NATIONAL COUNCIL OF INSURANCE LEGISLATORS
LIFE INSURANCE & FINANCIAL PLANNING COMMITTEE
2024 NCOIL SUMMER MEETING – COSTA MESA, CALIFORNIA
JULY 19, 2024
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Life Insurance & Financial Planning Committee met at The Westin South Coast Plaza Hotel in Costa Mesa, California on Friday, July 19, 2024 at 3:00 p.m.

Senator Jerry Klein of North Dakota, NCOIL Chairman at Large, presided.

Other members of the Committee present were:

Sen. Justin Boyd (AR)
Rep. Rod Furniss (ID)
Rep. Brenda Carter (MI)
Sen. Michael Webber (MI)
Rep. Bob Titus (MO)
Sen. Walter Michel (MS)
Sen. Joseph Thomas (MS)
Asm. Jarett Gandolfo (NY)
Sen. Bob Hackett (OH)
Rep. Ellyn Hefner (OK)
Rep. Tom Oliverson, M.D. (TX)
Rep. Jim Dunnigan (UT)
Del. Walter Hall (WV)

Other legislators present were:

Sen. Larry Walker (GA)
Sen. Arthur Ellis (MD)
Sen. Jeff Howe (MN)
Sen. Paul Utke (MN)
Asm. Alex Bores (NY)
Rep. Forrest Bennett (OK)
Rep. Mark Tedford (OK)

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel

QUORUM

Upon a Motion made by Sen. Justin Boyd (AR), and seconded by Del. Walter Hall (WV), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Rep. Bob Titus (MO) and seconded by Rep. Brenda Carter (MI), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's April 12, 2024 meeting.

PRESENTATION ON RETIREMENT SECURITY BILL OF RIGHTS

Sen. Klein stated that we're going to start today with a presentation on a Retirement Security Bill of Rights. You have also received a draft resolution in favor of encouraging a redesign on the use of lifetime income investment solutions in defined contribution plans which is before you.

There currently isn't the sponsor attached to the resolution, but it's been drafted by Teachers Insurance and Annuity Association of America (TIAA) for discussion purposes, and we hope it will be developed throughout this current year.

Brendan McCarthy, Senior Managing Director, TIAA, thanked the Committee for their time. For background, I think most are probably familiar with the firm, but TIAA is the largest insurer in the US, based on AUM we are the largest provider of guaranteed in-plan lifetime income, and we are the fourth largest provider of retirement plans. What I want to talk about today is a little bit about some of the challenges that are facing the US retirement system. And specifically, the need for lifetime income. So, the goal of any retirement plan in the US is to replace 80% of preretirement income and to do that through a combination of both Social Security and a retirement plan.

Unfortunately, that is out of reach for a significant percentage of Americans today. You'll see here three of the major challenges, we like to call them gaps, facing the U.S. retirement system. They are the coverage gap, the savings gap, and the lifetime income gap. Coverage gap is access to employer sponsored retirement plans. Today, 57 million Americans still do not have access to an employer sponsored retirement plan or a workplace retirement plan. This is something that a number of the states have already started to take action on, and we've seen that through these mandatory state IRA's. In fact, California in 2018 I believe started CalSavers Mandatory IRA and a number of other states have done that and even more so have it in process. Those have been a success. You can look at some of the numbers, but know that the numbers that you see, the states that have enacted legislation on the Mandatory IRA, they have seen the highest increase in 401K sales. It's almost a gold rush if you're in the small market 401K. So, there are small employers and they're looking at those and saying I don't want to do that, I could actually do a 401K plan it's easier. And so, it is driving business and that one is working and it's working at the state level.

Next is the savings gap. When employees do have access to a retirement plan, they are unfortunately not saving enough. So, people in their 40s with somewhere in the range of 2 to 5 years' experience at an employer on average have only $38,000 sitting in their retirement plan or their 401K plan. So, employees are not saving enough. There's some legislation at the federal level that I'll talk about that's addressing that gap.

Last what we want to talk about today is the lifetime income gap. 60% of non-retiree Americans think they will not have enough income in retirement. I can tell you this is massive in the private sector. Only 12% of Americans that worked in the private sector have access to guaranteed income. In 1975, that number was 70%. So, guaranteed income has all but gone away in the corporate private sector 401K plans. There is a massive boom right now for that to come back with both products and retirement plan providers starting to build to support guaranteed income through 401K plans.

