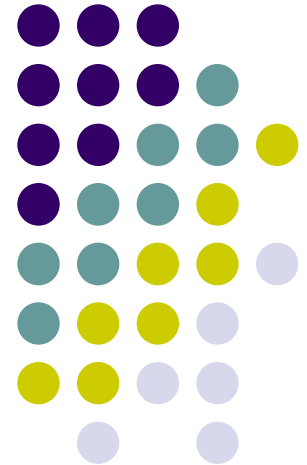




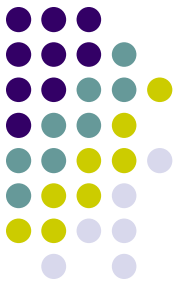
U.S. Department of Labor
Employee Benefits
Security Administration

Annuities in Pension Plans
Policies to Encourage
Annuitization



Brian Buyniski
International Benefits Issues
Employee Benefits Security Administration

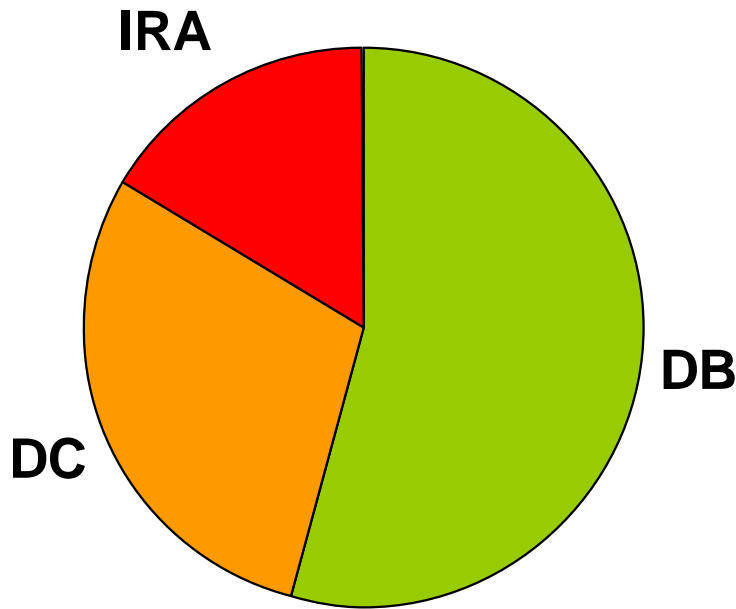
Risks in Retirement



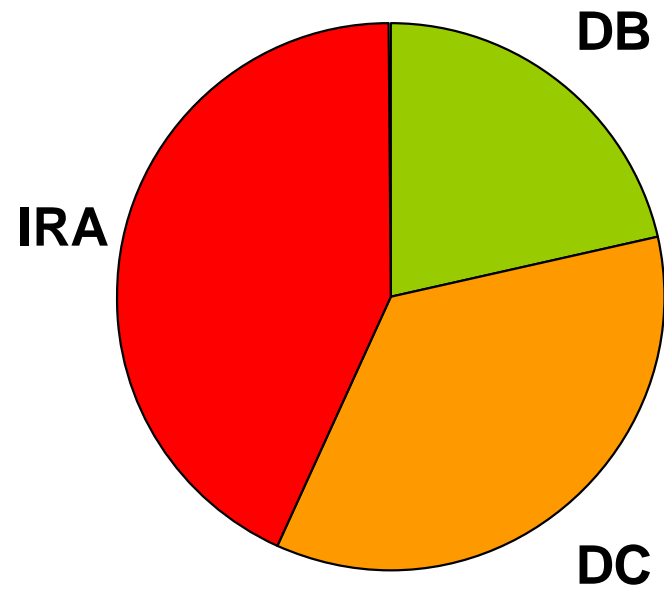
Risk Comparison

Design	Funding Risk	Investment Risk	Longevity Risk	Inflation Risk
DB Plan	Employer	Employer	Employer	Employee
DC Plan	Employee	Employee	Employee	Employee
Lifetime Income	Employee	Insurer*	Insurer	Employee**

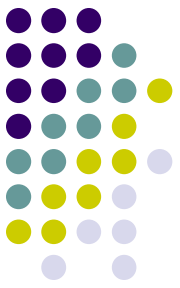
Distribution of US Private Retirement Assets



