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2019 **ANNUAL
MEETING**
& EXHIBIT

October 27-30
Toronto, Canada

Session 104: Managing the Payout Phase: The Use of Annuities to Provide Retirement Income

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SOA 2019 Annual Meeting

Session 104: Managing the Payout Phase: The Use of Annuities to Provide Retirement Income

Milliman Financial Risk Management LLC
October 29, 2019

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Overview

The Current State of Retirement Savings

What has changed?

- Growth of DC plans, decline of Pension plans
 - Greater individual responsibility
 - Greater use of IRAs and rollovers

What are the problems?

- Savings rate is too low
- Early withdrawal from DC plans
- Investment complexity
- High fees
- Structural bias toward short-term liquid stocks and bonds
- Bias towards the wealthy and financially sophisticated
- Limited checks on financial advice
- Converting savings into lifetime income is underutilized

Retirement Statistics



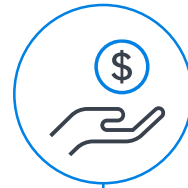
75%

of Americans believe the nation faces a retirement income crisis¹



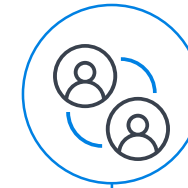
70%

say the average worker cannot save enough on their own to guarantee a secure retirement¹



8 out of 10

of retirees receiving lifetime income from an annuity are satisfied with their annuity²



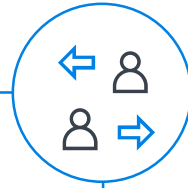
About Half

are willing to sacrifice control of savings to buy guaranteed income and another 25% are unsure¹



3 out of 4

say that workers don't have the financial skills to manage their retirement money¹



Over Half

of Americans say it is getting harder to prepare for retirement¹



2 out of 3

say pensions are better than 401(k) accounts in terms of ensuring retirement security¹: 71% of Millennials, 56% of GenXers, & 61% of Baby Boomers



72%

of Millennials are concerned about achieving financial security in retirement, compared to 64% of GenXers & 45% of Baby Boomers¹

¹ National Institute on Retirement Security. "Retirement Insecurity 2019: Americans' Views of the Retirement Crisis"

² Insured Retirement Institute. "Retirement, Income, and Risk: 2nd Biennial study on the American Retirement Experience" (2018)

Emphasis on Retirement Income



Industry Focus

Significant marketing and education to consumers on annuities underway via the Alliance for Lifetime Income.



Legislation

Provisions intended to be included in the SECURE Act (formerly RESA) will better enable in-plan annuity placement. Lifetime Income Disclosure Act (LIDA) also important piece to plan sponsors.



Technology

Technological advancements, such as cloud computing, have made complex optimization and annuity valuation easier than ever before.



Societal Need

We are facing a retirement income crisis and Social security may not be suitable for many people to provide significant retirement income.



Demographics

Baby boomers are retiring/retired and everyone is living longer. Millennials are saving less, even though pension plans have been on the decline.

Why Focus on Income Generation?

Make Today About Tomorrow

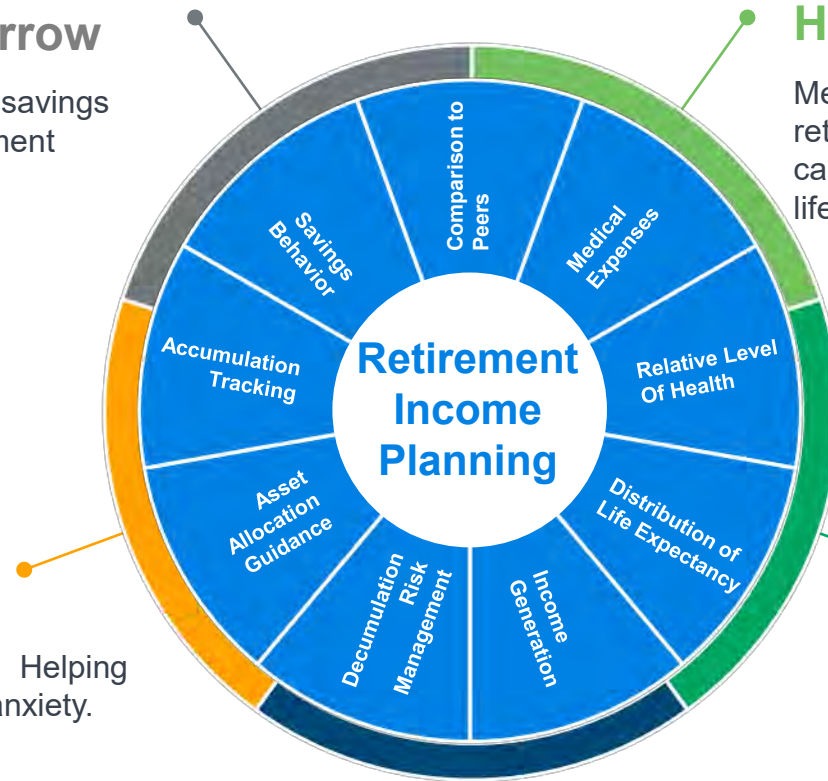
Establishing and maintaining consistent savings patterns early on vastly improves retirement readiness.

