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TESTIMONY OF KENNETH E. LEVINE
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TO THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND WORKFORCE
SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR, AND PENSIONS

HEARING ON

"MODERNIZING RETIREMENT POLICY FOR TODAY'S WORKFORCE"

JANUARY 7, 2026

Chairman Allen, Ranking Member DeSaulnier, and Members of the Subcommittee:

Thank you for inviting me to testify today before the Health, Employment, Labor & Pensions Subcommittee on the important topic of modernizing retirement policy. My name is Ken Levine, and I am the Executive Director, Global Retirement Strategy, for RTX Corporation. I am an actuary by training and have worked in the employee benefits arena with a focus on retirement for nearly 40 years, 29 of them with RTX and its predecessor companies. RTX, formed by the April 2020 merger of United Technologies and the Raytheon Company, and led by our three businesses, Collins Aerospace, Pratt & Whitney, and Raytheon, is one of the world's largest aerospace and defense companies. Every second an aircraft with RTX technology on board takes flight, carrying a total of 11 million air travel passengers daily. RTX's 185,000 employees work as one to connect and protect our world. I'm part of RTX's Pension Investments team, which works to ensure the retirement security of all RTX team members.

The retirement industry, thanks in no small part to actions taken by Congress, has done an excellent job in promoting and enabling workers to accumulate significant account balances in their 401(k) plans by the time they retire. However, Americans have been left to their own devices to figure out how to "decumulate" – that is, how to use their accumulated assets to provide themselves with enough spending money to live on each year during their retirement without running out of money no matter how long they live. Do they roll over their balances to an IRA to maintain control, but bearing investment and longevity risk? Or do they turn over their assets to an insurance company for the certainty of a fixed monthly lifetime payment, but with no control over their assets. Solving this decumulation enigma has become more critical with fewer workers having access to employer-provided traditional defined benefit pension plans.

Looking to create a pension for the 21st century, RTX collaborated with AllianceBernstein (AB) to develop Lifetime Income Strategy, an investment option within the 401(k) plan that accumulates as effectively as a target date fund while also building retirement income guaranteed for life. It was introduced on June 1, 2012, as the Plan's default investment option – making it the default was crucial to ensure it would deliver guaranteed income in retirement to as many employees as possible. In September 2025, the Department of Labor issued an Advisory Opinion to AB affirming Lifetime Income Strategy's status as a qualified default investment alternative for 401(k) plans.

With more than 13 years of experience, Lifetime Income Strategy has proven to be an effective way for RTX employees to build meaningful retirement income guaranteed for life, without sacrificing accumulation. While it is an annuity, it does not require "annuitization," that irreversible exchange of assets that people typically associate with annuities and causes most people to avoid traditional annuities. Instead, it functions as a personalized target date fund, that embeds insurance with an explicit and transparent fee, to guarantee monthly income will continue for life.

Investing in Lifetime Income Strategy effectively turns a 401(k) into an Individual Pension Account, or IPA. Employees accumulate their account just like they would by investing in a target date fund, then, in retirement, decumulate directly from the account by withdrawing a monthly pension-like payment. There is no irreversible exchange of assets nor a rollover to an IRA.

As long as a balance remains, the account is fully liquid, accessible, and passes to heirs upon the retiree's death. If the account becomes fully depleted, due to investment market performance or the retiree's longevity, then the insurance steps in and continues paying the guaranteed monthly income. It protects against outliving one's assets, while still allowing for investment growth and income protection in down markets.

When RTX introduced Lifetime Income Strategy into its Savings Plan in 2012, we anticipated that other plan sponsors would follow suit. By and large, this has not been the case, with some plan sponsors citing fear of litigation or an uncertain regulatory environment. My view is that the lack of take-up has more to do with misperceptions about guaranteed income products and a lack of knowledge and understanding among the investment, consulting, and plan sponsor communities. However, renewed interest is emerging, and many innovative solutions have recently come to market. I'm hopeful that we'll soon see more adoption of these solutions among employers of all sizes.

