



March 19, 2013

The Honorable Pat Tiberi
United States House of Representatives
106 Cannon House Office Building
Washington, DC 20515

The Honorable Ron Kind
United States House of Representatives
1502 Longworth House Office Building
Washington, DC 20515

Dear Congressmen Tiberi and Kind:

I am the former North Dakota Insurance Commissioner and the Executive Director of the Indexed Annuity Leadership Council (IALC). The IALC was formed in 2011 with a commitment to providing complete and factual information about the use of indexed annuities as a part of any balanced financial plan. The IALC is a consortium of three life insurance organizations and the National Association for Fixed Annuities.

The IALC mission is to help educate consumers, the media, regulators, public policy makers and industry professionals about the benefits of fixed indexed annuities. Namely, that these products offer a source of guaranteed income, protection from stock market losses, and interest rate stability in retirement as well as providing balance to any long-term financial plan. Since the products were conceived and as of the most recent LIMRA and other industry reports, there have more than 4 million fixed indexed annuity policies sold, representing a value of more than \$300 billion.

As the Ways & Means Committee considers changes to pension rules as part of comprehensive tax reform, the IALC urges the Committee to focus on modernizing the tax rules governing pension distributions for defined contribution plans. Traditionally, these rules have reflected a policy aimed at preventing "excessive deferral" and requiring distributions over the projected life of a pension plan participant. However, with the dramatic reduction in coverage under defined benefit plans, the IALC believes that more emphasis should be placed on providing opportunities for participants to purchase fixed annuity products, such as fixed indexed annuities, to provide a guaranteed stream of income that they will not outlive.



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The Internal Revenue Service has proposed changes in some of the distribution rules to encourage the purchase of annuity products that it defines as “Qualified Longevity Annuity Contracts (QLACs).” While the proposed regulation is a positive step in the right direction, the IALC shares the views of many public comments that have been filed which assert that the proposal is too narrow and restrictive to encourage wide use of these insurance products. In part, we believe that these restrictions reflect the absence of a policy directive that emphasizes principal protection and a guaranteed income stream that prevents pension participants from outliving their pension savings. We believe that the Committee should consider either: (1) establishing a specific policy objective in the tax code that provides appropriate guidance for the IRS in promulgating a revised set of distribution rules; or (2) creating specific QLAC rules as part of the tax code to achieve the policy objectives described above.

The IALC also urges the Committee to explore the advantages of encouraging more education tools as well as investment advice that focuses on planning for the distribution phase of retirement. Today, much emphasis is placed on the importance of choosing a proper mix of investment options during the accumulation stages of a pension, with little thought given as to distribution phase. Making certain that pension participants focus on the need to consider selecting features that provide principal protection and/or offer guaranteed income streams before they reach retirement age is vital to achieving a secure retirement. Just as it is important to emphasize the value of compounding, achieved by maximizing contributions as early in life as possible, the same concept applies to planning for distributions – the longer a deferred annuity has to increase in value the greater the income stream at retirement.

We hope that your Working Group finds our comments helpful. We would be happy to meet with you or your staff to discuss the features of fixed indexed annuities and the importance of tax rules that encourage their use as part of a pension distribution strategy.

Sincerely,

A handwritten signature in blue ink that reads "Jim Poolman".

Jim Poolman
Executive Director

[Redacted contact information]