Simplify the Problem

Retirement planning should not be stressful. Helping savers make portfolio decisions eases this anxiety.

The Retirement Paycheck

The retirement conversation should be about maintaining a paycheck in retirement, rather than just accumulating a sum of money.



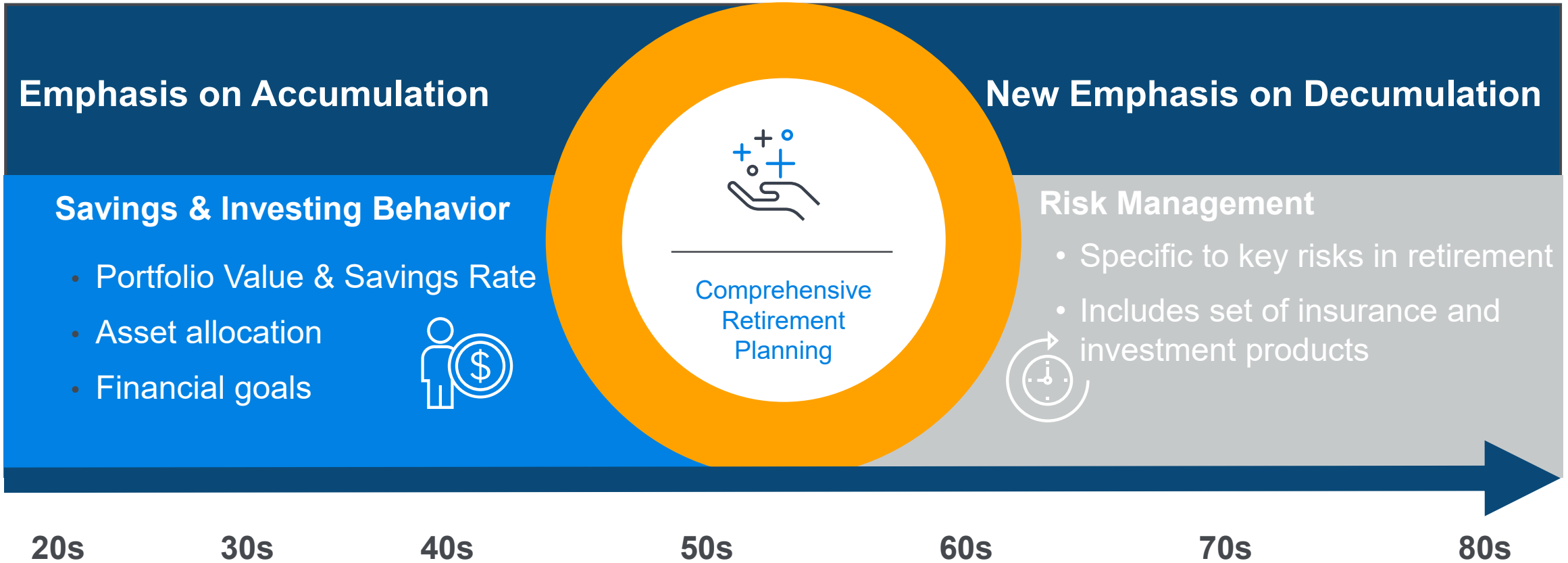
Healthcare

Medical expenses are a significant aspect to retirement planning. Advancements in healthcare can also translate to higher expenses over longer lifetimes.

