



# Life Without the Life Insurance Industry?

## The Retirement Security Challenge Would Grow Even Larger

By Thomas E. Workman, President & CEO, Life Insurance Council of New York, Inc.

For years, there has been a great deal of speculation about the viability of Social Security and the demise of the traditional pension—major sources of retirement income for workers across the country. This “retirement security challenge” is being studied by many in and out of government, since the consequences could be far reaching for individuals, their families and the governments that serve them.

The life insurance industry is an important provider of retirement solutions and currently does so for millions and millions of Americans. Without the life insurance industry, as I have written this year in my column, insurance-related retirement options vanish and the retirement security challenge becomes even larger.

### Viable Solutions from the Life Insurance Industry

There is no doubt that a challenge exists in ensuring that small business employees who may not have access to an employer-sponsored plan have a cost efficient way to save for retirement. The life insurance industry has the capacity and expertise to provide a wide range of retirement solutions for employees without an employer sponsored plan. Those employees can arrange for payroll deductions that are remitted to an IRA or individual annuity. There are many types of annuities and certain types contain an extensive selection of investment choices. To assist individuals in exploring their options, the life insurance industry provides tools and financial advisors throughout the retirement planning process.

The industry is financially strong—it pays \$7 billion in annuity benefits alone to New Yorkers annually according to the ACLI<sup>1</sup>; it is heavily regulated with multiple levels of compliance; and it collectively has

hundreds of years of experience. Without the life insurance industry, the challenge of finding reputable retirement plan providers could very well be insurmountable.

### State and Local Government Actions

Legislation is being considered at the state and local levels around the country, including in New York City and New York State, that would establish pension funds for private sector employees. Driving these proposals is their well-intentioned desire to solve the retirement security challenge for many of their constituents that have little, if any, savings or other financial resources for their retirement years.

Of course, funding a government-sponsored private sector pension plan would be no small task. There would be significant start-up costs and administrative and compliance expenses that would inevitably require taxpayer funding to cover such expenditures. To keep costs at a minimum, the plan sponsor would have to limit the investment choices resulting in a less than optimal program for participants. In addition, a government-run retirement plan for private sector workers could create a significant liability for the state and potentially require the removal of crucial Federal protections for savers provided by ERISA. A government-sponsored plan would likely serve as a disincentive to private employers currently providing retirement plans to continue to fund those plans. More importantly, the question is whether the lower income employees these programs are primarily intended to benefit would be willing to save rather than spend their limited discretionary income on more immediate needs. The challenge of limited retirement savings can actually be traced to the more fundamental issues of high household debt and limited wage growth. Those,

of course, are caused by having a national economy that is not robust, not by the lack of retirement funding choices.

### Where Government Assistance is Needed

The life insurance industry is strong and ready to help New Yorkers plan for and fund their retirement years. There is no need for government intervention since there is no shortage of retirement product offerings. Government efforts would be better placed in creating a regulatory environment to incentivize employers to provide access to, and employees to secure, the retirement solutions that are already available in the marketplace. I recommend that the focus be put on providing retirement planning information and education broadly to the public. The life insurance industry is prepared to work with policymakers and other stakeholders to demonstrate that the life insurance industry offers a wide range of retirement products that are cost effective, efficient, and beneficial to consumers, thereby avoiding additional, costly government bureaucracy.

<sup>1</sup> Source: ACLI 2015 New York Facts, [www.acli.org](http://www.acli.org)

*Thomas E. Workman is the President and Chief Executive Officer of the Life Insurance Council of New York, Inc. LICONY is the principal voice of the life insurance industry in New York. LICONY works to create and maintain a legislative, regulatory, and judicial environment that encourages its members to conduct and grow their life insurance businesses here in New York State. For stories about New Yorkers who have benefitted greatly from purchasing the products of life insurers, go to [www.licony.org](http://www.licony.org), click on “Published Articles” in the NEWSROOM box on the homepage.*



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