There are some other risks that are out there in the retirement system. First, is longevity risk. Americans are living longer today, and the risk keeps increasing that Americans are going to outlive their retirement savings. This is sometimes masked too. We say when you're looking at longevity risk in the retirement industry you don't want to look at just U.S. life expectancy data. When you are looking at it from the view of a retirement plan, you are concerned with those that have reached age 65. The unfortunate statistic out there is that 30% of Americans today do not reach age 65. So, they skew that U.S. life expectancy number. When you're dealing with a retirement plan you want to look at those that are reaching age 65. And for those that reach age

65 today, there is a 46% chance that one out of a couple will reach age 95 or longer. For an individual, it's a 25% chance of living to age 95 or longer. So, there's an increased risk that Americans are going to outlive their retirement savings.

You also have market risk. In 2008 to 2009, we saw a 47% drop in the US equity market between October and March of 2009. That drop was so significant that if you remember at the time Congress held hearings to look into U.S. retirement plans and specifically target date funds. They were saying how were Americans that were this close to retirement losing this much of their retirement savings? So, you have that market risk and that's something that can be addressed with lifetime income. Also increased cognitive decline. One third of Americans aged 65 or older have mild cognitive impairment or dementia. And last is inflation risk. We've seen that probably more evident the last couple of years. That is something that reduces their spending power, their purchasing power in retirement.

As mentioned, Congress at the federal level has been addressing this. There has been an unprecedented amount of retirement legislation passed in the last 4 years. Over 120 provisions through two acts. First was the Secure Act passed in December of 2019 and then there was the Secure Act 2.0, which was passed in December of 2022. The provisions in these bills were designed to hit those three gaps. Number one was the access gap, there's a number of tax credits there that encouraged small employers to start 401K plans. Second was to help with the savings aspect. Defined contribution plans or 401K plans going forward, are required to have auto enrollment and auto increase. You're automatically enrolled in the plan and your amount that is deducted is automatically increased each year. Now, at any point an employee always has the option to opt out, but you're defaulting them in so that their own behavior does not work against them.

Third is lifetime income. There were safe harbor provisions passed in the Secure Act that made it easier for defined contribution plan sponsors, ERISA fiduciary plan sponsors, or employers to utilize annuities inside of 401K plans and any other ERISA sponsored plan. That legislation was passed in 2019 and what it has led to is the retirement plan providers out there, the ones who administered these retirement plans, building the technology. And that's now going into production to offer guaranteed income as well as the product manufacturers can now offer guaranteed income through what we like to call the default fund. Now the impact of this on the states or the impact of not incorporating lifetime income, not addressing these measures, equates to $334 billion in increased aggregate spending at the state level. In fact, when you combine state and federal, it's estimated to be upwards of $1.3 trillion in additional expenditures that this will result in.

So why lifetime income? First are employees. Employees are looking for lifetime income. I think most have, if you saw the UAW negotiations, saw a demand to bring back that guaranteed lifetime income. 78% of respondents to an Employee Benefit Research Institute (EBRI) survey responded saying that they were looking for lifetime income. 75% said that they prefer income stability in retirement over principal preservation. Plan sponsors like an ERISA fiduciary plan sponsor incorporating guaranteed income can help increase the risk return profile of the retirement plan that you offer. And last is it allows for the potential of increased spending. Adding guaranteed lifetime income generates 29% more in annual spending ability from one's retirement savings and reduces downside risk by 33%. The spending piece, and we are seeing this and we're hearing it more and more from financial advisors and you may be dealing with this yourself, when you do not have enough guaranteed income, you tend not to spend. In fact, we hear from financial advisors that people's biggest regret was they had too much money. They're now in a position where they're not able to enjoy it. They wish they'd taken that trip with the family and now they can't go back in time and redo things. That is because people without guaranteed income are worried about outliving it. I will just say, personally, I live up in New England, I'm from Massachusetts. My father is 79 years old and I get a call every winter from my mom to come over and try to convince him to turn the heat on. He tries to go to Thanksgiving before turning the heat on in the house. It's that level and the driver of that is he is worried about running out of savings. He does not have guaranteed income. So, that is often known when you have it as a license to spend. If you know you are covered and as long as you live, you're not going to run out of income to cover your essential living needs, you are way more likely to spend in retirement.

