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Written Testimony of

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“Examining Income Replacement During

Retirement Years in a Defined Contribution Plan System”

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INTRODUCTION

Members of the Advisory Council on Employee Welfare and Pension Benefit Plans, thank you for your invitation to discuss with you the challenges facing Americans with regards to income replacement during their retirement years within a defined contribution (DC) plan system.

I am Srinivas D. (Sri) Reddy, a senior vice president at Prudential Retirement, where I lead the Institutional Income business, which focuses on manufacturing institutional retirement income investment products for the DC marketplace. Prudential's experience in the retirement industry dates back to 1924. Today, Prudential Retirement supports nearly 6,000 defined benefit (DB) and DC retirement plans, and covers nearly 3 million DB and DC plan participants and annuitants. As of June 30, 2012, Prudential Retirement's account values totaled $245 billion.

I would like to begin my testimony by commending the Council for its interest in learning more about the inclusion of lifetime income products in DC plans. We believe this is both a timely and critical issue and one that needs to be addressed in order to produce better retirement outcomes.

My testimony today will focus on retirement income alternatives for DC plan participants. In my remarks today, I will address the following topics:

- The Getting to and Through Retirement Challenge
- The Diversity of In-Plan Retirement Alternatives
- The Challenges and Solutions of Plan Sponsor Adoption
- The Challenges and Solutions of Participant Awareness and Election

THE GETTING TO AND THROUGH RETIREMENT CHALLENGE

Over the past 30 years, the move to DC plans served to reduce many of the financial and fiduciary risks that employers faced with DB plans.[1] However, this shift has posed a variety of new challenges for plan participants, not the least of which is responsibility for managing their own retirement assets.[2]

Unlike participants in DB plans, challenges facing today's DC plan participants include:

- Managing investment risks – to ensure the adequacy of their retirement savings through prudent investing.
- Managing longevity risk – to ensure that their retirement savings lasts throughout their retirement years
- Limited access to in plan lifetime income options
- Limited access to retirement education programs or advisors

For many participants, these challenges have created uncertainty and anxiety about their ability to retire. Studies have shown that three out of five participants say they're behind schedule or don't know where they are in relation to their retirement goal and only one in five participants is "extremely or very" confident that their money will last through retirement.[3] This is also a concern for employers. More than 80% doubt that once their employees retire, they will be able to manage their incomes.[4]

There has been considerable innovation in the market place in an effort to design and offer lifetime income products and solutions responsive to the identified challenges facing today's DC plan participants. In addition, there has been a growing awareness on the part of many employers of the importance of helping their employees ensure an adequate and secure retirement. However, it is important to note that legislators and regulators can - and must - play an important role in promoting and facilitating industry and employer efforts to address the needs of today's plan participants and beneficiaries as they think about and plan for retirement.

While we are encouraged by the Department of Labor's and the Department of the Treasury's review of these issues, we are concerned that with each passing day an estimated 10,000 Americans are reaching retirement age, most of whom will not have had the benefit of a lifetime income distribution option or education necessary to manage their retirement assets during their retirement years.

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[1] "What Employers Lose in the Shift from Defined Benefit to Defined Contribution... and How to Get it Back," Prudential Financial, 2011.
[2] Ibid.
[3] Prudential Retirement Plan Participant Survey, 2012.
[4] "Aon Hewitt Survey Finds Employers Doubtful About Workers Ability to Adequately Prepare for Retirement," Aon Hewitt, 2012.

Having noted the challenges facing today's DC plan participants, I will now turn to a review of some of the retirement income alternatives available in the market place.

THE DIVERSITY OF IN-PLAN RETIREMENT ALTERNATIVES

There are a number of options available to DC plan participants with regards to the creation of retirement income, which can be grouped into in-plan versus out of plan solutions and best efforts versus guaranteed solutions. Although all of the solutions attempt to address the primary retirement income risk of longevity, there is a tradeoff between the amount of income generated and the level of flexibility and control the participant retains.

Out of plan options for participants encompass the universe of financial services and products available for non-qualified assets and are typically delivered in an Individual Retirement Account (IRA). The primary out of plan solutions that are offered through the worksite consist of various immediate annuities, of which fixed immediate payout annuities are predominant.

In-plan options for plan sponsors and participants have expanded through innovation over the past several years. Best efforts products include managed payout mutual funds and managed accounts with systematic withdrawal programs. Guaranteed products encompass payout annuities, longevity insurance and hybrid innovations such as guaranteed lifetime (minimum) withdrawal benefit (GLWB / GMWB).