Longevity

No one knows how long they will live. Making it easier to live to 100, thus having greater income security over one's lifetime, should be part of the solution.

Financial Planning Process



Key Retirement Risks



The Challenges of In-plan Annuity Offerings

Behavioral

- Complexity
- Education
- Mental accounting
- Wealth illusion
- Loss aversion
- Control

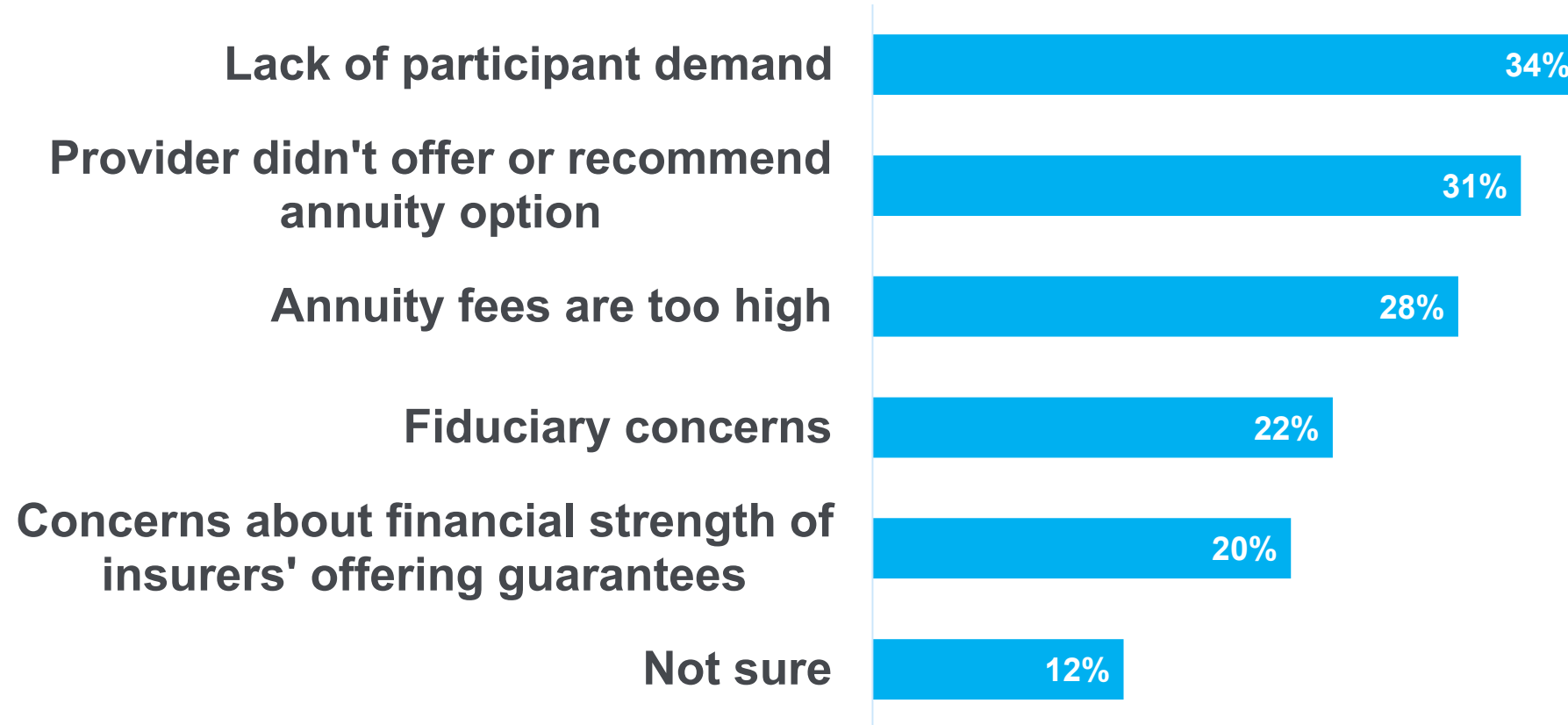
Structural