I talked about the technology earlier and this year this is one of the hottest things in the retirement industry is now this ability to provide guaranteed income through a retirement plan, through a defined contribution plan. I mentioned TIAA is, the fourth largest provider of lifetime income. We've always had the technology and the ability; we've been providing guaranteed lifetime income through defined contribution plan since 1918. Our competitors out there, both Fidelity and M Power, number two and number one with state plans, have both earlier this year announced that they have added lifetime income, M Power actually is offering our lifetime income offering. Alight is number three and they're in the process of building it. So, the technology is there now for this to be delivered. The other thing is this can be delivered simply. It's not complex. These solutions are being embedded inside of the default target date funds. So that investment that they are being defaulted into inside of the defined contribution plan works the same way it always did. But now you can convert a portion of your retirement savings. You don't just have a balance. You still have that same balance, but you can now convert a portion of it into a retirement income. One other part on this, there are a number of solutions in the market now that do not necessarily need to increase costs. In fact, some of these income solutions could actually lower the overall cost of the retirement plan. Additionally having it increases income in retirement rather than a lot of people today who rely simply on a 4% withdrawal rule.

So, what can states do? I know we have the draft resolution in front of you, please reach out to us. We'd love to work with you on that. But on your state retirement plan, number one is just ensure that your employees, state employees are participating in the plan. Sometimes it requires additional promotion of it and other marketing to just make sure and other kind of structural designs to make sure they're participating in the plan.

Second is driving adequate savings. You want people saving 12-15% of their retirement plan and you can do that through auto escalations we mentioned earlier. Offering core investments including lifetime income. Again, now you can get those target date funds that all of your state plans most likely have as their default fund. You can get them where they actually embed the guaranteed income inside. Last is driving employee engagement. This is viewed as a benefit enhancement. You may now have an addition to your DB plan. You've got additional supplemental guaranteed income so that you can meet that 80% desired income replacement. Some of the states here, you'll see that have already taken this on, New York, North Dakota, Rhode Island, and South Carolina have all moved forward with lifetime income options inside of their defined contribution plan.

So again, in terms of what to do, we have the draft resolution. Take it back. This is meant to be a guide for you. But I would just take a look at your state's retirement plan offering. See how much lifetime income is being generated by the defined benefit plan, is it enough? And with your defined contribution plans, is there enough for that 80% income ratio? If the typical DB plan doesn't offer enough, can you then include that? Can you easily get to that 80% by incorporating that into the defined contribution plan? Whether it's the deferred comp 457 or whether it's a hybrid or state DC plan. Again, happy to help everyone here on this. I'll take questions. Also, feel free to reach out to me on LinkedIn. It's Brenden McCarthy, TIAA, you'll find me pretty easily out there if we can help in any way. So, thank you for your time.

Sen. Bob Hackett (OH) stated this what I do for a living and I've done it for many, many years. And we manage a lot of monies. We have five public plans in Ohio. They're all defined benefit plans, even though you have some options that you can do different things. The problem is its healthcare and there's nothing in a high revised code. When I was a State Representative, we brought the plans into compliance which we needed to do. But it was the board of directors of the five public plans that created the problem. And a teacher for example, in our STRS, it's a teachers retirement system, they can retire at any time in 30 years so many teachers started at 20 and 21, are going to retire at 50, 51. The problem is what is the cost of healthcare to get them to Medicare that is the problem on the plans.

And we have no responsibility or authority or anything on healthcare. It's the five public plans that did that. I see what you did and I understand what you did. But there's a cost to everything. I mean, you used how bad the market dropped in '08 and '09, but you didn't put how much the market has come back since then. You know that I mean, and how much the market jumped. You know you could do from 2000 to 2002, where the market dropped. But the market usually comes back. And so, I only ask this to be fair. The problem of the guaranteed lifetime income is the cost of it. You got to do it right. And you know that. And I know that. It has to be done right. And we have to be careful that we don't use annuities completely in a situation like that. Annuities, the commission on annuities, is extremely high and the cost is there. So, we have to be careful on how we do this. And you know that as much as anybody knows that.