Managed payout funds, as their name indicates, are essentially mutual fund investments that create ongoing retirement income as the fund's investment objective. Depending on the payout fund, this can be done with either the preservation of principal, where the income generation is targeted from returns, or through the targeted liquidation of the principal over time to help with the income generation. These products may be attractive due to the simplicity of the design or the familiarity of the structure to participants who are typically familiar with mutual funds.

Managed Accounts with systematic withdrawal programs combines fee-based investment advice that takes into account the individual participant's specific needs and risk tolerance along with periodic withdrawals to create an ongoing income stream. These programs may seek to target income until a specific age or for the duration of the participant's life. For the former, some providers may utilize longevity insurance as an asset class to help generate income beyond the targeted age. The personalized investment strategy along with a 'set it and forget it' approach is user friendly to the participant but does add an additional fee for the service.

Both of the aforementioned best efforts products, albeit now addressing retirement income, utilize structures primarily meant for asset accumulation. A significant challenge is ensuring that the plan participant understands that these solutions are not guaranteed and that resulting investment performance and retirement income risk are retained by the participant.

The product that generates retirement income most similar to that in defined benefit plans is the payout annuity. As the name applies, participants can purchase guaranteed payments of income for a specified amount before the income 'turns on'. The variability in design of payout annuities include the term or duration, single or dual lives, if the income is purchased over time or with a single premium amount, and in the instances of variable immediate annuities, the underlying investment options. With a fixed payout annuity, the participant has the certainty of receiving payments that are guaranteed. The challenges that participants may have with this product construct include giving up control of the principal, having limited flexibility in accessing the principal amount should financial needs arise, and in the case of life only annuities, not having a residual balance for the benefit of their beneficiaries/estate should they die prematurely.

Longevity insurance, also known as deferred immediate annuities, is a variation of the payout annuity described above. With longevity insurance, the participant can purchase guaranteed income today that won't begin until a specified age (i.e. 85). Insurers can utilize the concept of pooled mortality as in the case with payout annuities to provide the guarantee presumably more efficiently than what participants can self manufacture. The product design produces challenges similar to payout annuities and adds the challenge of helping participants understand that a portion of buyers will never collect income due to mortality.

More recently, products such as guaranteed lifetime (minimum) withdrawal benefit (GLWB / GMWB) have been introduced to manufacture guaranteed income similar to payout annuities but they address some of the historical drawbacks of payout annuity products. These new product structures allow for substantially more flexibility while still providing an explicit guarantee.

GLWBs are offered in variations. A standard in-plan GLWB may be offered on one or more underlying mutual fund investments. During the years preceding retirement, the GLWB tracks two separate values for the participant: 1.) the current value of the underlying investment; and 2.) the participant's periodic 'high-watermark'[5] value plus the value of contributions into the investment from the high-watermark point. Upon retirement or when the participant begins to take income, the GLWB guarantees that the participant will receive a specified percentage of the higher of the actual investment value or the high-watermark amount for their life.

Once guaranteed lifetime income is activated, the ongoing values tracked will be the specified withdrawal amount multiplied by current account value versus the 'locked' guaranteed income. If market appreciation allows for a participant to increase their guaranteed income amount, they may adjust their income higher. Alternatively, if market values deteriorate, participants retain the higher guaranteed income value. In addition to the guaranteed income stream, participants always have access to their current investment value. If the participant dies and has a positive investment value, this amount is made available to beneficiaries.   Given that the underlying

[5] For purposes of determining an income base, a value that reflects the highest measured values as of prior measurement dates as stipulated under the terms of the contract.

investment has equity exposure, the participant has the potential opportunity to address inflation risk while maintaining downside protection. GLWBs are offered for an additional fee on the investment to the participant.

In response to the Council's question regarding the application of fee disclosure requirements, we do not believe there is a need for any new disclosure requirements. We believe that current rules governing the insurance products generally, as well as the Department of Labor's recently adopted fee disclosure rules under section 408(b)(2) and 404(a) of ERISA, will serve to ensure that both plan sponsors and plan participants will have the information they need to make informed decisions about the fees and expenses attendant to the various in-plan retirement income alternatives.

THE CHALLENGES AND SOLUTIONS OF PLAN SPONSOR ADOPTION

We have identified four main challenges facing employers in expanding lifetime income opportunities to their employees.