- Portability
- Liquidity
- Allocation, valuation, and rebalancing

Fiduciary

- Record keeping
- Safe harbor

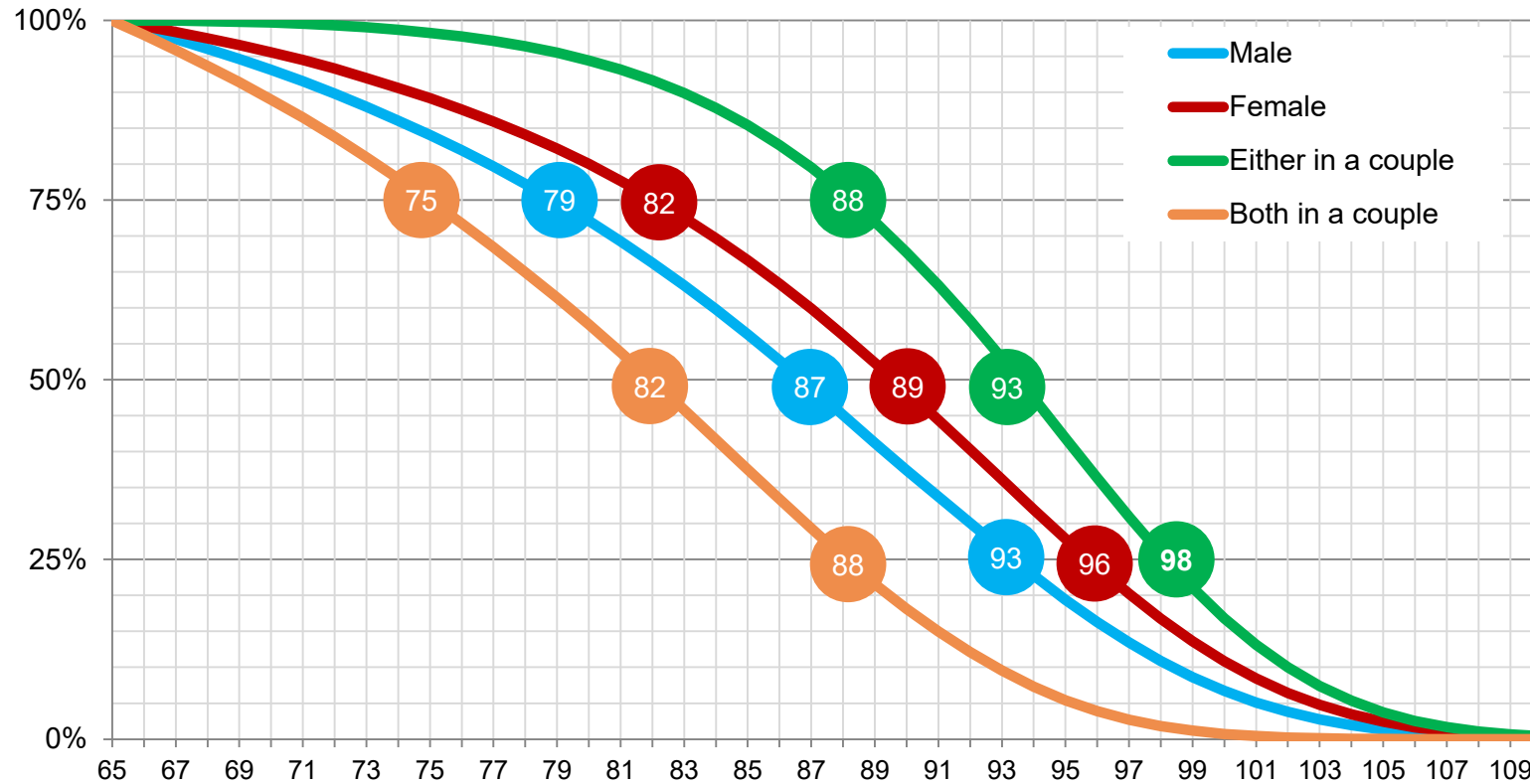
Percentage of DC Plan Sponsors on Why Annuity as Payout Option is Low



Source: *Employer Perspectives on DC Plan Payout Options — 2017 Update*, LIMRA Secure Retirement Institute, 2017. Based on 877 DC plan sponsors who do not offer annuity payout options. Multiple responses allowed.

