TIAA Institute

TESTIMONY OF SURYA KOLLURI, HEAD OF THE TIAA INSTITUTE

Before the House Committee on Education and Workforce

Subcommittee on Health, Employment, Labor, and Pensions

Hearing on "Modernizing Retirement Policy for Today's Workforce"

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Chairman Allen, Ranking Member DeSaulnier, and distinguished members of the Subcommittee:

Thank you for the opportunity to testify today on the importance of including lifetime income[1] options in defined contribution (DC) plans. My name is Surya Kolluri, and I serve as Head of the TIAA Institute ("the Institute").[2] The TIAA Institute is a think tank within TIAA, a leading retirement services provider and plan recordkeeper. The Institute is dedicated to enhancing the financial security and organizational effectiveness of TIAA's clients and participants, as well as society at large. The Institute conducts in-depth research, provides access to a network of thought leaders, and enables those it serves to anticipate trends, plan future strategies, and maximize opportunities for success. Accordingly, the Institute has focused on understanding how employers, retirement plan providers, and policymakers can better help workers navigate the complex strategies involved in structuring a reliable retirement income stream.[3]

TIAA's experience providing lifetime income to retirees goes back more than a century. TIAA was founded by Andrew Carnegie in 1918 to provide clients with a secure income in retirement, and since that time has helped millions of Americans retire with financial security and dignity. In 2024 alone, TIAA paid more than $5.9 billion in lifetime income to retired clients, and over time has made payments to 30,000 clients over age 90 and 1,500 over age 100.[4]

I. Introduction: The Retirement Income Challenge

American workers are currently facing a lifetime income challenge. While DC retirement plans like 401(k)s help workers *save* for retirement, more can be done to enhance these plans to help workers achieve a guaranteed stream of income in retirement. The issue is a critically important one, as approximately 45% of American households are projected to run short of money in retirement.[5] This is partly because workers need better access to products and educational materials to help them plan for and achieve a retirement income that will last *throughout* their retirement years.

Research has found that 58% of retirement savers cite outliving their assets as their greatest retirement fear.[6] This fear is not unfounded. According to our recent research paper, "Retired for How Long?," more than half of Americans are concerned they will not achieve financial security in retirement. In the U.S., life expectancy has risen by 17 years since the Social Security program debuted nearly 90 years ago.[7] This extended retirement period creates significant planning challenges that our current retirement system is not adequately addressing. The need for a solution has become increasingly urgent as over 30 million Baby Boomers reach retirement age, expecting to live 30 or more years in retirement – far longer than the 20-year life expectancy that existed when DC plans were first instituted.[8] Social Security provides only 40% of pre-retirement income on average[9] and faces projected benefit cuts as early as 2033.[10] The implications are profound: 64% of Americans worry more about running out of money than about death itself,[11] and failure to protect against outliving retirement savings is a top financial regret of more than one-third of retirees.

Furthermore, a critical barrier to sound retirement planning is a lack of understanding among Americans about how long they will likely live in retirement. We refer to this as longevity literacy. Research from the TIAA Institute-GFLEC Personal Finance Index in 2023 found that only 35% of U.S. adults correctly understand life expectancy at age 65.[12] More concerning, one-third of adults underestimate general life expectancy among 65-year-olds, and an additional one-quarter respond "don't know" when asked about life expectancy. This can lead to inadequate preparation for a retirement that is likely to last longer than most workers expect.

In addition, the decades-long shift from defined benefit (DB) pensions to DC plans has created what TIAA calls the "guarantee gap" – the absence of guaranteed lifetime income that was once a hallmark of the American retirement system. TIAA highlights this gap in our recent paper, "Closing the Guarantee Gap," where we examine what has been done and what still can be done to improve the retirement system. We also published a Retirement Bill of Rights and Roadmap to further establish that every worker deserves access to a financially secure retirement and provide some specific actions that workers, employers, and policymakers can take. Not only do these policy pieces offer collaborative solutions that can help workers prepare for their retirement by enrolling in workplace plans and saving adequately, they also encourage employers to facilitate enrollment and offer lifetime income options, and urge policymakers to help expand Americans' access to retirement savings vehicles and guaranteed income products.