- Assessing an insurer's long-term financial viability
- Comparing new and innovative products
- Ability to educate workers
- Product portability

Assessing an insurer's long-term financial viability

Despite a growing interest by plan sponsors in offering in-plan retirement income products to their employees, the uncertainty and ambiguity currently surrounding the application of ERISA's fiduciary rules to the selection of insurers and guaranteed lifetime income options continues to be a major impediment to the inclusion of these products in many DC plans. In our experience, most fiduciaries are comfortable making determinations relating to the reasonableness of costs in relation to benefits and quality of services, however, few are comfortable determining, as required by current regulation, whether an insurer is capable of meeting all its long-term obligations under a long-term contract. We believe such determinations are appropriately the domain of state insurance regulators, who set standards and monitor compliance to protect consumers. Plan fiduciaries should, in our view, be able to rely on the judgments of these state insurance experts for solvency-related issues under ERISA.

We also believe that the current safe harbor regulation should be clarified to ensure its application to the broadest array of guaranteed lifetime income products, such as guaranteed minimum withdrawal benefits, and sufficiently broad to encourage, rather than chill, innovation, as providers work to develop new products in response to employee concerns and preferences.

We welcome the Department of Labor's commitment to review the safe harbor regulation (29 C.F.R. § 2550.404a-4) and encourage their consideration of these issues.

Such changes will, in our view, represent a major step forward in removing perceived impediments to the inclusion of guaranteed lifetime income products in DC plans. Just as importantly, these measures would help to strengthen the emerging workplace retirement income market without stifling the product innovation that is naturally occurring.

Comparing new and innovative products

Innovation in the market place has also presented challenges for some plan sponsors. Prudential and the broader industry have made great strides in the in-plan retirement income market, creating a diverse mix of innovative new products that seek to create better retirement outcomes for participants. However, as is the case in any developing market, the ability to compare equivalent products is often limited and, as a result, may raise questions as to how best to ensure a prudent selection of products and providers. In our experience, these concerns are best addressed by an understanding of the product – how it works and how it can benefit the plan's participants – and an understanding of the provider and its ability to deliver promises and quality services. We believe that any plan sponsor anxiety relating to today's new products will diminish as the market matures.

Ability to educate workers

Another challenge facing plan sponsors relates to how best to assist their workers in preparing for retirement. We believe plan sponsors want to play a significant role in helping their workers transition into retirement. However, consistent with written comments and oral testimony provided to the Department of Labor and the Department of the Treasury as part of their review of lifetime income options and issues, plan sponsors continue to have concerns as to whether the provision of information relating to in-plan retirement alternatives and other pre-retirement considerations might be construed to be fiduciary advice – rather than education – and, thereby increase plan sponsor exposure to potential litigation and liability under ERISA.

We believe employer communication and participant education must move beyond investment decision-making and must cover topics such as: how to generate retirement income; the benefits and risks involved in different distribution approaches; and the products workers have available to help them manage the risk and responsibility of generating retirement income for an uncertain life expectancy. In this regard, we at Prudential continue to believe that the Department of Labor should take steps to address these issues by amending or supplementing its guidance in Interpretive Bulletin 96-1 (29 C.F.R. § 2509.96-1) to, among other things:

- Clearly state that providing descriptions of annuities and other guaranteed lifetime income options available to participants constitutes education, not investment advice. (Add examples that specifically address in-plan retirement income products with sufficient flexibility so they can encompass innovative product design such as guaranteed minimum withdrawal benefit (GMWB) products).

- Explicitly permit the provision of information to employees regarding the risks they will face in retirement, specifically investment risk, longevity risk and inflation risk.

- Permit the furnishing of information and materials that inform participants and beneficiaries about how an annuity or withdrawal strategy can be used for a portion of the retirement account.

- Permit guidance on retirement income models, including online calculators and illustrations of an annuity in the pension benefit statement.

On this last point, conditioning plan participants to think in terms of future retirement income will help place the emphasis where it belongs and should encourage greater savings. In this regard, we fully support legislative efforts in both the Senate and the House to provide for lifetime income disclosures on a regular basis to plan participants (S.267 and H.R. 677, respectively). We also support efforts by the Department of Labor to explore means by which lifetime income illustrations might be encouraged through the regulatory process. Our experience also supports encouraging the use of online calculators as an effective means by which to encourage increased retirement savings. In fact, participants in Prudential-administered plans who used Prudential's Retirement Income Calculator increased their savings rate by an average of 5% when they discovered an income shortfall (based on their specific time horizon, deferral rate, and tolerance for risk).[6] Any legislation or regulations relating to lifetime income illustrations should promote and facilitate the development and use of such calculators for plan participants.

