

# Institutional Investment Advisors and Consultants Forum

*Developing Expertise and Insights*

## **OPTIMIZING OUTCOMES WITH AVAILABLE SOLUTIONS: INSURED**

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*Innovation, Communication, Evaluation*

# Many in-plan guaranteed retirement income solutions are available, but how do you choose?



Type	Guaranteed Lifetime Withdrawal Benefit (GLWB)							Deferred Annuity				
Liquidity (Post Retirement)	Yes							No				
Method	Embed within a target-date portfolio						Stand-alone income option	Stand-alone income option				
Provider	AB	Voya	Transamerica	Great West	Lincoln	Prudential	John Hancock	MassMutual	Metlife	TIAA-CREF	Mutual of Omaha	
Product Name	Lifetime Income Strategies	Lifetime Income Protection	SecurePath for Life	Secure Foundation	Secured Retirement Income	IncomeFlex Target	Guaranteed Income for Life (GIFL)	The Hartford Lifetime Income (HLI)	Personal Pension Builder	TIAA Traditional	Lifetime Guaranteed Income Account	
Insurer Model	Multi		Single					Single				

Source: Institutional Retirement Income Council website and membership, April 2015

# Simple evaluation framework

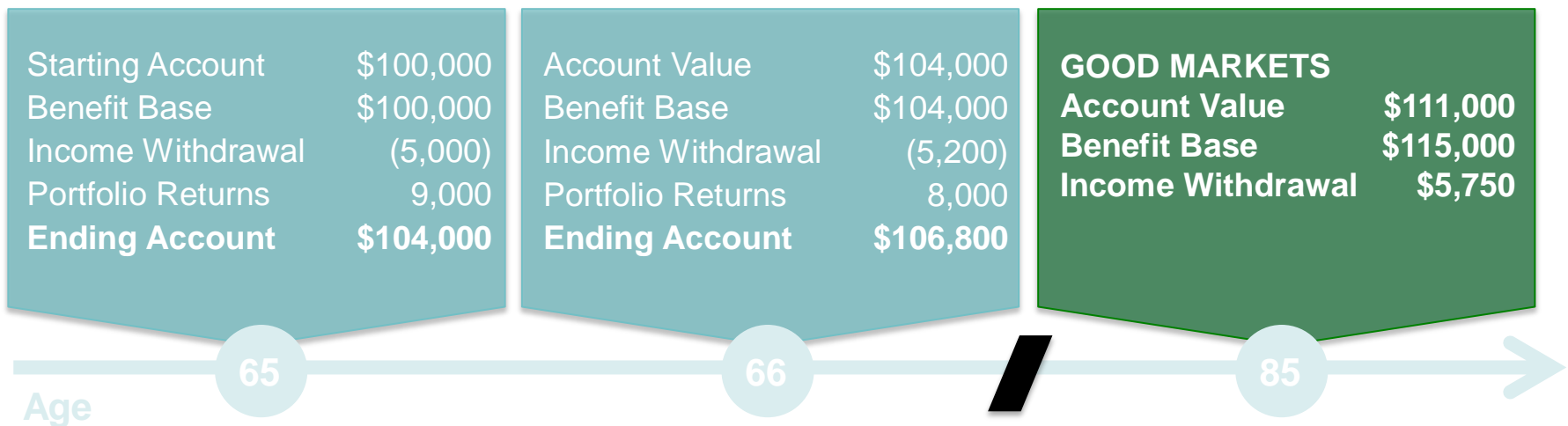


	Guaranteed Lifetime Income	Provides Higher Cumulative Retirement Income	Retirement Liquidity/ Bequests
Systematic withdrawals	X	In good markets	✓
Deferred Annuity	✓	In average and poor markets	X
Guaranteed Lifetime Withdrawal Benefit (GLWB)	✓	In good markets	✓

For illustrative purposes only.