II. The Foundation: Recent Legislative Progress

Congress has taken important bipartisan steps to address these challenges. The House Committee on Education and Workforce has played a key role, helping to enact legislation such as the Pension Protection Act of 2006 (PPA), the SECURE Act of 2019 (SECURE 1.0), and the SECURE 2.0 Act of 2022 (SECURE 2.0). These bipartisan reforms have helped improve retirement outcomes for workers while also shifting the retirement conversation from being focused almost exclusively on accumulating assets to the need to expand access to lifetime income products that will help ensure retirees do not outlive their savings. It is critical to get American workers both "to" and "through" retirement successfully.

TIAA thanks Chairman Tim Walberg who, with now Senator Lisa Blunt Rochester (D-DE), helped further shift the focus to lifetime income by leading on the bipartisan Increasing Access to a Secure Retirement Act of 2019, which established a clear safe harbor for employers when choosing an annuity provider for their retirement plan. This bill was enacted as part of SECURE 1.0 and has had a significant impact on increasing access to lifetime income products on retirement plan menus. The lifetime income illustration requirement, which was also part of SECURE 1.0, is another example of a provision that has helped workers better understand the importance of thinking of their savings as a tool to create retirement income – a critical step, given that only 12% of adults demonstrate strong understanding of how much and how long they will likely need retirement income.[13]

Numerous other key provisions enacted as part of SECURE 1.0 and 2.0 have helped improve access to lifetime income, but the job is not finished. While these reforms addressed significant barriers, more comprehensive solutions are needed to fully close the guarantee gap and help every American worker retire with dignity by gaining greater access to and use of lifetime income solutions. We discuss these further in the following sections.

III. Current Barriers to Expanding Lifetime Income Access

Several challenges that continue to limit access to lifetime income solutions in DC plans include:

1. <u>Limited Availability</u>

TIAA research shows that less than 20% of 401(k) plans offer participants access to lifetime income options.[14] Even among plans that offer retirement income solutions, few include guaranteed income features. The most common offerings are systematic withdrawals (73%), income planning tools (64%), and education (60%)[15] – all valuable solutions, but ultimately insufficient to fully protect retirees from outliving their savings.

2. <u>Plan Sponsor Concerns</u>

Over 50% of employers cite fiduciary exposure as their top concern about adding guaranteed income products to their plans.[16] Despite the strong annuity provider selection safe harbor provided by the SECURE Act, many plan sponsors and their advisors desire additional guidance when choosing an annuity for their plan.

3. <u>Participant Knowledge Gaps</u>

Research demonstrates that there continues to be a widespread lack of understanding about retirement income. Only 52% of workers have calculated how much money they'll need in retirement.[17] Among those approaching retirement, 60% of millennials, 51% of Gen Xers, and 23% of Baby Boomers say they do not know much about Social Security or how it will fit into their retirement plan.[18] More than 50% of young workers exhibit low levels of financial literacy and generally underestimate the time needed to save for retirement.[19] More education can meaningfully improve retirement decision-making.

4. Restricted Default Options

While great strides have been made in incorporating annuities into default investment products, liquidity requirements included in the Qualified Default Investment Alternative (QDIA) regulation can make it challenging to provide lifetime income products with delayed liquidity features that can often provide higher returns and better income guarantees.[20] Legislation like the bipartisan Lifetime Income for Employees Act, previously introduced by Chairman Walberg and HELP Subcommittee member Representative Donald Norcross (D-NJ), can help address this issue and improve access to annuities in default investments.

IV. Policy Solutions to Close the Guarantee Gap

To continue transforming DC plans from savings-focused vehicles into comprehensive retirement security systems that provide guaranteed lifetime income options for workers and retirees, Congress should consider pursuing the reforms suggested below.

1. Establish Qualified Payout Options (Q-PON)

Challenge: Most workplace retirement plans provide workers with few resources to help make their savings last throughout retirement, especially at the point of payout.