25 Years Ago



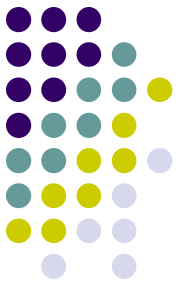
Today



Role of Annuities in Retirement

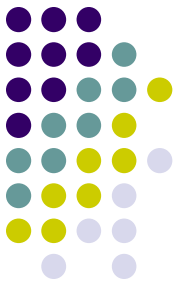
- Guarantee a lifetime stream of income during retirement
- Longevity risk
- Wide variety available
- Annuities in economic theory

Types of Annuities for Plans

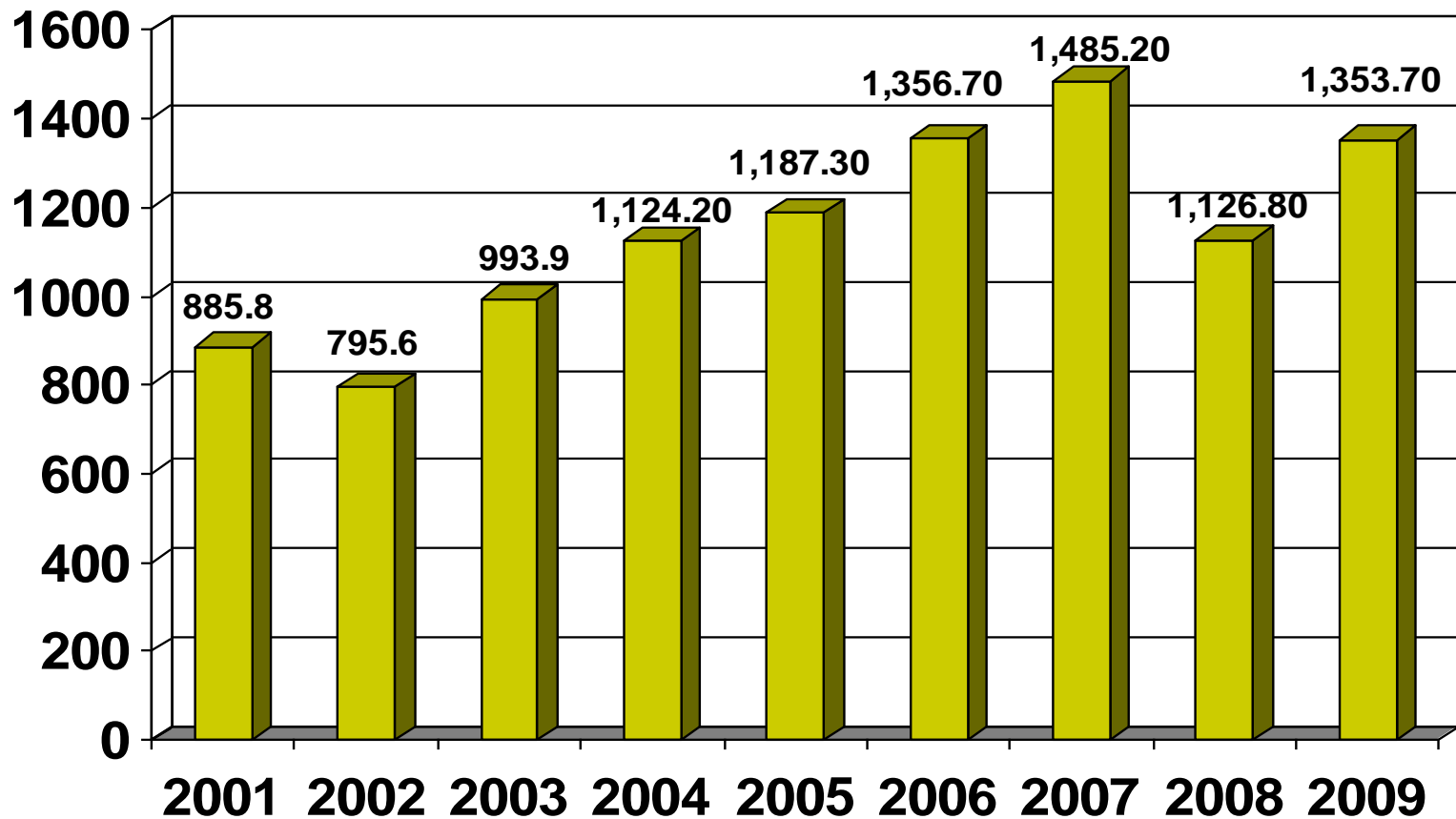


- Wide variety available today
- Deferred annuities
- Immediate annuities
- Inflation-protected annuities
- Fixed-guaranteed investment performance
- Variable-depends on investment performance

Total Sales Variable Annuities

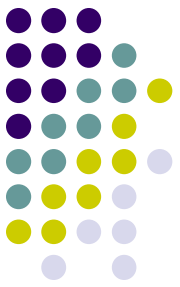


Variable Annuity Total Sales (dollars in billions)



Source: Morningstar, Inc.