Updating regulatory guidance to extend the "investment education" definition to information and materials related to in-plan retirement income products and retirement-related issues generally removes another key barrier to producing better retirement outcomes for participants.

Portability issues

Concerns over portability issues – the anticipated difficulty in changing service providers when offering in-plan solutions – has also presented challenges for some plan sponsors considering the offering of in-plan retirement income products. Industry efforts to solve this issue have made substantial progress in facilitating the portability of these products from one record keeper to another or, at the participant level, from an in-plan option to an out-of-plan option. Participant-level portability has largely been solved as many product providers offer IRA-rollover solutions to participants. At the plan level, market growth has given rise to two other portability solutions; standardized data sharing (SPARK Institute standards) and middleware providers.

Efforts have already been made to standardize key information needed to facilitate portability across record keepers. The standards are intended to make it more feasible and cost-effective for record keepers and product providers to service in-plan retirement income solutions by

[6] "Prudential Perspective," 4Q/2011, Prudential Retirement.

resolving data connectivity issues that have been impediments for record keepers, plan sponsors, and participants.

An additional enhancement in product portability between record keepers can be found in the developing middleware market. Middleware providers act as a conduit between in-plan retirement income product providers and record keepers, facilitating the exchange of participant-specific data. Record keepers see a reduction in data complexity when a single connection to the middleware provider “communicates” with multiple in-plan retirement income product providers. Conversely, in-plan retirement income products connected to the middleware provider are immediately compatible with all record keepers also connected to the middleware. Simplifying the data transfers between product providers and record keepers greatly enhances the portability of in-plan retirement income products and reduces a key barrier to plan sponsor adoption.

THE CHALLENGES AND SOLUTIONS OF PARTICIPANT AWARENESS AND ELECTION

Plan participant decisions within DC plans are often made without awareness of income replacement needs. In the instances where participant awareness exists, complexity of the decision making process or the underlying product and participant inertia often prevent the participant from taking action.

Lack of awareness of financial retirement needs and the products which support retirement goals is largely driven by workers focusing on current financial demands (household bills, insurances, child care, college demands, etc). Coupled with a general lack of education of the financial needs in retirement, participants are often late to begin saving or have avoided due diligence out of a sense of mistrust or fear of making a mistake.

EBRI in their 2012 RCS study notes that: “Many workers continue to be unaware of how much they need to save for retirement. More than half (56 percent) report they and/or their spouse have not tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.” As well, they have found that: “The propensity to guess or do their own calculation, together with current feelings of financial stress, may help to explain why the amounts that workers say they need to accumulate for a comfortable retirement appear to be rather low. Thirty-four percent of workers say they need to save less than $250,000 (up from 26 percent in 2007).”[7]

Complexity is also a significant challenge in driving appropriate participant action. The shift from DB to DC as the primary retirement income source has created an increased sense of insecurity and complexity for participants while removing a reliable source of lifetime income. Complexity of plan options, robust needs calculations, and fees all play a role in creating an environment demanding increased participant education.

[7] 2012 Retirement Confidence Survey, Employee Benefit Research Institute.

In addition to the lack of awareness and complexity challenges, plan participants exhibit strong inertia, sometimes grounded in inaccurate beliefs. Following passage of The Pension Protection Act of 2006, target-date funds have become a popular investment option, capturing a large percentage of DC asset flows. A recent study demonstrated that many participants in target-date funds do not understand their investment. When participants were asked whether they thought their target-date fund provided guaranteed income, 51% said "yes," while another 19% were "not sure," suggesting a mismatch between product features and participant expectations which may further drive inertia.[8]

Adjacent Benefit: Driving Better Outcomes

Two of the questions concerning in-plan retirement income solutions have been; 1.) do they lead to better plan participant investing behaviors and 2.) do they result in better retirement outcomes? With these questions in mind, Prudential Retirement conducted two research studies in late 2011. One study was a survey of plan participants in plans with guaranteed retirement income products to determine investing perceptions and behaviors, as well as beliefs on retirement readiness. The second study was an analysis of our book of business to determine if those invested in guaranteed retirement income products experienced better retirement outcomes than those who did not elect the product. The results of those studies are summarized in this section.

