specifically, under the legislation, defined contribution plans subject to ERISA – including 401(k) plans – would be required annually to inform participants of how the account balance would

translate into a monthly income stream based on age at retirement and other factors.

To ensure there is no material burden or potential liability on employers who voluntarily sponsor 401(k) plans, the legislation directs the Department of Labor to issue tables that employers may use in calculating an annuity equivalent, as well as a model disclosure. Employers and service providers using the model disclosure and following the prescribed assumptions and DOL rules would be insulated from liability.

Senators Jeff Bingaman (D-NM), Johnny Isakson (R-GA), and Herb Kohl (D-WI) previously introduced the legislation in the Senate.

“Half of American households will lack sufficient retirement income to maintain their pre-retirement standard of living, but many are unaware of their vulnerability. Our bill will empower Americans to determine whether they are on a path to a secure retirement,” Bingaman said. “This is the kind of common-sense, employer-friendly bill that deserves priority consideration.”

“Defined contribution plans such as 401(k)s are the retirement plans of today and tomorrow,” Isakson said. “This legislation will increase financial literacy, promote increased savings, and encourage participants to think of their 401(k) investments as a vehicle for lifetime income.”

The bill was also praised by a range of business groups, advocates, and retirement policy experts.

“Millions of Americans are not prepared for retirement – whether their savings have been depleted in a tumultuous market, or accounts have been tapped to cover necessities, or they simply have not started the planning process,” said Nancy LeaMond, AARP Executive Vice President. “AARP believes the bipartisan Lifetime Income Disclosure Act will not only provide important information on how an individual’s 401(k) account will play a crucial role in his or her retirement income, but also spark a much needed, broader conversation about retirement and financial security in this country.”

“The U.S. Women's Chamber of Commerce strongly supports the Lifetime Income Disclosure Act as a vital step in the right direction to help women, and our members employees, overcome the financial challenges of retirement,” said Margot Dorfman, CEO of the US Women’s Chamber of Commerce. “Having bottom-line information about how retirement savings translates into guaranteed lifetime income is a vital planning tool for women and all American workers. The Lifetime Income Disclosure Act assures that workers will be regularly informed of how their 401 (k) account balance will match up against their anticipated retirement income needs.”

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