The purpose of my testimony is to let you know that not only is it possible for employers to provide a modernized retirement plan by using insurance to embed guaranteed lifetime retirement income into a 401(k) plan, but that RTX has already successfully done it, and other plan sponsors can do it, too.

Summary Statement

RTX believes by prudently incorporating fully revocable income insurance, maintaining significant growth exposure, and eliminating the risk of running out of income, Lifetime Income Strategy will continue to deliver better outcomes to participants at a marginal cost compared to a typical Target Date Fund. A participant's balance invested in a target date fund type of investment option with guaranteed income embedded, such as Lifetime Income Strategy, functions as an Individual Pension Account (or IPA) – potentially providing pension-like income for life in retirement without sacrificing on accumulation nor requiring an irrevocable trade of assets for income.

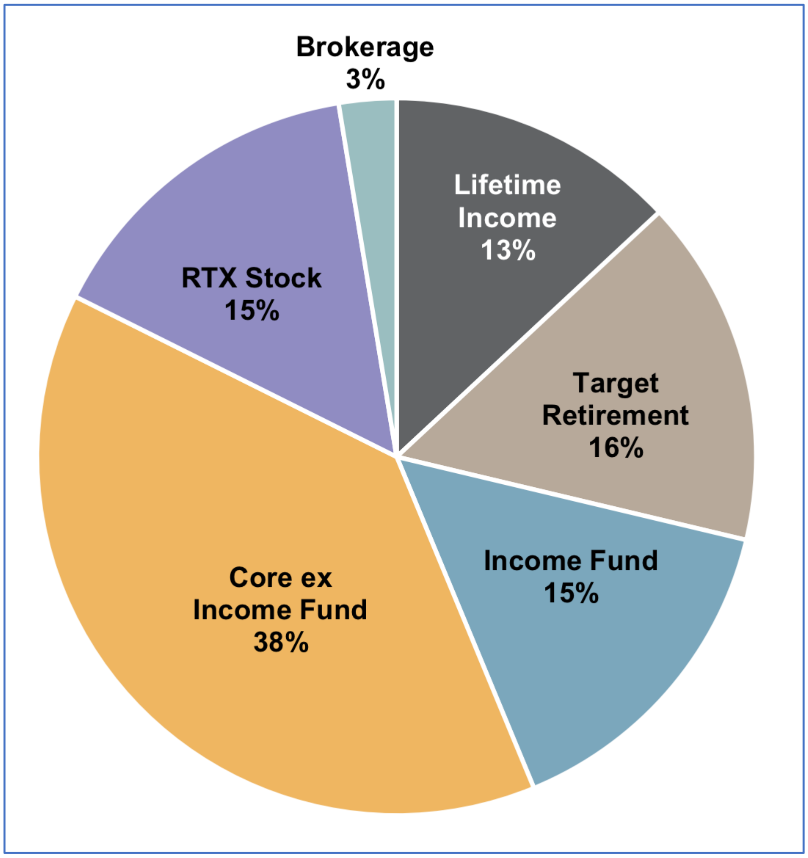
<u>Key Benefits of Lifetime Income Strategy in the RTX Savings Plan</u>

- Addresses longevity risk – lifetime income guaranteed by multiple insurers to never run out
- Does not introduce regret risk nor mortality risk – participants always retain full liquidity and access to their assets and any remaining balance on death passes to heirs
- Marginal total insurance cost with transparent and explicit insurance fee – higher growth exposure than typical Target Date Fund provides the potential to cover the cost of insurance
- Retirement income with protection against investment, sequence of return, and inflation risks – income does not reduce in bad markets and the investment portfolio's higher growth allocation and exposure to TIPs gives potential to increase during periods of high inflation
- Translating savings into guaranteed income has a positive impact on participant saving behavior – higher savings rate increases over time for those with secured assets

<u>RTX Savings Plan Current State</u>

As of October 31, 2025, the RTX Savings Plan held total assets of $67.5 billion on behalf of 214,000 participants. Of this total participant count, 121,000 (56.5%) are current employees and 93,000 (43.5%) are former employees. Among eligible RTX employees, the participation rate is 93% with an average deferral rate of 10% of pay.