Retirement Portfolio Studies

Probability of 65-Year-Olds Surviving to Select Ages (Average Health)

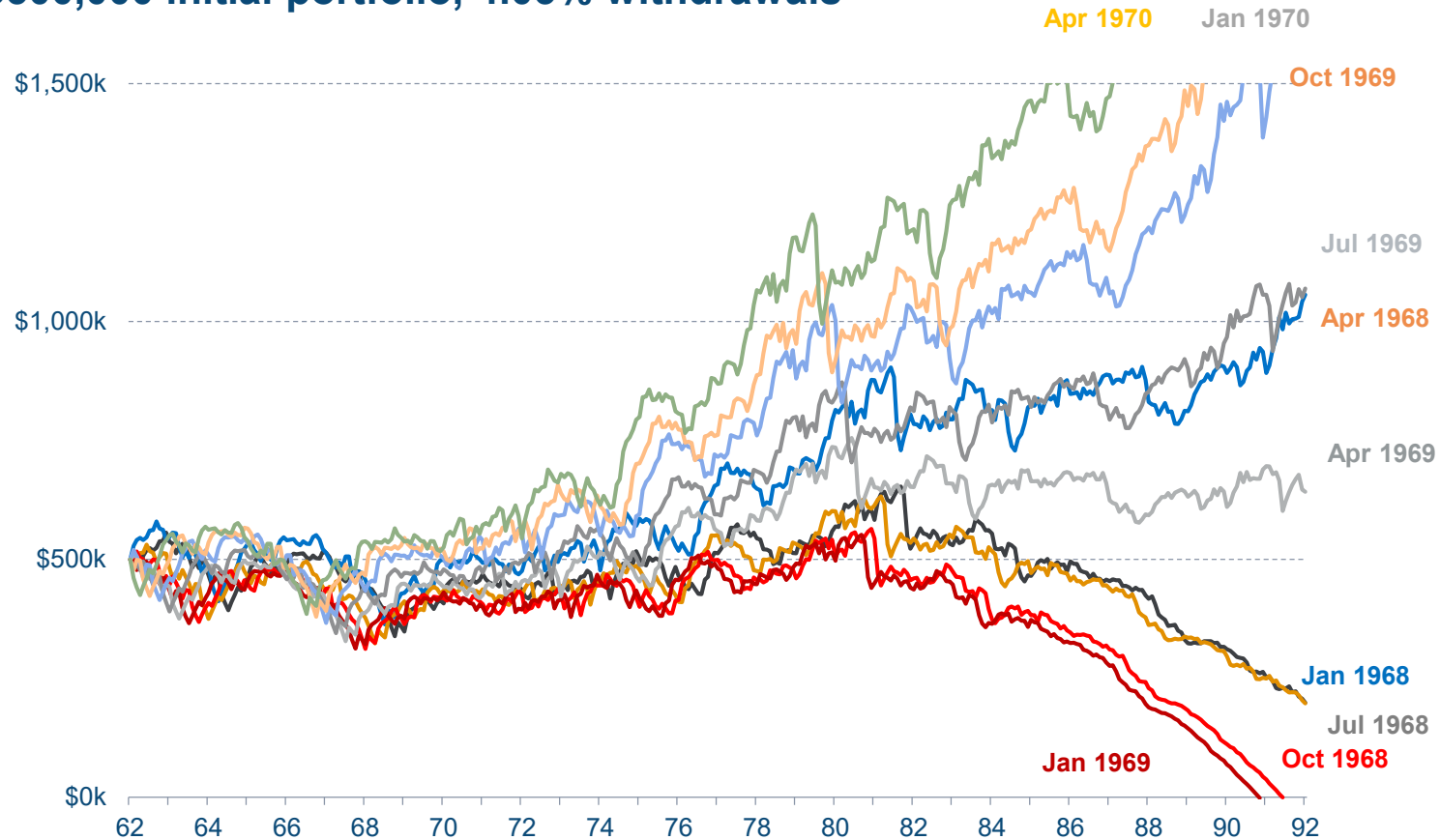


Note: "Either" or "Both" assume lives are independent. Health is assumed to be average in all cases.

Source: LIMRA Secure Retirement Institute analysis of the Human Mortality Database, University California, Berkeley (USA), and Max Planck Institute for Demographic Research (Germany) and 2015 U. S. population mortality. Available at www.mortality.org or www.humanmortality.de.