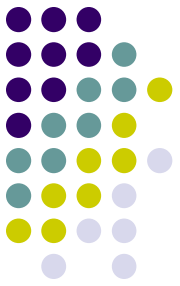
Annuity Industry Total Sales- Deferred vs. Immediate



(dollars in billions)

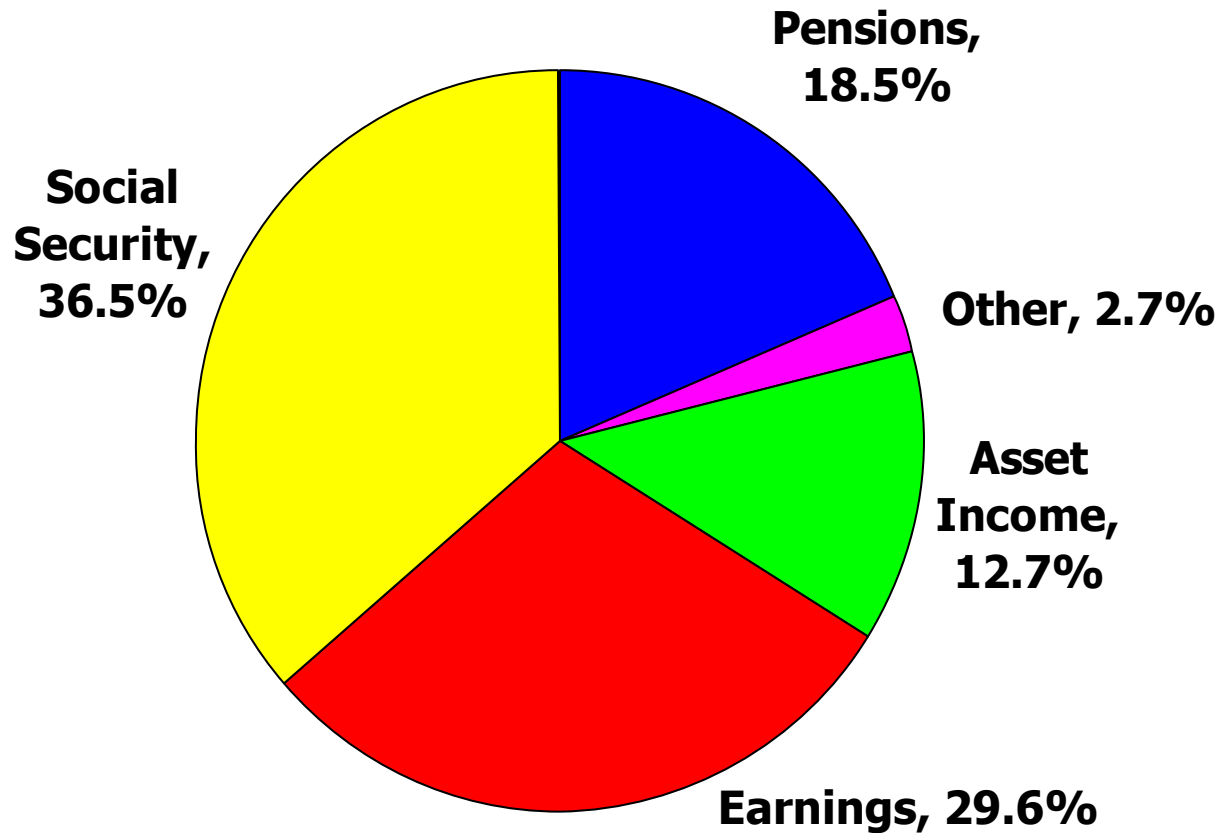
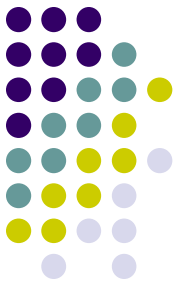
Year	Deferred	Immediate	Total
2000	\$181.1	\$8.8	\$189.9
2001	175.0	10.3	185.3
2002	208.6	11.3	219.9
2003	207.5	8.3	215.8
2004	209.2	11.6	220.8
2005	204.9	11.5	216.4
2006	226.3	12.4	238.7
2007	243.8	13.0	256.8
2008	250.6	14.4	265.0
2009	225.4	13.2	238.6