Mr. McCarthy said you're absolutely accurate. In 2008 to 2009, the danger was not those that just experienced that drop and stayed in the plan, it was the number that exchanged out that thought this market's going to zero and then they missed the bounce back. So, that 47% for a number of Americans was even worse.

Sen. Hackett stated it came back strongly. And that's why the consumer a lot of times chases the market and you and I know that is completely wrong. So, I'm not a just a pension representative, I'm an investment advisor. So, I can give pension advice to people and say you don't buy it to sell it when the market drops under that scenario. I just warn you a little, because it isn't always a solution of having the guaranteed income. The solution is getting people to put more money away. The problem is healthcare and in the private sector we don't have defined benefit plans. Only in the state-run systems are there defined benefit plans or some of the maybe major corporations. But even they've gotten away from it. Well, I just want you to be careful to the people in here. Mr. McCarthy said I appreciate that. While this can't solve for healthcare, it can help a little towards it. That is a larger issue without a doubt. I will say on cost, there is a number of different solutions. But there are solutions out there that do not increase the cost that can actually lower the cost.

PRESENTATION ON TRANSAMERICA'S CENTER FOR RETIREMENT STUDIES ANNUAL RETIREMENT SURVEY

Sen. Klein stated that next on the agenda is a presentation on the Transamerica Center for Retirement Studies Annual Retirement Survey. And once again, we'll hold our questions until the end.

Catherine Collinson, CEO and President of the Transamerica Institute and Transamerica Center for Retirement Studies (TCRS) thanked the Committee for having her. I'd like to spend our time together talking about a survey report we released just last month, it's called The Multigenerational Workforce: Life, Work, & Retirement. This report is based on a survey of more than 5,700 workers of for profit companies. And I don't usually do this in my presentations, but I have to add this little footnote. We did not inquire about political affiliation, so I cannot answer any questions on that. We engaged Harris Poll, which is one of the largest online panel survey firms in the country. So, this is a nationally represented survey. And these are our findings.

A quick note, we're a nonprofit private foundation that is funded by Transamerica and our Retirement Survey which I'm talking about is one of the largest and longest running of its kind. Mr. McCarthy touched on longevity and one of the things that we're all seeing in our research and our society is people have the potential and are living longer than we've seen ever before. And this has tremendous implications for how we live, how we work, how we retire. We view successful retirement as the combination of healthy aging and financial security. In many ways, they are two sides of the same coin. When we ask workers how long they were planning to live to, and it's an awkward question because a lot of people don't think about that if they're not actuaries, 1 in 7 are planning to live to a 100 or older. The median age of those who provided a number is 88 and then of course 34% are not sure.

I'm going to start with the health side of the question and then take a deeper dive into what's happening with retirement savings and retirement security. The good news is 3 in 4 workers have close relationships with family and friends and are happy and enjoying life. And this is probably some of the best news that we see in the survey when we look at overall, sort of what we call positive feelings, as well as indicators of distress. I've covered the positive. I've got a notate some of the indicators of distress. We see high percentages of people saying that they're having difficulty making ends meet. And that number is especially high for GenZ, the youngest generation in the workforce.

We also see among GenZ and to a lesser extent, millennials, is many are feeling anxious and depressed. And in GenZ, the youngest generation, we see very high percentages of them saying they often feel isolated and lonely. So, we are seeing a social isolation and the effects on mental health in the Surgeon General's report on the loneliness epidemic. I think this is something that we really need to pay attention to because it affects their quality of life. It affects their health. It affects their productivity. And their ability to save for retirement. I'm going to just touch on most workers are in good or excellent health. We inquire about healthy behaviors that they are engaging in on a consistent basis. Everything from the basics of eating healthy, exercising regularly, getting plenty of sleep. And we see more than half are doing those, at least the first couple of things. And then there's other things people could be doing to protect their health that they're not engaging in. You can see the percentages, not seeking medical care when needed, not keeping up with routine physicals and health screenings. As well as only 38% or indicate they are avoiding harmful substances which in the question we say EG, cigarettes, alcohol, drugs. Older workers tend to be taking care of themselves better than younger workers. But still, you know, what I see here is a role for public health. That our education campaigns are always going to be a work in progress. And for current generations as well as for future.