Value of Retirement Portfolio of 10 Retirees Retiring at the Beginning of Each Quarter from 1968 – 1970

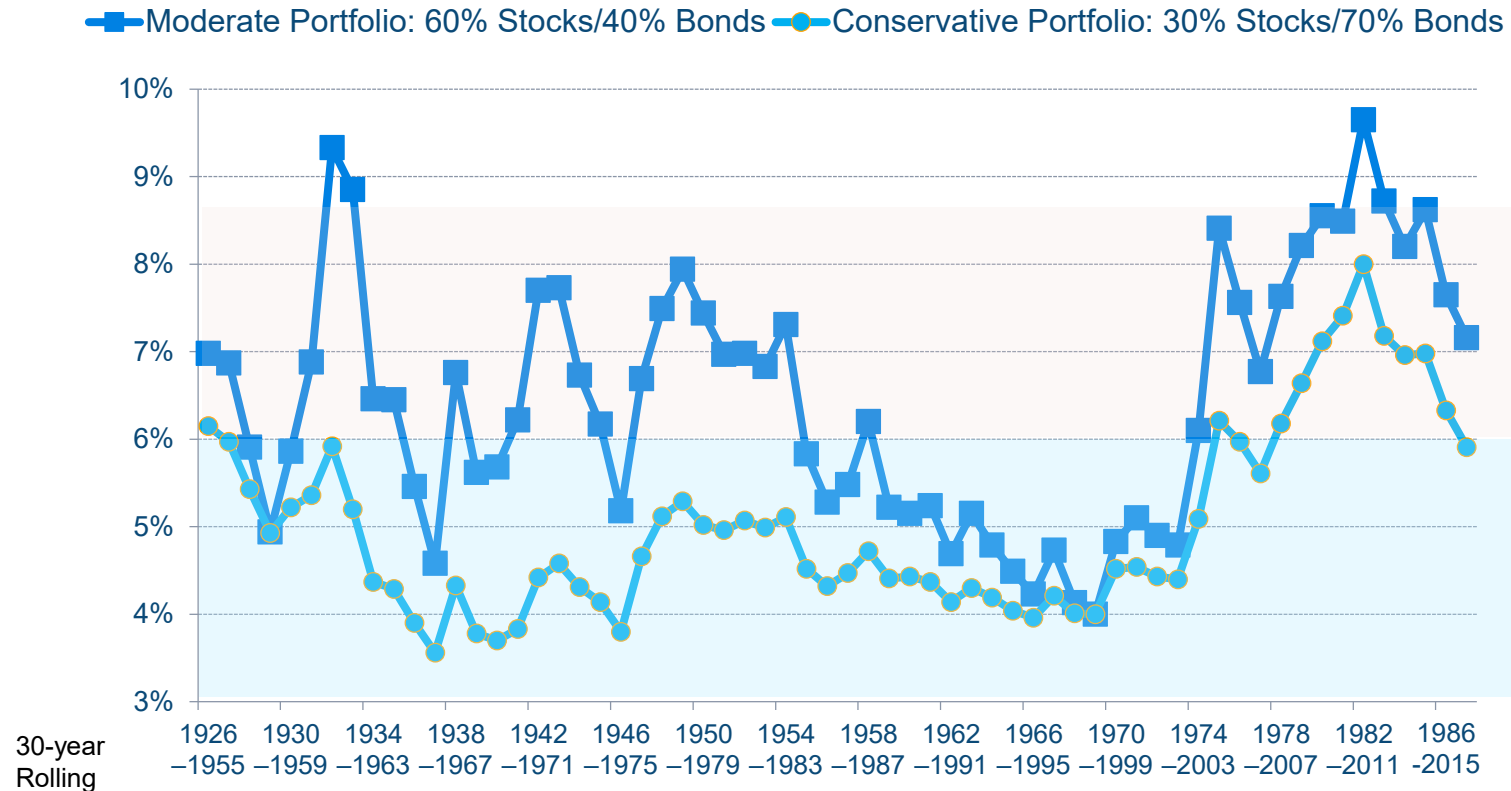
Retiring at age 62, \$500,000 initial portfolio, 4.05% withdrawals



Source: LIMRA Secure Retirement Institute, 2018. The portfolio has an asset allocation of 42.5% large company stocks, 17.5% small company stocks, and 40% intermediate-term government bonds and is rebalanced annually. The initial withdrawal amount was \$1,686 per month, or for the first year \$20,235 or 4.05% of beginning assets. The individual retiree withdrew the same dollar amount within each calendar year, and adjusted annually for the prior calendar year's inflation rate. The cost of funds in the portfolio is 100 bps annually. Fund returns are from Ibbotson, Morningstar.