To summarize, we evidenced three outcome-oriented benefits of shifting the focus to retirement income. Participants: 1.) Save more, 2.) Maintain diverse portfolios, and 3.) Stay the course even in periods of high volatility.

Data on our plan sponsor base showed that providing an in-plan guaranteed retirement income option resulted in participants contributing more —on average 38% more—than what the average 401(k) plan participant contributes.[9] We believe this is driven by a heightened awareness of a participant's post retirement needs when they focus on income versus the aggregate balance.

It is generally agreed that a comprehensive diversification strategy can help manage risk. But participants often struggle with how to build such a portfolio tailored to their specific goals. A study by The Wharton School concurred, finding that, "Retirement wealth over a 35-year work life might be reduced by as much as one-fifth due to participant diversification errors."[10]

We found similar results within our own book of business:

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[8] "What Workers Get – and Don't Get – About Target-Date Funds", Alliance Bernstein, 2011.

[9] Industry average contribution rate 7.30% versus 10.13% for Prudential IncomeFlex participants, Aon Hewitt, 2010, Prudential Retirement, 2011. Study of nearly 20,000 Prudential Retirement full-service Defined Contribution participants, age 50 and older, researched during the period December 2007 through April 2011. Stat is inclusive of IncomeFlex Select due to the start date of the research. IncomeFlex Select is no longer available for new clients.

[10] "The Efficiency of Sponsor and Participant Portfolio Choices in 401(k) Plans," Ning Tang, Olivia S. Mitchell, Gary R. Mottola, and Stephen P. Utkus, Pension Research Council Working Paper 2008-09, The Wharton School, 2009. Application of asset allocation and diversification concepts does not assure a profit or protect against loss in a declining market.

- Nearly 40% of Prudential Retirement DC plan participants age 50 and older without an in-plan retirement income option were invested entirely in either equity or fixed-income funds;[11]

- In contrast, those invested in a retirement income solution were invested in an asset allocation-style fund that was diversified among a variety of asset classes.

When looking at investment performance, from 1991 to 2011, the S&P 500 Index averaged a 9.14% annual return. In contrast, the average investor in equity mutual funds earned 3.83% per year, and the average investor in asset allocation mutual funds earned 2.56% annually.[12] The same pattern of underperformance versus the index is seen with bond investors. During the same period, the Barclays Capital U.S. Aggregate Bond Index returned an average 6.89% per year, while the average investor in fixed-income mutual funds only realized 1.01%.[13]

According to Dalbar, the Boston-based research group that has analyzed investor behavior over two decades, this is largely because average investors tend to sell securities after a market decline, and then wait until the market recovers before reinvesting. By trying to time the market, investors, in effect, sell low and buy high.[14]

However, our research demonstrated that plan participants were more likely to "stay the course" when they shifted their focus to retirement income versus accumulation. In examining our book of business, we found that during the down market from 1Q/08–2Q/09, plan participants invested in in-plan retirement income covered investments were 2.5 times more likely to stay invested in equities than participants without a retirement income option.[15]

From an employer perspective, the shift from DB to DC plans is impacting plan participants' decisions on when they can retire, which can lead to unforeseen workforce planning and cost challenges for employers.

Employees whose primary retirement plan is a DC plan tend to retire one to two years later, on average, than employees covered by a DB plan.[16] Academic research has also found that,

[11] Prudential Retirement Book of Business, 2011.
[12] Quantitative Analysis of Investor Behavior, Dalbar, Inc., 2011. Past performance does not guarantee future results. Barclays Capital U.S. Aggregate Bond Index: This index covers the U.S. investment grade fixed rate bond market (measuring bonds with maturities of at least one year), with index components for government and corporate securities, mortgage pass-through securities, and asset backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.
[13] Ibid.
[14] Quantitative Analysis of Investor Behavior, Advisor Edition, Dalbar, Inc., 2011.
[15] Study of nearly 20,000 Prudential Retirement full-service Defined Contribution participants, age 50 and older, researched during the period of Q1/2008 through Q2/2009, Prudential Retirement. Statistic refers to IncomeFlex Select due to the start date of the research. IncomeFlex Select is no longer available for new clients.
[16] Center for Retirement Research, "The Recent Trend Towards Later Retirement," March 2007.