Now we're going to shift gears to retirement. One of the things that we've seen in our survey, and I've also been involved in global retirement research, is in the US people love retirement. We have positive word associations where workers are twice as likely to cite one or more positive word associations than negative word associations. And it's really something that people strive for, save for, and look forward to. And in the spirit of longevity, the workforce is already rethinking their time in the workforce relative to retirement. And something that we've seen in the survey for a good 15 years now, our work and retirement are no longer mutually exclusive in the minds of workers. They're envisioning a gradual transition versus an all or nothing work full time one day and never again the next.

Almost half expect to retire after age 65 or are not planning to retire. And when we look at older generations, of course, many baby boomers are already doing that. In GenX, far more than half are looking to work beyond traditional retirement age. And then across the board, among generations, more than half say they plan to continue working at least part time in retirement. They want to do so for both financial reasons as well as healthy aging reasons. It's probably not surprising that 4 in 5 cite one or more financial reasons. But almost, it's almost as many 78% are citing healthy aging related reasons ranging from being active, keeping their brain alert, having a sense of purpose, enjoying what they do.

However, the kicker is this. Will there be employment opportunities for them? And are they being proactive enough so that they can continue to work as long as they want and need? But fewer than 6 in 10 say they're focused on staying healthy so they can continue working. Particularly concerning to me only half of workers say they're keeping their jobs skills up to date. We know the world of work is moving very, very quickly right now. And if we don't all strive to keep our jobs skills up to date, we're at a big risk of getting left behind. And then, as you say, fewer than three in ten are networking and meeting new people. Which are essential for getting leads on job opportunities and even having an understanding of what employers are looking for.

Workers also face competing financial priorities. Some good news is when we ask about current financial priorities, the highest response rate is on saving for retirement. Again, this finding is skewed towards millennials, GenX, and baby boomers. Whereas GenZ many are saying that they're just getting by to cover basic living expenses.

Another thing I want to point out about GenZ in our research and this is an emerging trend and is something that we're starting to see sort of ooze through the data. And that is when we ask this series of financial priorities among GenZ, 1 in 5, 20%, said supporting their parents. Which is suggesting that absent adequate savings of older generations, the burden is starting to fall on their adult children who at are point in their life where they're trying to build their own financial base to carry them through their working years. Good news and again, these are employed workers of for profit companies. 4 in 5 are saving for retirement, either through their employer's plan or outside of the workforce. And the savings rate is 4 out of 5 for millennials, GenX, and baby boomers. But a really exciting proportion of GenZ, 71%, say they're already saving for retirement which is remarkable.

However, that takes us to something along the lines of what Mr. McCarthy touched on. Only 20% of workers are very confident they're going to be able to fully retire with a comfortable lifestyle. And this is something that we see across all four generations to a greater or lesser extent. Their greatest retirement fears and I'll add the older workers who are closer to retirement are more likely to have fears than younger workers when retirement is a bit further away. But the biggies are outliving their savings and investments, anxiety about the future of Social Security, as well as health issues later in life and the potential need for long-term care. We did have an outlier in the findings generationally that caught me by surprise. One of the options that's not cited by all that many if when we look at the numbers in their totality is 4 in 10 GenZ cited feeling isolated and lonely as one of their greatest retirement fears. Which just sort of reinforces that we've got to pay close attention to the mental health of the younger generation.

Expected primary source of retirement income which I've laid out here. We asked workers about all their expected sources of retirement income and then what will be your primary source of retirement income? These are the overall findings, there's some big results generationally. Whereas baby boomers are far more likely to cite Social Security as their primary source of retirement income, other generations are more likely to indicate income from 401K's, 403B's and IRA's.

One thing I want to touch on because this is such a central topic today is retirement plan coverage. And we ask workers in the survey which of the following retirement benefits are offered to you personally by your employer? And we can see that a high percentage, 3 in 4 are offered a 401K or similar plan, some sort of employee funded means to save for retirement in the workplace. And because there is so much focus on closing the coverage gap, we had to pay really close attention to who is not covered. What we see in our research is it is typically workers of the smallest companies, part-time workers, and lower income workers. Across large companies, the access rates are very high.