# Guaranteed Lifetime Withdrawal Benefits

# Illustration of GLWB in GOOD markets

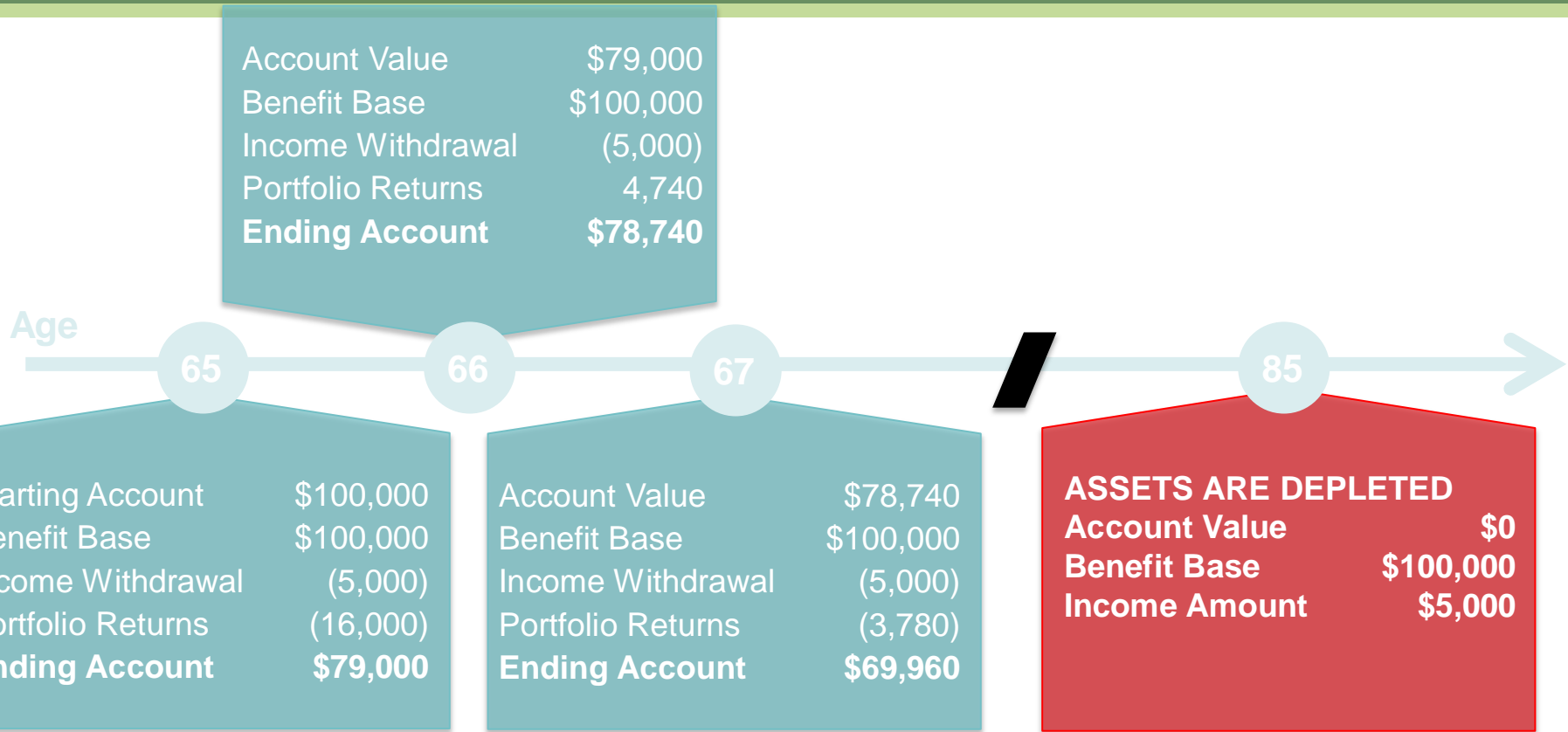


- › Retiree maintains liquidity of their retirement assets and potential for bequests
- › Potential for increases in income with good market performance

Source: Example provided for illustration only. Not meant to represent any actual results.

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# Illustration of GLWB in BAD markets



- › Guaranteed lifetime income protection regardless of market performance or how long the retiree lives

Source: Example provided for illustration only. Not meant to represent any actual results.

# Benefits of GLWBs



- Guaranteed lifetime income\*
- Sustained potential for growth both pre- and post-retirement
  - Participants assets are invested; typically in a balanced 60/40 stocks/bonds portfolio
- Downside protection for retirement income
- Access to their market value
  - If participants withdraw more than their guaranteed annual withdrawal, it will reduce their future guaranteed annual withdrawal amount
  - If participants die, their remaining assets transfer to their beneficiaries
- Current insurers offering in-plan GLWBs: Prudential, John Hancock, Lincoln, Transamerica, Voya, Great-West, AXA Equitable and Nationwide

\* Guaranteed lifetime income is subject to the claims paying ability of the insurer(s) providing the guaranteed lifetime income.