Solution: DC plans should be required to offer participants a menu of qualified payout options (Q-PONs). These Q-PONs would include guaranteed lifetime income solutions, systematic withdrawal options, managed payout strategies, or access to a platform offering various payout products. Plans would be required to offer a minimum number of options but would have flexibility in determining which payout options best serve their participants. Q-PONs would fundamentally change the retirement landscape by embedding lifetime income solutions and other tools to convert savings into income directly into retirement plans, making it significantly easier for participants to understand

and convert savings into sustainable retirement income without navigating complex retail solutions on their own.

2. Require Comprehensive Retirement Income Education

Challenge: Education is foundational to improving retirement outcomes, yet current law does not recommend or require that plans provide basic information about the concept of retirement income, let alone converting savings into retirement income.

Solution: Research demonstrates that education meaningfully improves retirement decision-making.[21] Currently, 63% of plan sponsors report they are unable to articulate the value and importance of annuities, highlighting the urgent need for better educational resources.[22] When workers understand the true risks they face, they make better decisions about protecting their retirement security. Plans should be required to provide comprehensive retirement income education to all participants starting at age 50 to align with age-based catch-up contributions (or potentially age 40 to provide more preparation time) with enhanced education beginning at age 60. This education should cover:

- The idea that retirement plans should be viewed as a tool intended to provide a stream of guaranteed income in retirement;
- The concept of annuitization and how it can work in a comprehensive retirement income plan;
- What types of income options are generally available, how they work, and their comparative advantages;
- Basics about how Social Security works and ways that it can be optimized as part of an overall income strategy; and
- How Medicare works and other retiree healthcare considerations.

The Department of Labor (DOL) should be directed to provide model language, establish a dedicated web page with additional resources, and grant fiduciary protection to employers using approved materials. This education should be delivered electronically where possible and required for all DC plans regardless of size.

3. Support the Lifetime Income for Employees Act (H.R. 4392 in 118th Congress) and Corresponding Regulatory Changes

Challenge: The current QDIA regulations have successfully increased retirement savings by encouraging the broad and expansive use of diversified default investment vehicles inside DC retirement plans, such as target-date funds. While lifetime income products have found their way into these investment vehicles in recent years, the QDIA regulations did not fully consider the importance of such products when the regulations were created. This oversight has created certain unintended barriers to including illiquid lifetime income products in retirement plan default investments, depriving investors of higher returns.

Solution: TIAA thanks Congressman Donald Norcross and Chairman Tim Walberg for their leadership on addressing this issue through the Lifetime Income for Employees Act. This bill would modernize QDIA regulations by updating the current liquidity requirements, allowing illiquid versions of guaranteed lifetime income products to be included within a plan's QDIA. The bill also provides appropriate safeguards, including limits on how much can be allocated to illiquid investments, notifications, disclosures, and opt-out provisions.

This legislation recognizes that delayed liquidity features in annuities serve important purposes: they enable higher returns through long-term investment strategies (potentially 10-15% higher balances at retirement),[23] reduce harmful leakage from retirement accounts, and align investment horizons with the long-term nature of retirement saving. In addition, research shows that participants generally do not withdraw or transfer even during volatile market cycles,[24] demonstrating that participants value stability and do not typically seek to withdraw from properly structured guaranteed products. Importantly, this proposal would not mandate that default investments include guaranteed lifetime income – it would simply expand options available to plan sponsors in fulfilling their fiduciary duty to participants.

Beyond statutory changes, the DOL is allowed under existing law and should take regulatory action to further encourage lifetime income in QDIAs. The DOL has confirmed in a 2016 information letter that certain income-focused default options can satisfy ERISA's fiduciary requirements even if they don't comply with all QDIA technical requirements.[25] This guidance should be expanded and formalized, including to allow an allocation to illiquid annuities in addition to the existing ability to include liquid annuities.

5. Provide a QDIA Tips Document

Challenge: The DOL has provided valuable guidance to plan sponsors through "tips" documents on various investment topics, including target-date funds. Similar guidance is needed for lifetime income products.