One thing I'm really enthusiastic about and is indicative of how the defined contribution system is working is we're seeing emerging super savers. So, among workers offered a 401K or similar plan, we see very high rates of participation, 4 in 5. And then when we ask how much of their salary they're contributing to the plan, the median among those participating is 10%. And Gen Z, and this is the second year in a row that we've seen this, is really high percentages among Gen Z workers who are taking advantage of the retirement plans. How this relates to household retirement savings, and again, this is of all workers regardless of their offer to plan or not and we ask about savings in total household retirement accounts. We can see that Gen Z is getting a strong start whereas millennials, having saved $50,000, these are estimated medians, are making progress. Gen X and boomers I'm very worried about. Generation X, it's hard to believe the first Gen Xers are going to start turning 60 next year and all indicators are many are behind in their savings.

A few opportunities I wanted to point out to strengthen savings. One is financial literacy. Only 21% of workers say they have a lot of working knowledge about personal finances. And then another one I just want to focus on for a second is many, many workers are saving, but we're seeing a high percentage tapping into their savings before retirement by taking a loan, hardship withdrawal, and or early withdrawal, 35%. And those percentages are pretty high across the four generations including the youngest savers, Gen Z. It seems like they haven't saved long enough to have to need to dip into their savings, but we see it happening.

I'm going to wrap this up with just a couple more sets of insights. We asked workers their priorities for the President and Congress to help people have a financially secure retirement.

And what comes to the top of the list, and we've asked this question in prior surveys, is strengthening our social safety nets especially as it relates to Social Security and Medicare. People are really counting on those. And this is also reflective of sort of the broader ecosystem if we think about successful retirement, being healthy, aging, and financial security. There is a pretty high response rate on ensuring our workers have access to retirement benefits in the workplace or retirement plans in the workplace.

But it's interesting to see where it stands relative to some of the other priorities. So, my five key takeaways for you based on our survey findings, is first of all public policy is absolutely essential for fostering an environment that's conducive for successful retirement. The second takeaway is workers understand the importance of saving for retirement, but many are still at risk of falling short. The next is to create an environment where everyone can be successful. We need to ensure they have the tools and education and know how to be successful. Number four, we lean heavily on employers as a very important conduit for offering not only employment, jobs, education, training, but also very important benefits, health, retirement and other benefits. We lean on them a lot. We also have to recognize some care about it a whole lot more than others. And then there's some employers that may be just too small or not stable that just don't have the wherewithal. And so, we've got to find ways to help those employees or bring those employees into the system that may not have the same level of benefits. And then finally, to strengthen our retirement system, in addition to enhancing 401K's defined contribution plans, and other types of retirement savings. We also have to pay close attention to our safety nets. And that's it. Thank you.

Sen. Klein thanked Ms. Collinson for her presentation and stated as I listen to this, there's a lot of things if you retired 10 years ago, you would have thought where the inflation period was that, we're fine. You know, that was one thing that came to mind as I've gotten older. And I'm not suggesting people go back to run for the legislature so they have a part time job. But, you know, those are things that everybody is being faced with. And I think the literacy issue is another thing where I think the user, there's a lot of fun stuff out there to buy and saving money is probably something that we don't instill in them enough to understand. It seems like statistically it's coming. But I think we still have a ways to go. Is there anything in there suggesting the young people are doing a better job?

Ms. Collinson stated well, especially if they're offered the chance to save for retirement in the workplace, they're doing a terrific job. And I touched on the 4 out of 5 who are saving either in the workplace or outside of work. A really exciting development for me is this, of the Boomers who are saving, they started at age 35. When we look at the youngest generation in the workforce, Gen Z, the median age is 20. That has added an entire 15 years to their savings and investment horizon. So, if they can stay focused and not tap into their savings, they can really take advantage of that trajectory.

Rep. Forrest Bennett (OK) stated I add to my client list Gen Z and millennials, because my colleague, the Chairman talked about young folks having fun things to buy and things like that. I just want to offer a different perspective. And I'm sure, you know, I’m sure that's true in many circles. But there are also extraordinary challenges, as we all know, for the youngest generation and for millennials. Our housing stock is not where it needs to be, our ability to save, to begin to save is difficult. And I just like to push back on that idea sometimes not that I think you meant anything by it, but that it's not for lack of a desire to save and be able to buy things like a house that can help you create generational wealth, that kind of thing.