controlling for other factors such as age, individuals covered only by a DB plan are 87% more likely to retire in any given year than individuals only covered by a DC plan.[17]

Since DC plan participants are exposed to investment risk, their retirement decisions tend to be sensitive to business and market cycles.[18] For example, 35% of employees age 62 and older say that they have delayed retirement because of the recent recession.[19] In contrast, DB plan participants, who typically can project what their retirement income will be, tend to forecast their retirement date more accurately than employees not covered by a DB plan.[20]

These trends indicate that despite employers' substantial investments in DC plans, including matching contributions and participant education, many DC participants will not be able to retire when desired. In addition to the negative impact on participants, these trends have the potential to result in several workforce management challenges for employers including increased volatility in staffing needs due to delayed retirements, higher workforce costs attributed to higher healthcare expenses for an older workforce, and reduced workforce engagement as delayed retirements may impact employee morale.

These workforce management challenges are likely to become more pronounced over the next several years because the number of employees over age 55 is expected to grow by more than 40% by 2018.[21]

We believe, as suggested earlier, that increased access to lifetime income options and retirement-related educational materials and services will represent a major step forward in addressing the challenges facing today's DC plan participants.

CONCLUSION

To summarize, we have outlined four key challenges to increased adoption and utilization of in-plan retirement income products:

1.) Getting to and Through Retirement Challenge: The trend away from employers offering DB plans has posed a number of challenges for DC plan participants including: managing investment risks, longevity risks, limited access to lifetime income options, and limited access to retirement education and planning programs. Fortunately, there has been considerable innovation in the market place and a growing awareness on the part of many employers of the importance of helping their employees ensure an adequate and secure retirement. However,

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[17] Rui Yao and Eric Park, University of Missouri, "Do Market Returns Affect Retirement Timing?" 2011.
[18] Gaobo Pang, Mark J. Warshawsky, and Ben Weitzer, "The Retirement Decision: Current Influences on the Timing of Retirement among Older Workers," September 2009, pages 5, 23.

[19] Pew Research Center, "How the Great Recession Has Changed Life in America," June 2010.
[20] Center for Retirement Research, "How do Pensions Affect Expected and Actual Retirement Ages?"
[21] Monthly Labor Review, November 2009.

legislators and regulators must play a role in promoting and facilitating industry and employer efforts to address participant needs.

2.) The Diversity of In-Plan Retirement Alternatives: Product providers offer a diverse range of in-plan retirement income products to meet the retirement needs of a participant population segmented by industry, age, and earnings. While all of the listed solutions attempt to create better retirement outcomes, challenges exist in ensuring participants understand each solution's key features, benefits, and risks.

3.) The Challenges and Solutions of Plan Sponsor Adoption: We have identified four main challenges facing employers in expanding lifetime income opportunities to their employees: 1) Assessing an insurer's long-term financial viability; 2) Comparing new and innovative products; 3) Ability to educate workers; and 4) Product portability.

We believe the Department of Labor has the ability, through regulation, to address plan sponsor concerns relating to the selection of guaranteed lifetime income providers and products, as well as promote and facilitate the provision of retirement education and planning to participants in DC plans. We believe a maturing market place will resolve most product comparison and portability issues.

4.) The Challenges and Solutions of Participant Awareness and Election: A disproportionate amount of focus on current financial demands coupled with a lack of education regarding financial needs during retirement leaves many participants unaware of their true retirement income needs. The resulting effects–delayed retirement, reduced workforce engagement, and higher healthcare costs–negatively impact both employers and employees. Embedding retirement income options into a plan and increasing participant education help to remedy some of the negative effects caused by a lack of participant awareness.

We appreciate the Council's review of these issues and we are encouraged by the Department of Labor's commitment to review its regulations to address identified impediments to the inclusion of guaranteed lifetime income products in DC plans.

However, as I suggested at the beginning of my remarks, with an estimated 10,000 Americans reaching retirement age every day, we must start to move beyond discussion and analyses to solutions. Today, we know that very few of those individuals reaching retirement age are being afforded the opportunity to consider a guaranteed lifetime income option as part of their retirement plan. We also know that few of those individuals are in a position to manage investment and longevity risks in retirement. Lifetime income products, and more specifically guaranteed lifetime income products, provide a means by which all workers can enjoy both certainty and security during their retirement years.

We look forward to working with the Council and the Agencies to address these issues so critical to millions of America's workers.

Thank you.