Solution: Congress should direct the DOL to develop and publish a tips document on lifetime income products in QDIAs, similar to the DOL's existing tips document on target-date funds (TDFs).[26] This document could be designed to help guide plan fiduciaries through the process of choosing lifetime income products and incorporating them into default investments. The DOL should also update the existing tips document on TDFs to reflect how the marketplace has evolved and determine how lifetime income information should be reflected in the document. Guidance like this would help address the knowledge gap among plan sponsors and provide a roadmap for thoughtful implementation of lifetime income options in QDIA products.

V. The Case for Action: Research and Market Demand

The reforms outlined above are supported by both rigorous research and demonstrated market demand for lifetime income products. Among the universe of lifetime income products available to investors, annuities are the only product that can truly provide retirees with a *guaranteed* income stream they cannot outlive. Below, we highlight some of the research that focuses specifically on annuities and the value they can provide to American workers and discuss the current market demand for these products.

1. Research Evidence

Academic studies consistently show that annuities have exceptional value in retirement portfolios. For any given level of guaranteed monthly income, annuities provide this income at a lower cost than any other product. Numerous studies demonstrate that access to annuities leads to a significant increase in wealth. Annuities address seven critical retirement risks: outliving savings, over-saving due to longevity uncertainty, expensive medical and long-term care costs, market volatility and interest rate risk, financial fraud targeting older adults, cognitive decline affecting financial management, and Social Security inadequacy.

The protective benefits are substantial: 93% of annuity owners report feeling secure about their financial future, compared to widespread anxiety among retirees without guaranteed income.[27] Annuity owners cite achieving peace of mind (88%), generating retirement income (81%), and protection against poor investment performance and inflation (74%) as primary motivations.[28] Nearly half of retirees (46%) hesitate to spend their savings for fear of running out, while guaranteed lifetime income offers a "license to spend," making it easier to enjoy retirement without the fear of running out of money by spending too much.[29]

2. Institutional vs. Retail Advantages

When discussing research and market demand focused on annuities, it is important to draw a distinction between annuities that are offered solely through DC retirement plan menus, and annuities that are available for purchase in the retail market. In-plan annuities offer substantial advantages over retail alternatives. They provide stronger fiduciary protections through professional selection processes, have lower cost structures due to economies of scale, offer potential for more lifetime income through profit-sharing approaches, work seamlessly to-and-through retirement without requiring rollovers, and can be incorporated into QDIAs to help participants build diversified income plans during their working years.

3. Market Demand

Both workers and employers demonstrate strong interest in lifetime income solutions. Nearly 70% of workers express interest in in-plan annuity options – a preference that aligns perfectly with DC plan structure and the payroll deduction system that has proven so successful for retirement savings. Younger participants, particularly those ages 40-49, are especially interested, recognizing the value of starting guaranteed income planning early in their careers.[30] Employers share this interest, with 72% expressing interest in target-date funds with guaranteed lifetime income and 40% of plan sponsors actively considering adding annuities.[31] Employers are increasingly interested in retaining retiring workers' savings in DC plans to maintain pricing efficiencies through economies of scale, and offering annuities serves this interest.

VII. Conclusion

The retirement income challenge facing American workers is both urgent and solvable. The importance of implementing these additional reforms cannot be overstated. The convergence of increasing life expectancy, peak Baby Boomer retirement rates, and Social Security's financial challenges creates a compelling need for action.

The Committee on Education and Workforce has laid important groundwork, and we encourage the Committee to continue pursuing comprehensive reform. By following the recommendations in this testimony, Congress can further contribute to the financial security and well-being of America's workers and retirees.

Thank you for your leadership on this critical issue and for the opportunity to contribute to this important discussion. The TIAA Institute appreciates the opportunity to work with you now and in the future.

[1] For purposes of this testimony, the phrase "lifetime income" refers to a reliable, steady stream of money that can last throughout a person's lifetime, allowing them to cover their necessary living expenses without the fear of outliving their savings. Typically, lifetime income is the product of investments in annuities and other guaranteed investment products.