The asset allocation among all the Plan's investment options is shown in the chart below.



There is over $8.5 billion invested in Lifetime Income Strategy, held by 118,000 participants – that is, about 55% of total participants (60% of active participants and 47% of former employees) have at least a portion of their Savings Plan balance invested in Lifetime Income Strategy.

The RTX Savings Plan covers just about all US employees of RTX with a common design, the basics of which are:

- Employee contributions of 0 to 50% of pay on a pre-tax, Roth, and/or after-tax basis
- Maximum employer matching contributions of 4% of pay (for employee at 6%+), PLUS
- Age-based non-elective company retirement contribution ranging from 3% to 7% of pay
- Auto-enrollment at 6% pre-tax contribution, with annual 1% auto-escalation, up to 10%
- Qualified Default Investment Alternative (QDIA) is Lifetime Income Strategy

History

United Technologies Corporation (UTC) entered the 21st century aware that defined contribution plans would rapidly become the primary vehicle for employees to build retirement income. UTC was no exception – the company closed the traditional final-average-pay pension formula to new entrants in 2002, closed the cash balance pension formula to new entrants in 2010, froze traditional pension accruals for those still earning them in 2014, and finally ceased providing additional cash balance pay credits in 2019. Indeed, there was a need for the UTC Savings Plan to function as "a pension for the 21st Century" to enable these changes to the defined benefit plan, and it became that with the June 1, 2012, introduction of Lifetime Income Strategy as an investment option within the Plan and the QDIA. This need became even more apparent with UTC's merger and acquisition activity, which included multiple, large-scale corporate transactions with companies who had also closed their traditional pension plans to new entrants prior to 2010. In each case, there was significant movement of defined contribution plan balances into the Lifetime Income Strategy, both by affirmative participant election and by default.

UTC also went through significant divestiture activity in the past decade, and as is the case with most large corporations, many employees leave the company prior to retirement, working less than a full career with RTX. However, in most aspects (other than ongoing payroll contributions), the RTX Savings Plan treats former employees who maintain a balance in the Plan equivalently to active employees. That is, former employees are permitted to continue to repay loans, take new loans, access all the investment options, including Lifetime Income Strategy, and, importantly, roll over balances into the Plan from IRAs, other employer plans, and lump sum payments from RTX's defined benefit pension plans.

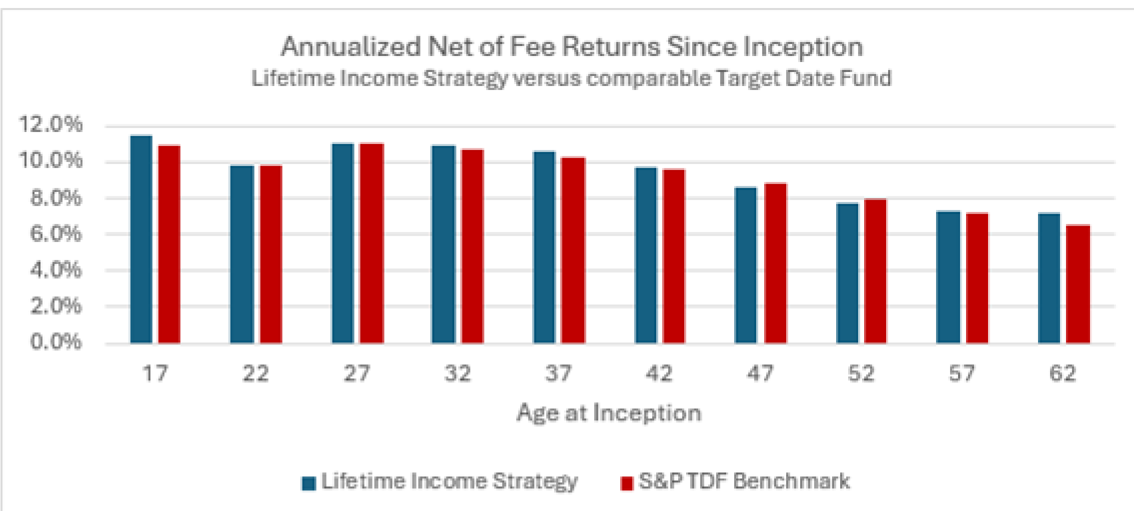
Review of how it works and experience

At its core, as a default option, Lifetime Income Strategy works for a participant like a Target Date Fund (TDF) would in that its underlying investments consist of a portfolio of equity and fixed income investments with the mix following a glide path toward more conservate investments based on years until a target retirement date. However, there are several key differences:

