



AMERICAN BENEFITS  
COUNCIL

***Benefits Briefing:***  
**Understanding the New**  
**Lifetime Income Disclosure Rules**

*Featuring Acting EBSA Chief Jeanne Klinefelter Wilson*

**Tuesday, September 1, 2020**  
**2 p.m. ET**

# Today's Speakers

## Moderator:



**Lynn Dudley**  
*Senior Vice President,  
Global Retirement  
and Compensation Policy*  
American Benefits Council

## Guest Speakers:



**Jeanne Klinefelter Wilson**  
*Acting Assistant Secretary of Labor*  
Employee Benefits Security  
Administration



**Kent Mason**  
*Partner*  
Davis and Harman LLP

# Lifetime Income Illustration Interim Final Rule

Jeanne Klinefelter Wilson  
Acting Assistant Secretary

U.S. Department of Labor, Employee Benefits Security Administration



# Background

- Congress directed the Department to issue an interim final rule reflecting the SECURE Act amendments to ERISA section 105.
- The Department has had a project on its semi-annual regulatory agenda since 2013 when we published an advance notice of proposed rulemaking and received about 150 comments.
- The IFR responds to the SECURE Act mandate and reflects our continued work on issues concerning lifetime income.

## What the Rule Requires

- Plan administrators must, at least once a year, express a participant's current account balance as two estimated lifetime monthly income streams:
  - The first illustration shows monthly payments as if the current account balance were used to provide a **single life annuity**.
  - The second illustration shows monthly payments as if the current account balance were used to provide a **qualified joint and survivor annuity or QJSA**.

# Benefits to Workers

- Lifetime income illustrations:
  - Remind participants that savings accumulated during working years translate into retirement benefits to last for the rest of their lives.
  - Give participants an idea of how they are doing saving for retirement.
  - Make retirement account statements a better planning tool. Participants can compare the monthly income amount to their likely expenses in retirement.

# Interim Final Rule

- Provides plan administrators with:
  - A set of assumptions to use when converting account balances
  - Model language
- Requests comments on the requirements and methodologies
- Reminder – neither the SECURE Act nor the IFR requires participants to take their benefit as an annuity. Neither does either one require defined contribution plans to offer an annuity form of payment.

# Assumptions

- Annuity Commencement Date or Annuity Start Date – date of statement
- Age of Participant - participant is 67 years old on the annuity start date, or the actual age, if older
- Marital Status – participant has a spouse of equal age
- Use IRS Unisex Mortality Table for conversion
- Use 10-year Constant Maturity Treasury interest rate for conversion



# In-Plan Annuities

- The IFR includes special rules for in-plan annuities:
  - Distribution Annuities
  - Deferred Income Annuities

# Model Language

- The IFR contains easy to use model language
  - Brief, understandable explanations of the assumptions underlying the illustrations
  - Clarify that the estimated monthly payments are not guarantees
- Liability relief for required illustrations

# Regulatory Impact Analysis

- Most costs will be incurred in the first year for plans not currently providing lifetime income illustrations.
- In subsequent years, costs will drop substantially as the infrastructure that was developed is used.

## Timing & Effective Date

- IFR posted on EBSA website on August 18, 2020.
- Comment period closes 60 days after IFR published in the Federal Register.
- Effective one year after publication in the Federal Register.

# Questions