Factors Impacting Variable Annuities



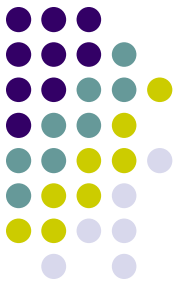
- Percentage of people close to retirement
- Regulation
- Product trends and innovations
- Longevity insurance products
- Recent trends

Sources of Retirement Income



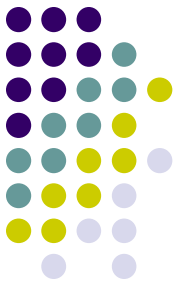
Source: Social Security Administration, 2010

Defined Benefit Plans and Annuities



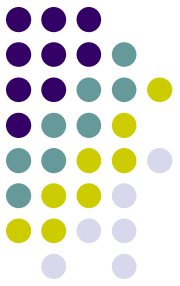
- DB plans historically have provided an annuitized income stream to retirees, unless their participants are offered and opt to take a lump-sum distribution instead.
- Based on data from a recent survey, 52 percent of private sector employees with DB plans are offered a lump sum distribution option.

Defined Contribution Plans and Annuities



- Many DC plans do not offer the option to purchase annuities
- Low percentage of DC plans are annuitized
- Typically small DC accounts
- Conclusions of the literature

Why Is Annuities Market Small?



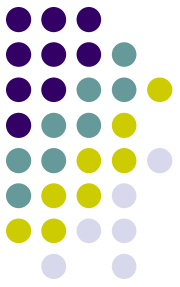
- Preference for lump sum
- Adverse selection and high prices
- Bequest motive
- Reduced flexibility and control of assets
- Amount of wealth already annuitized

Why Is Annuities Market Small?

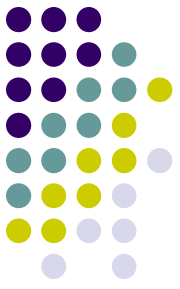


- Intermediaries lack a good understanding of annuity products
- Reduced opportunity for capital appreciation
- Reduced financial liquidity
- Behavioral challenges/framing issues

Lifetime Income Options for Retirement Plans



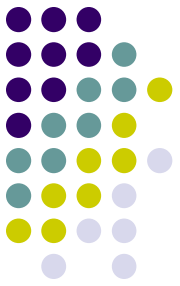
- Joint DOL & Treas. Dept. initiative
- Request for Info. (RFI)- published Feb. 2010
- Public hearing held Sept. 14-15, 2010
- Comments & testimonies under consideration



Lifetime Income- RFI

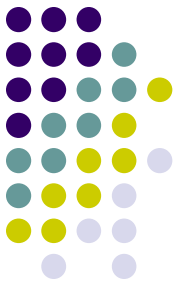
- Broadening the scope to encompass lifetime income products beyond annuities
- Clarifying its application to in-plan annuity products
- Simplifying the standards relating to assessing insurer/provider solvency- ability to pay all promised benefits

Current Obstacles



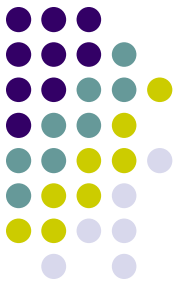
- Fiduciary concerns
- The “newness” of the product offerings
- Difficulty in comparing different product offerings
- Perceived lack of plan level portability
- Legal impediments under current laws

Benefits of Offering Lifetime Income Products to Plans



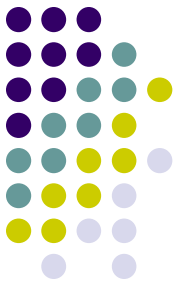
- Reducing exposure to outliving one's income
- Reduce market risk
- Reduce risk of ineffective financial management

Pension Benefit Statement



- Participant's "total accrued benefit" in the form of a lifetime income stream
- Should the agencies create a computer model that can be accessed for purposes of performing such calculations?

Not All Comments Were Positive for RFI



From: [REDACTED FOR PRESENTATION PURPOSES]

Sent: Wednesday, February 03, 2010 2:30 PM

To: EBSA, E-ORI - EBSA

Subject: RIN 1210-AB33

LEAVE MY PRIVATE RETIREMENT
ALONE! I WORKED FOR IT, I SAVED I.
IT IS MINE!!

I AM WILLING TO GO TO WAR OVER
THIS!!!!!!!