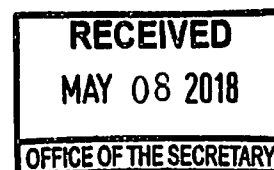


34-83062 Apr. 18, 2018 **Regulation Best Interest**
File No.: S7-07-18
Comments Due: 90 days after publication in the *Federal Register*
Comments received are available for this proposal.



Submit comments on S7-07-18

To whom it may concern,

With all of the scrutiny that we as financial professionals (in a wire house of course) are under regarding annuity sales (compliance, paperwork, pre-approvals, KYC, suitability, liquidity requirements, and concentration limits), I shudder at the thought that the SEC (and the Insurance Commission) would allow annuities to be offered freely within employer retirement plans, with no consequence to the employer for the product he selects. How is it that we as financial professionals have to do due diligence on the insurance companies that we recommend and are held liable for the annuity products that we sell, but an employer would be relieved of this obligation? If anything, the employer should have stricter regulations to follow as a fiduciary, since employer plans tend to be the only retirement asset that most individuals have throughout their lives and sometimes the only asset at retirement.

Annuities can be difficult to understand, even for some advisors. How are Plan Administrators (HR and Benefits Personnel) supposed to explain an annuity, its surrender schedule, internal fees, withdrawal guidelines, and income options to a participant? Are they going to get insurance licensed? It is their job, prior to enrolling a participant into an employer plan, to go over the plan's highlights. Ok, so the employer says, "I have hired a TPA or contact the sponsor company to do that for me". That's great. Is that individual (agent, customer service rep, call center representative) going to have a KYC discussion with the participant? Is that individual going to verify that the annuity is suitable? What about liquidity? Most participants, except for highly paid execs, live from paycheck to paycheck. Is their entire liquid net worth going to be locked into an annuity with a surrender schedule.

Over the years, we have worked with several teachers, that find themselves at retirement, with annuities up to their eye balls. Unfortunately, these were the only options available to them at the time within their 403b plans. As they retire, they are shocked to find out what they have, which was never explained to them in detail. Yes, the selling agent (sponsor company) had a rep that came to the cafeteria once per month to enroll folks, but never went into any detail during the course of their 5-minute enrollment meeting. Or worse, these same teachers find out about the surrender fees that were imposed to each and every deposit they made throughout their career, extending several years past retirement. Many find themselves stuck because of high surrender fees or long surrender schedules. Others find themselves with no liquidity, since their entire net worth/savings is invested within these annuities.

Rules seem great by the politicians that make them because they don't have to live a blue-collar life. What sounds great on paper does not always work great in real life. With all of the complaints that the SEC/FINRA has over annuities from the retail public, you would think that would be a warning to allowing annuities (freely) within employer plans.



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Bill Could Make Annuities More Available To Retirement Plans

APRIL 30, 2018 • KAREN DEMASTERS

Employers would find it easier to add annuities to employer-sponsored retirement plans under a bill pending in Congress that has bipartisan support.

The annuities provision is part of the Retirement Enhancement and Savings Act of 2018, which makes several changes to retirement plan regulations. The bill's House of Representatives version is H.R. 5282, sponsored by Rep. Mike Kelly, and the Senate version is S. 2526, sponsored by Sen. Orrin Hatch.

Currently, an employer is required to determine the financial stability of any company that offers an annuity product that the employer wants to include as an option in its retirement plan for employees. This means the smallest employer would be forced to determine the financial stability of even the largest insurance company, and every employer would have to make its own determination, said Lee Covington, senior vice president and general counsel of the Insured Retirement Institute.

The bill would remove this requirement. Insurance companies have to meet state requirements to be allowed to operate, and the employer could rely on these regulations to prove the stability of a company. The employer would still have a fiduciary duty to determine that particular annuities, if offered, were suitable for its employees.

The bill also would make the lifetime income benefits of an annuity portable, so retirement plan participants would not lose benefits if the employer made changes to the plan.

Most employers are in favor of the bill, said Covington, as are numerous organizations and associations representing consumers, including AARP, the American Retirement Association and the Insured Retirement Institute. The bill was released during an earlier session of Congress by the Senate Finance Committee by a unanimous, bipartisan vote.

"This is a commonsense reform that will break down the barrier to including annuities as one option in an employer-sponsored retirement plan," Covington said.

Jack Dolan, vice president at the American Council of Life Insurers, added, "We are hopeful that the Retirement Enhancement and Savings Act will be considered by the 115th Congress. House Ways and Means Committee Chairman Kevin Brady has expressed an interest in moving retirement-related provisions this year, which could include this retirement bill. He is considering hearings now on retirement issues, and we are optimistic that there will be more retirement hearings in the Senate as well."

In addition to making it easier to add annuities to plans, the bill makes numerous other changes in retirement plan regulations, such as allowing small employers to band together to offer a joint retirement plan to their employees.

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