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General Comments

1) The retirement security of all workers would be enhanced if government policy did not facilitate the export of US jobs. A start would be to address the mercantilist polices of our east Asia trading partners.

2) "Good jobs provide wages that support families, and rise with time and productivity." Odd - productivity has risen over past 10 to 20 years with no appreciable increase in inflation-adjusted wages. Perhaps DOL and Treasury should examine why this has occurred.

3) The Department of the Treasury could promote economic growth, stability, and economic security by stopping the direct and indirect bailouts of insolvent financial institutions.

4) "Employers that sponsor defined benefit pension plans are responsible for making contributions that are sufficient for funding the promised benefit,
investing and managing plan assets (as fiduciaries), and bearing investment risks because the employer, as plan sponsor, is required to make enough contributions to the plan to fund benefit payments during retirement." Really? Have you looked at the health of private pension plans lately? Most company plans are woefully underfunded, do not receive sufficient periodic contributions, and assume average rates of return that are way too high. America's private (and public) pension system is a slow motion train wreck. Not surprisingly, companies have become quite adept at reducing or shedding their pension-related obligations. Just see how well the PBGC is doing.

5) I do have a suggestion that I think would improve all defined contribution plans - it should be required that plan sponsors offer direct access to US government securities (i.e., not through a mutual fund or similar vehicle). Specifically, plan participants should be able to bid on (i.e., buy) treasury bills, notes and bonds when they are auctioned. These purchases should be allowed on a fee-free basis. Large investment management firms already offer this service to their IRA customers (see Vanguard and Fidelity as examples).

Responses to a Few Questions

Question 1 - From the standpoint of plan participants, what are the advantages and disadvantages for participants of receiving some or all of their benefits in the form of lifetime payments? Payments must be indexed to inflation (i.e., maintain constant purchasing power over time).

Question 2 - Currently the vast majority of individuals who have the option of receiving a lump sum distribution or ad hoc periodic payments from their retirement plan or IRA choose to do so and do not select a lifetime income option. What explains the low usage rate of lifetime income arrangements? Is it the result of a market failure or other factors (e.g., cost, complexity of products, adverse selection, poor decision-making by consumers, desire for flexibility to respond to unexpected financial needs, counterparty risk of seller insolvency, etc.)? You've listed all the major causes. My two strongest personal reservations are cost (i.e., converting to an annuity in a low interest rate environment) and counterparty risk.

Are there steps that the Agencies could or should take to overcome at least some of the concerns that keep plan participants from requesting or electing lifetime income? Other than leaning on the Fed to stop holding interest rates artificially low, I can't think of anything.

Question 8 - What are the advantages and disadvantages for participants of selecting lifetime income payments through a plan (in-plan option) as opposed to outside a plan (e.g., after a distribution or rollover)? One advantage - Plan sponsors can vet potential annuity providers before offering their products to employees. This may give employees greater confidence in a particular annuity seller and their products.

Question 13 - Should some form of lifetime income distribution option be required for defined contribution plans (in addition to money purchase pension plans)? Yes; however, whatever action is taken with respect to offering a lifetime income option, it must remain just that - an option. There should be no conversion requirement imposed on defined contribution plan participants.
If so, should that option be the default distribution option, and should it apply to the entire account balance? No, it should not be the default option and it should not apply to the entire balance.
To what extent would such a requirement encourage or discourage plan sponsorship? I think offering the option, and associated plan communications about this option to employees, would be sufficient.

David Young