# Example 1: AB – Lifetime Income Strategy (LIS)



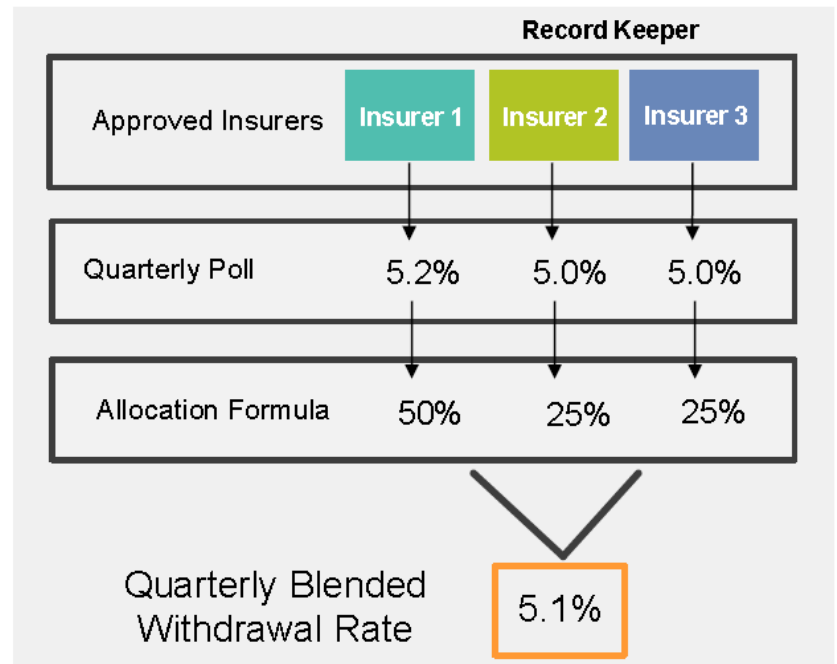
- AB provides fiduciary responsibility for selecting insurers and ongoing monitoring
- Incorporates multiple insurers (Prudential, Lincoln and Nationwide)
- Participant can customize their retirement age (60 to 70) and their level of income protection (0% to 100%)
- Guaranteed income is based on a weighted-average of guaranteed withdrawal rates offered by the insurers



# Example 1: AB – Lifetime Income Strategy (LIS) (cont'd)



- Interfaces with multiple insurers
- Diversification, Competition and Capacity
- Withdrawal Rate Process
  - AB polls insurers quarterly
  - Allocates via performance and diversification formula
  - Rates can fluctuate
  - Participant may not be aware of their guaranteed withdrawal rate



# Example 2: Lincoln Secured Retirement Income



- **Ability to create a custom target-date portfolio**
  - › Option to choose different max % to SRI within a model (100%, 75%, 50%)
  - › RIA's are able to design glide path
  - › Ibbotson will serve as 3(38) investment manager, if needed
- **Fiduciary support:** Lincoln provides a fiduciary road map. When engaged, Ibbotson Associates or another registered investment advisor of the plan sponsor's choice can provide 3(38) fiduciary support on the underlying fund and target-date glide path.
- **Portability:** At the plan level through DST's Retirement Income Calculation and Clearinghouse (RICC) platform and for plan participants through a Lincoln rollover IRA
- **Return of Contributions Upon Death:** If the participant dies, their beneficiary may receive the greater of the account value or the aggregated net contributions made to the participant's account.
- **Investment lineup options:** Offered within a target date fund or as a standalone investment option
- **Guaranteed annual income :**

Single Life	Joint Life
4% beginning at age 55	3.5% beginning at age 55
5% beginning at age 65	4.5% beginning at age 65
6% beginning at age 71	5.5% beginning at age 71