And I think it behooves us all as policymakers to look at that housing stock, cost of healthcare, wages. I love this organization because what we really do get at the heart of some of these things, but this all exists in the context that other areas of public policy are not necessarily ideal for the consumer either. So, I do wonder in your research, if you've noticed where people are prioritizing. I saw the need to strengthen social safety net and I wonder how much money folks are spending in that respect that they could be putting back as a result of not having some of those sort of safety net tools that that previous generations have been able to have. Whether that's mortgage assistance or that's care for the elderly. I have an aging mother who needs additional care now and we are struggling to find a way to pay for that. I'm 34 and I'm spending some of my money doing that as opposed to putting it away. So, I wonder what advice you might have for us. More specifically, in where we would prioritize it. As many of us and many of our state legislatures don't have endless amounts of money. But where is the best place to put that money if we have to choose?

Ms. Collinson stated that's a great question and a couple of other things, I just feel compelled to say about younger generations and Gen Z. And this goes back to when I was growing up and I'd hear my grandparents say “kids these days”. That it was almost universal because I hear my friends saying it now, I’m like what are you saying? And what we see in the research is especially with millennials, that was the first generation that we really saw high rates of student debt. We certainly see that with Generation Z. In prior waves when we asked about employment effects of the pandemic, they were more likely to be laid off or furloughed and that was a setback for them. Where they're at now generationally, they're more likely to be just getting by to make ends meet. And they're hustling, a high percentage have two or more jobs and a high percentage have side hustles. What's coming out of the data is they have a very, very strong work ethic and also, a pretty high percentage it’s at least one in three are either serving or have been serving as caregivers.

So, I'm really happy you brought that up. Across the four generations right now Millennials take the top spot as the caregiving generation. Gen. Z's not far behind them. And if we think about public policy somewhere that could really help is support for family caregivers. Because if they're working in caregiving, 4 in 5 are making adjustments to their employment which could, effect their employability, their future raises, their own career development, and their own ability to save for retirement. And affordable housing is very top of mind for everybody, but especially for the younger generations wondering if they're going to be able to afford it.

Sen. Justin Boyd (AR) said this might be more of a comment or just an educational point than a question. But just a reminder, if you have a child who isn’t even 18 yet, he or she can go to work, pay virtually no taxes, invest that in a Roth IRA, and let that grow for years, decades, and virtually pay no taxes ever. So, that's just something again, a lot of it is what are we doing to help taxpayers understand the system that we have in place and encouraging mom and dad to work with those kids.

Rep. Tedford stated I'm curious of the data on Gen Z and millennials whether that willingness to invest more is due to a paradigm shift in their trust in Social Security being there when they retire?

Ms. Collinson stated I believe it is. I believe that's a big part of it. One of the things that we saw and we've seen over the years with millennials and if we just think timing wise, is they were entering the workforce right about the time the financial crisis was hitting, many were still living at home with their parents and they saw what was happening with their parents and part of just being part of family units because it was such an extremely difficult time. They've heard concerns about Social Security probably as long as they can remember, but there's also something that money and finance has captured their imagination. And I think in many ways it's access to 401K's and the ability to save. For years when we ask workers how frequently they talk about saving and investing and planning for retirement, millennials are twice as likely as boomers, the generation that's retiring or getting close to it, to say they frequently discuss it. So, millennials have a new money mindset that I think is a really good thing that could help them. And we're also seeing that bubble up with Gen Z as well.

DISCUSSION ON PROPOSED AMENDMENTS TO NCOIL LIFE SETTLEMENTS MODEL ACT

Sen. Klein stated the next agenda item is discussion and proposed amendments to NCOIL Life Settlements Model Act. We had a good discussion on some amendments at the last meeting in April. Since then, we've had Rep. Bennett sign on to sponsor some amendments. Before we go any further, I'll turn things over to him for some brief comments.

Rep. Bennett stated I'm happy to sponsor the amendments and you can find them on your binders on page 253, 256 and 258. They're the parts that are underlined. Basically, they can be broken down into two categories, one being modernizing the model by allowing for electronic communications in certain circumstances which I think benefits both carriers and individuals by saving paper and cost and also trees. So, it's pretty self-serving, considering my name is Forrest. And the other is focusing on whether agents should be prohibited from disclosing the options of a life settlement when a client comes to them thinking about dropping their insurance. I've appreciated the conversations that have gone on between the folks that are involved in this and their efforts to reach a compromise. So, because they are still having a conversation, I'm asking that we not have a vote on the amendments today as it seems that the conversations are progressing in a positive way. But we may be able to have a vote on this in November. To that end, I would request, Mr. Chairman that we have a conversation about this during any interim meetings that may occur between now and the fall meeting. I appreciate the input that everybody's provided so far, and I look forward to continuing to work with everybody to make this happen.

