CIEBA

The Committee on Investment of Employee Benefit Assets

March 4, 2015

J. Mark Iwry
Senior Advisor to the Secretary and
Deputy Assistant Secretary for Retirement and Health Policy
Department of the Treasury
1500 Pennsylvania Avenue, NW, Room 3044
Washington, DC 20220

Re: Final Rules Regarding Longevity Annuities

Dear Mark,

The Committee on Investment of Employee Benefit Assets (CIEBA) appreciates this opportunity to provide comments to the Department of Treasury and Internal Revenue Service on the final rules regarding longevity annuities. CIEBA commends the Department of Treasury and Internal Revenue Service for issuing these rules and for requesting comments on possible similar changes for defined benefit plans. We would like to encourage the agencies to provide similar rules for defined benefit plans.

CIEBA represents more than 100 of the country's largest pension funds. Its members manage almost $2 trillion of defined benefit and defined contribution plan assets on behalf of 17 million plan participants and beneficiaries. CIEBA members are the senior corporate investment officers who individually manage and administer Employee Retirement Income Security Act (ERISA)-governed corporate retirement plan assets.

**Background**

On July 1, 2014, the IRS and Treasury Department released final regulations on the treatment of qualifying longevity annuity contracts, or QLACs, under the required minimum distribution (RMD) rules of Internal Revenue Code section 401(a)(9). As you know, QLACs provide protection against the longevity risk that retirees will outlive their assets. These regulations are part of an ongoing effort at the Treasury Department, IRS, and the Department of Labor to facilitate innovative solutions to the challenge of helping retirees manage their savings in retirement.

While the final regulations do not apply to defined benefit plans, the preamble requests comments on “the desirability of making a form of benefit that replicates the QLAC structure available in defined benefit plans,” and particularly on “the advantages to an employee of being able to elect a QLAC structure under a defined benefit plan, instead of electing a lump sum distribution from a defined benefit plan and rolling it over to a defined contribution plan or to an IRA in order to purchase a QLAC.”

**Discussion**

Academic research supports the advantages of annuities for participants, particularly later in life. There also is continuing interest among CIEBA's members in having Treasury address the RMD problem for deferred annuities within a defined benefit context, in the same way you have addressed it for defined contribution plans. This would be consistent with Treasury's efforts over the past several years to strengthen the broader employer sponsored retirement system and to encourage greater use of annuities generally.

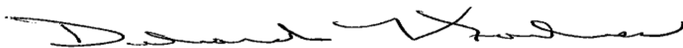
The defined benefit community has a long history of providing safe, immediate annuities. By providing a simple fix to the RMD rules, defined benefit plan sponsors could enhance the suite of annuities they offer. When combined with Treasury's changes a few years ago facilitating partial annuity/partial lump sums, a deferred annuity would be a perfect complement to the suite. Deferred annuities are a wonderful longevity risk protection tool and should be made available not only to defined contribution participants, but defined benefit participants as well.

**Recommendation**

The ability of plan sponsors to offer qualifying deferred annuities, in addition to the immediate pay annuities already offered, would go a long way to encouraging more participants to leave some of their benefit in the form of an annuity. It would also allow plan sponsors to offer deferred annuities to their participants at much lower cost rather than forcing participants to buy annuities from third parties through a defined contribution plan or IRA.

CIEBA appreciates the QLAC regulations that the Treasury and IRS have issued, but we encourage the agencies to provide similar rules for defined benefit plans. Thank you for the opportunity to comment and for your consideration of our views. We look forward to continuing to work with you on this important issue.

Sincerely,



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