- **More personalized** – the target retirement date is the participant's age 65, not simply a vintage year closest to age 65
- **Higher long-term expected return** – the glide path's terminal allocation of 60% equity / 40% fixed income is reached at age 62, whereas Target Date Funds continue to become more weighted toward fixed income, typically reaching a terminal allocation of roughly 30% equity / 70% fixed income 15 years beyond the vintage year
- **Uses insurance to build retirement income guaranteed to last for life** – starting at age 50, the underlying investments start to shift into the Secure Income Portfolio, which is a 60% equity / 40% fixed income investment portfolio that provides a variable annuity with a Guaranteed Lifetime Withdrawal Benefit, with the shift completed at age 62, whereas Target Date Funds do not have an insured component

These differences give Lifetime Income Strategy an advantage over Target Date Funds in both the accumulation and decumulation phases. There is an explicit cost of 100 bps for the insurance associated with the Secure Income Portfolio, plus another 12 bps of administrative fees; the non-secure investment portfolios are primarily built on index/passive investing and carry fees of 4 to 6 bps. The insurance in the Secure Income Portfolio provides a retirement income that is a) guaranteed to last for life, b) can increase in periods of rising financial markets, and c) will not decline even in periods of falling financial markets. It is this insurance that allows for higher risk investing during a participant's pre-retirement and retirement years. That is, not only does Lifetime Income Strategy provide a participant with guaranteed retirement income for life, but also sacrifices little, if anything, on the net of fee of performance of the investments, as demonstrated in the chart below. In fact, over the lifetime of the solution if we compare the net-of-fee performance for a participant of a specific age in the Lifetime Income Strategy to the performance of an age-appropriate target-date fund vintage, the cost to participants in the Lifetime Income Strategy has been zero, on average. Net investment performance is essentially the same, but Lifetime Income Strategy participants have the benefit of guaranteed income for life.

The impact of the higher growth exposure has also benefited income rates for participants. Because of the solution's ability to reward positive performance with higher permanent guaranteed income amounts, participants have experienced increases of 38% to 83% in their income rates by the time they reach retirement. Further, there is never an irrevocable trade-off of account balance for guaranteed income – the participant always has full access to their account balance in Lifetime Income Strategy with no surrender penalties (although Early or Excess Withdrawals will reduce the level of guaranteed income).



TDF Vintage	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015
Relative Return (net)	0.5%	0.0%	0.0%	0.2%	0.3%	0.1%	- 0.2%	- 0.3%	0.1%	0.6%
Weighted Avg Income Rate					5.8%	4.4%	4.3%	4.0%	3.8%	3.9%
Effective Income Rate					10.6%	7.3%	6.7%	6.0%	5.8%	5.4%

The above describes how Lifetime Income Strategy works as the QDIA with the participant not taking any action. Lifetime Income Strategy is an investment option within the RTX Savings Plan, and participants are free to transfer any part of or all of their account balance into or out of Lifetime Income Strategy. Furthermore, our second generation of Lifetime Income Strategy, which went live in October 2023, provides participants the opportunity to choose a target retirement age and a "secure income level." The initial version (and still the default) was based on a target retirement age of 65 and that 100% of the participant's balance in Lifetime Income Strategy would get allocated to the Secure Income Portfolio. The participant now has the flexibility to choose a target retirement age anywhere between age 60 and 70, and how much ultimately will be allocated in the Secure Income Portfolio – from 0% to 100% (in 10% increments). These choices impact the personalized glide path within Lifetime Income Strategy, but do not lock in the participant prior to Activating their Income Benefit. The table below is a recent snapshot of the split of total assets in Lifetime Income Strategy between the non-secure investment only portfolio and the Secure Income Portfolio, and the level of guaranteed income associated with the Secure Income Portfolio.