Josh May, Chief Legal Officer at Coventry thanked the Committee for the opportunity to speak and stated I'm here on behalf of the Life Insurance Settlement Association (LISA) this afternoon, LISA represents life settlement brokers and ife settlement providers. Overall, we believe this has been a very successful model act and we're pleased that it will be readopted. We also think that after 17 years, there are a few items that should be addressed and refreshed. As our sponsor said we put those items into two or three categories. The first is electronic communications and signatures. We don't think this is very controversial. They should be accepted, some carriers still require snail mail, which adds significant time and inconvenience for consumers to what is already a lengthy and relatively complex transaction. So, we're asking that carriers be required to accept electronically signed documents and accept electronic requests for things like verifications of coverage and policy illustrations. We deal with this on a daily basis in the industry and think it's a practical and pro-consumer change.

A second bucket that wasn't mentioned previously is to change some of the carrier response times. We'd like to move from 30 days to 21 days in a couple of situations. And also impose a 21 day deadline for the first time for carriers to respond to requests to change the ownership of the policy. We think consumers should be able to have their transactions completed on a timely basis. And this will go a long way towards helping make that happen. The third category relates to insures that prohibit their agents from discussing the life settlement option. It's a small minority of carriers, but we believe it's anti-consumer and should change. To be clear we're not asking insurers to advertise or promote life settlements. Simply, we want them to allow their agents to speak about the life settlement option if he or she chooses to do so because they think it's in the consumer's interest. I understand this is the most controversial change. And as I've said, we've had productive discussions with the American Council of Life Insurers (ACLI) and plan to continue those discussions to work towards a mutually agreeable solution.

Jill Rickard Regional VP, State Relations at ACLI said thank you, Mr. Chair, I'll just be very brief. We have had, like Josh said, some good conversations about this. He also mentioned the most controversial is the producer disclosure requirement which along with the other two provisions at this point ACLI does oppose, absent what we view as evidence of consumer harm in the marketplace. But in the spirit of continuing discussions and compromise we have agreed to take some proposals from LISA back to our members in the next couple of months prior to the interim meeting and hope to come to a compromise, if possible, on the less controversial provisions particularly E-notification.

Sen. Klein stated for those of you in the audience who were here 20 years ago when we battled through this and then we went to our states and once again worked through this, it's like reopening this can of worms. That was certainly an interesting time at NCOIL and certainly in our own legislatures. Once again, this is model legislation. Each state can adopt things as they see fit and approach these issues from their own state perspective.

Rep. Bennett stated I just want to reiterate my appreciation to everybody that's been involved in for being as amicable as possible and helping me get caught up to speed on this issue in the first place. And I do genuinely look forward to additional conversations and hope that we can come to an agreement on everything. Hearing no further questions or comments, upon a motion made by Rep. Bennett and seconded by Sen. Boyd, the Committee voted without objection by way of a voice vote to readopt the Model until the November meeting.

UPDATE ON LITIGATION SURROUNDING THE U.S. DEPARTMENT OF LABOR FIDUCIARY RULE

Sen. Klein said as some of you know, the US Department of Labor finalized its new fiduciary rule which essentially mirrored a rule from several years ago that was ultimately struck down by the federal court system. NCOIL opposed both rules on the grounds that the rule is an encroachment on the state-based system and insurance. For this current rule there's a lot of activity in the courts and in Congress. Two lawsuits have been filed by insurance trade groups in Federal District Court. There's also a bill in Congress that is headed for a vote that would prevent the DOL from spending any funds to implement the rule. NCOIL will continue to monitor that activity and we hope that the rule will ultimately be struck down as it was several years ago.

ADJOURNMENT

Hearing no further business, upon a motion made by Sen. Utke and seconded by Rep. Lehman, the Committee adjourned at 4:30 p.m.