



Update on DOL Initiatives

DOL Unveils “Interim Final” Lifetime Income Disclosure Rule

On August 18, 2020, the U.S. Department of Labor (DOL) issued an Interim Final Rule on lifetime income disclosures under the The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE).

The Interim Final Rule outlines how defined contribution plan sponsors governed by The Employee Retirement Income Security Act of 1974 (ERISA) would provide participants with an annual lifetime income disclosure, designed to illustrate how the participant’s account balance can be converted into an income stream at retirement.

The rule, which will be effective one year after publication in the Federal Register, requires those annual illustrations to be provided on both a single life and qualified joint and survivor account (QJSA) basis.

It must be noted that neither the Interim Final Rule nor the SECURE Act itself requires that a plan offer an annuity distribution option.

Included in the lifetime income disclosure illustration are: The account balance; date of starting payments; age at which the annuity starts; interest rate; and an estimated end date for the payments. Importantly, because only the first piece of information (account balance) is known at the point of producing the statement, the rule details how the other assumptions should be calculated.

“Our goal is to help workers and retirees understand how savings translate to retirement income,” said Jeanne Klinefelter Wilson, Acting Assistant Secretary of Labor for the Employee Benefits Security Administration. “Defined contribution plan savings are meant to stretch across the years of retirement. When workers are reminded of what their balances could mean in terms of an estimated monthly dollar amount, they can use this information to plan both savings and spending.”

The Interim Final Rule is expected to be published “very soon” in the Federal Register. There will be a 60-day comment period after the Interim Final Rule is published in the Federal Register; while no specific date for that has been announced, it has been indicated that it will occur soon.

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