<u>10/31/2025 Lifetime Income Strategy Assets ($millions)</u>

Employment Status	Non-Secure	Secure Income Portfolio	Total Balance	Aggregate Income Base	Aggregate Guaranteed Annual Income
Current Employee	$ 4,125.9	$ 1,841.2	$ 5,967.1	$ 1,711.5	$ 76.6
Former Employee	$ 1,422.3	$ 1,151.4	$ 2,573.7	$ 1,072.6	$ 44.2
Total	$ 5,548.2	$ 2,992.6	$ 8,540.8	$ 2,784.1	$ 120.8

Activation – the act of turning on the guaranteed lifetime retirement income, the Income Benefit, analogous to requesting commencement of a defined benefit pension payment – is the one aspect of the Lifetime Income Strategy that currently does not have an automatic default feature. After a participant with a balance in the Secure Income Portfolio of Lifetime Income Strategy has separated from service with RTX, he or she can Activate the Income Benefit any time at age 60 or later. Activation differs substantially from *annuitization* in that it does not require a participant to irrevocably exchange their assets for income and forego control of their balance and future growth potential. The activation process is also much simpler and requires only a brief application to be completed.

For participants who have Activated, Lifetime Income Strategy is RMD (required minimum distribution) -friendly – that is, even if the amount of RMD taken from the Secure Income Portfolio is in excess of the participant's annual Income Benefit, it will not reduce the participant's future Income Benefit. However, for participants who have not Activated, the entire amount of RMD taken from the Secure Income Portfolio will be an offset to the future Income Benefit.

It's important to note that while Lifetime Income Strategy has been available for 13 years, only a small proportion of the participants with a balance in it are eligible to activate (must be 60+ and separated from service) and the income benefit grows each year participants defer activation, up to age 70. While some participants are consciously deferring to maximize the benefit and others are inadvertently waiting to activate it, they are not hurting themselves by waiting (until RMD start age as described above).

Future Changes

RTX continues to analyze Lifetime Income Strategy and its performance and appropriateness as the QDIA for the RTX Savings Plan.   Currently, we believe Lifetime Income Strategy to be appropriate as the Plan's QDIA – building meaningful, guaranteed lifetime retirement income for those participants who are automatically enrolled in the Plan and defaulted into Lifetime Income Strategy, without sacrificing on the accumulation phase. The focus will be toward encouraging employees who have been defaulted into Lifetime Income Strategy to engage and make their own choices regarding Target Retirement Age and Secure Income Level; ongoing communication to participants who are eligible to Activate is also critical.

Summary / Call for other sponsors to adopt

As an actuary and an American concerned with the future welfare of our country's workers in a post-defined benefit pension era, I am grateful to the Subcommittee for its efforts to facilitate other plan sponsors adding a guaranteed lifetime retirement income solution to their defined contribution plans as RTX did over a dozen years ago.

RTX believes that utilizing a QDIA, which builds meaningful retirement income that is guaranteed to last for life, is in the best interest of plan participants. Lifetime Income Strategy is able to not only accomplish this with the use of insurance, but to do it in a way that the insurance has the potential to pay for itself because of the higher expected return on the investment portfolio compared with a typical TDF without insurance.

There are, of course, other products and solutions available to plan sponsors. We've seen the uptick in interest, and we are hopeful that more plan sponsors will find solutions for building lifetime guaranteed retirement income. To be effective in providing guaranteed lifetime income to as many retirees as possible, it is critical that plan sponsors not only incorporate a solution into their plan, but also:

a) make it the default investment option, as RTX has done,

and/or

b) through investing a portion of an employee's 401(k) account, such as the balance arising from non-elective employer contributions, which are generally meant to be a replacement for pension accruals, in a guaranteed income solution.