
Proposed Law Would Give Annuity Estimates to 401(k) Participants

By Editor Test *Wed, Dec 9, 2009*

The measure is patterned on the Social Security Administration's annual statements, which since 1989 have informed working Americans of estimated monthly benefits based on their current earnings.

Legislation requiring 401(k) plan sponsors to tell participants how much monthly income their account balance would buy at retirement was introduced in the Senate last week by Jeff Bingaman (D-NM), Johnny Isakson (R-GA), and Herb Kohl (D-WI).

In amending the Employee Retirement Income Security Act of 1974, the [Lifetime Income Disclosure Act \(S. 2832\)](#) would also protect 401(k) sponsors from any liability associated with the required annual disclosures, as long as the estimates are based on guidelines to be issued by the Secretary of Labor.

The measure is patterned on the Social Security Administration's annual statements, which since 1989 have been mailed annually to working Americans to inform them of estimated monthly benefits based on their current earnings.

"By providing similar information for 401(k) plans, the Lifetime Income Disclosure Act would give American workers a more complete snapshot of their projected income in retirement," the senators said in a release.

Bingaman and Isakson are senior members of the Senate Health, Education, Labor and Pensions (HELP) Committee, which has jurisdiction over 401(k) plan disclosures; Kohl is chairman of the Senate Aging Committee.

"Half of American households will lack sufficient retirement income to maintain their pre-retirement standard of living. Yet many Americans are unaware of their financial vulnerability. Our bill [will help] them determine whether they are on a path to a secure retirement," said Bingaman, a long-time Senate leader on retirement issues.

The proposed legislation was applauded by many groups, including Prudential Financial, AARP, the Women's Institute for a Secure Retirement (WISER), and the Heritage Foundation.

"The Lifetime Income Disclosure Act would go a long way to putting Americans on a more secure path to retirement," said Christine Marcks, president of Prudential Retirement, in a statement. "We believe that providing greater clarity around projected income in retirement will help Americans better understand the need for increased savings to achieve their retirement goals."

The legislation directs the Department of Labor to issue tables that employers may use in calculating an annuity equivalent, as well as a model disclosure. Employers and service providers using the model disclosure and following the prescribed assumptions and DOL rules would be insulated from liability.

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