[2] The TIAA Institute is the research arm of TIAA (Teachers Insurance and Annuity Association), a leading financial services provider for the academic, nonprofit, and public sectors. The Institute is focused on producing original research and thought leadership to promote financial security and organizational effectiveness, particularly in higher education and the nonprofit world. They create data-driven reports, surveys, and host events to provide insights on financial literacy, retirement planning, higher ed leadership, and behavioral finance for both experts and the general public.

[3] Recent research reports on lifetime income include "Income is the New Outcome: Retirement Income Brief"; "Retirement Savings to Retirement Income: 401(k) Participant Perspectives"; and "Retired for How Long? Worker Expectations for How Long They'll Live in Retirement."

[4] As of December 31,2024, TIAA paid out $5.9B in total annuity income. This figure represents all annuity income, including guaranteed and additional amounts, for all of TIAA's annuity products.

[5] Morningstar Model of US Retirement Outcomes, 2024

[6] Cerulli Edge—U.S. Retirement Edition, 2Q 2023

[7] "Retired for How Long," TIAA Institute, April 2025.

[8] "Closing the Guarantee Gap," TIAA, Nov. 2025

[9] Social Security Administration. What young workers should know about Social Security and saving. Found on the internet at https://www.ssa.gov/newsletter/Statement%20Insert%2025+.pdf

[10] https://www.ssa.gov/oact/trsum/

[11] 2025 Annual Retirement Study, Allianz Center for the Future of Retirement, April 2025

[12] The TIAA Institute-GFLEC Personal Finance Index, 2023.

[13] "An unrecognized barrier to retirement income security: Poor longevity literacy," TIAA Institute, The George Washington University and Global Financial Literacy Excellence Center (GFLEC), August 2023

[14] "Building a Better Retirement," TIAA, December 2024.

[15] "Lifetime Income Solutions Survey," Willis Towers Watson, July 28, 2016.

[16] https://www.alight.com/getmedia/32cf31ad-a649-4d38-ad12-103902bc2f1f/2023-Hot-Topics-in-retirement-and-financial-wellbeing-report-v3.pdf,

[17] 2024 Retirement Confidence Survey, EBRI

[18] "Annual Retirement Study," Allianz Life Insurance Company of North America, August 2024.

[19] https://www.sparkinstitute.org/wp-content/uploads/2025/12/Financial-and-Retirement-Literacy-Among-Students-and-Recent-Hires-Survey-Results-12-15-2025.pdf

[20] 29 C.F.R. 2550.404c-5(c)(5)(i).

[21] https://www.nber.org/system/files/working_papers/w30696/w30696.pdf, Sept. 2023

[22] https://www.tiaa.org/public/pdf/2/2024-plan-sponsor-survey-insights.pdf

[23] https://www.help.senate.gov/imo/media/doc/Chittenden.pdf

[24] "Retirees spend lifetime income, not savings," Retirement Income Institute – Alliance for Lifetime Income, David Blanchett and Michael Finke, April 2025

[25] Information Letter 12-22-2016 | U.S. Department of Labor. "Section 2550.404c-5(e)(4)(vi) states that products and portfolios that include annuity purchase rights, investment guarantees, death benefit

guarantees, or other features ancillary to the investment fund, product or portfolio may qualify as QDIAs, if the product or portfolio otherwise meets the requirements of the QDIA regulation."

[26] Target Date Retirement Funds - Tips for ERISA Plan Fiduciaries

[27] "Closing the Guarantee Gap," TIAA, Nov. 2025

[28] *Id.*

[29] *Id.*

[30] *Id.*

[31] *Id.*

[32] The ICI / ISS MI Defined Contribution Plan Profile: A Close Look at ERISA 403(b) Plans, 2022

[33] *Id.*

[34] "The impact of TIAA Traditional in qualified default target-date glidepaths," TIAA Institute Conrad Ciccotello, Miguel Herce, Mark Meyer, 2025