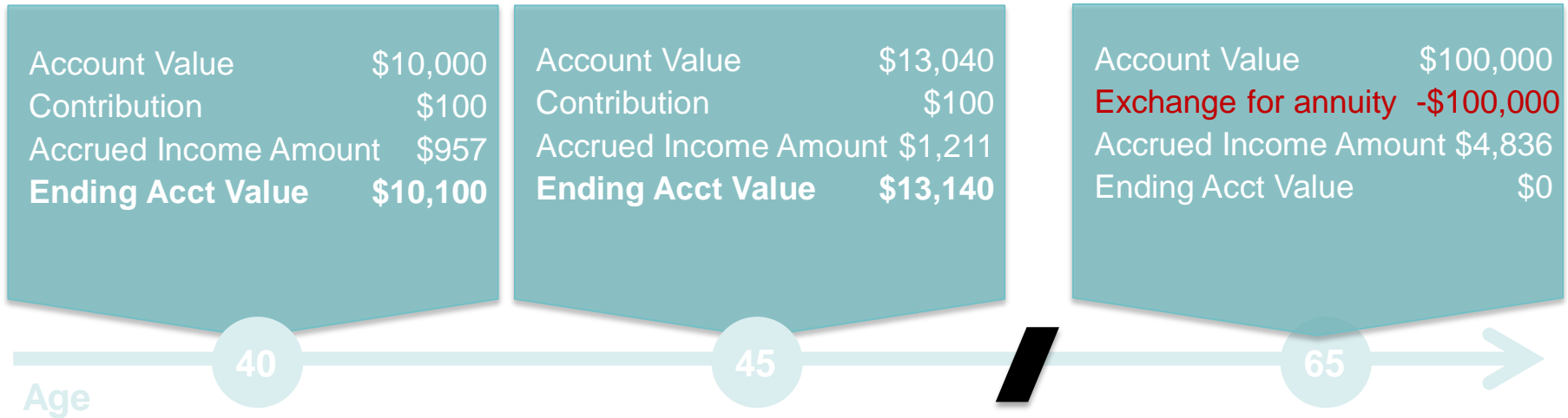
# GLWB - Income Options



- Elect to start income:
  - › Before age 65, but at a reduced income amount
  - › After age 65, with a deferral bonus
- Elect to cover both participant and spouse
- No COLA option, increases in income only available through increases in participant's benefit base

# In-plan Deferred Annuities

# Illustration of in-plan deferred annuities



- *The participant purchases units of deferred lifetime income during their working years.*
- *At age 65, participant elects appropriate income amount and annuitizes their account value.*

\* Not meant to represent any actual results.

# Benefits of In-plan Deferred Annuities



- Dollar cost averaging in purchasing the guaranteed lifetime income
  - Units are purchased at various ages and interest rates – reducing market risk of purchasing lifetime income at retirement
- Institutional pricing for deferred annuity vs. retail pricing at retirement
  - No upfront sales commission
- Ability to communicate participant's accrued lifetime income during their working years
- Before electing the lifetime income, the participant has access to their assets

\* Guaranteed lifetime income is subject to the claims paying ability of the insurer(s) providing the guaranteed lifetime income.

# Example 1: TIAA Traditional Annuity



TIAA Traditional is a guaranteed fixed annuity available to participants in employer-sponsored retirement plans and in Individual Retirement Accounts (IRAs).

- **Participant assets are guaranteed:** The contributions to TIAA Traditional will not decrease in value, no matter how volatile markets may be.
- **Savings earn a competitive interest rate:** Assets contributed to TIAA Traditional are guaranteed to receive a minimum interest rate that may be as high as 3% and no less than 1%.
- **Potential to earn more:** Contributions can grow by more than the guaranteed minimum interest rate if TIAA's Board of Trustees declares additional amounts.
- **Liquidity\*:** Withdrawals and transfers from the account must be spread over 10 annual installments (over 5 years for withdrawals after termination of employment).

\* Liquidity rules are based on a TIAA Traditional annuity contract with a Group Retirement Annuity.

# Example 2: MassMutual – Hartford Lifetime Income Builder



- **Lifetime Income is purchased:** For each The Hartford Lifetime Income share purchased, participant receives \$10 of guaranteed monthly income for life, starting at age 65. The share prices will vary based on the participant's current age and interest rates.
- **Increase in income:** The participant's lifetime income only increases through additional purchases of Hartford Lifetime Income shares.
- **Liquidity:** May cash out of their income shares prior to initiating their income payments.<sup>1</sup>

<sup>1</sup>The value of income shares that are redeemed is based on the lesser of net contributions accumulated at 3% interest or the dollar amount it would cost to purchase current income shares.



# Deferred Annuity - Income Options



- Elect to start income:
  - › Before age 65, but at a reduced income amount
  - › After age 65, with a deferral bonus
- Elect to include automatic COLA increases(initial income will be reduced)
- Elect to cover both participant and spouse