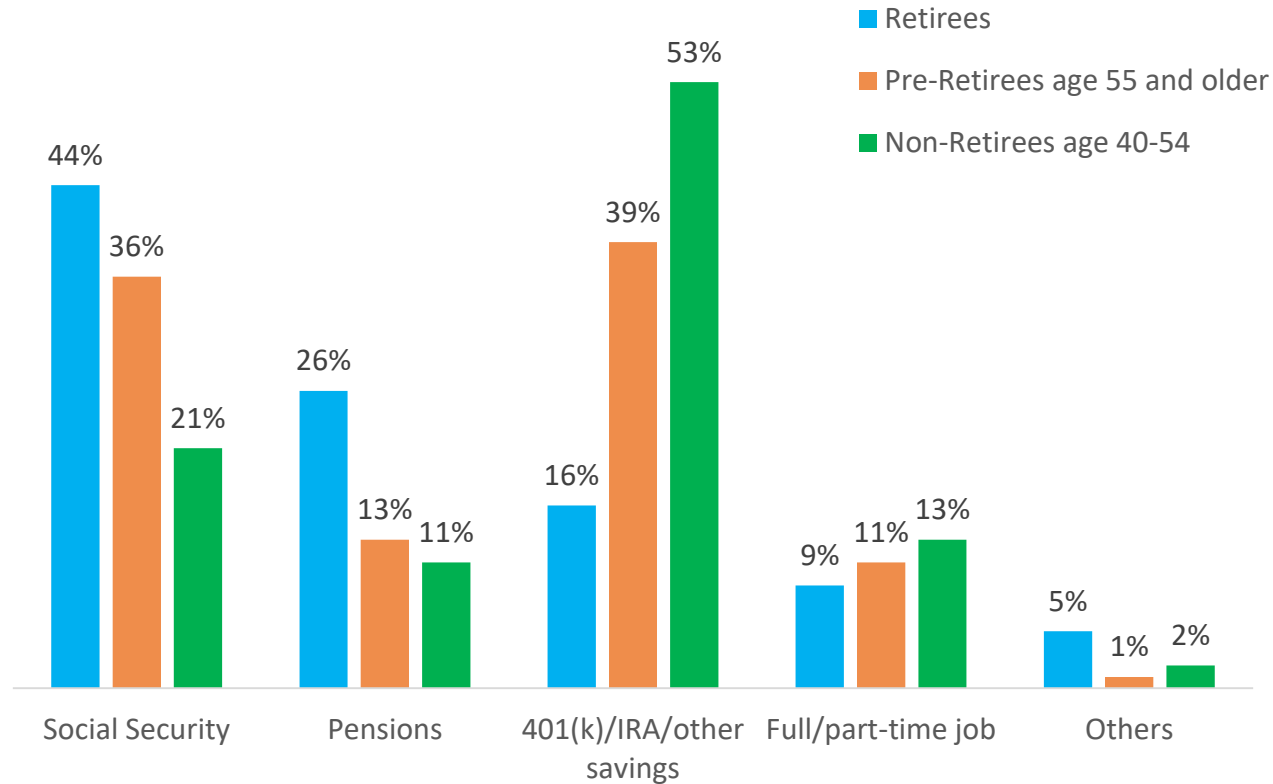
Withdrawal Rates in Retirement

30-year rolling periods, \$500,000 initial portfolio, inflation-adjusted withdrawals



Source: LIMRA Secure Retirement Institute, 2018. The moderate portfolio has an asset allocation of 42.5% large company stocks, 17.5% small company stocks, and 40% intermediate-term government bonds and is rebalanced annually. The conservative portfolio has an asset allocation of 22.5% large company stock, 7.5% small company stocks, 50% intermediate-term government bonds, and 20% treasury bills. The initial withdrawal amount is a percent of initial portfolio. Monthly withdrawal amounts remain the same within each calendar year, and adjusted annually with the prior calendar year's inflation rate. Portfolio fee is assumed to be 100 bps. Fund returns are from Ibbotson, Morningstar.

Retirement Income by Source – Now and in the Future



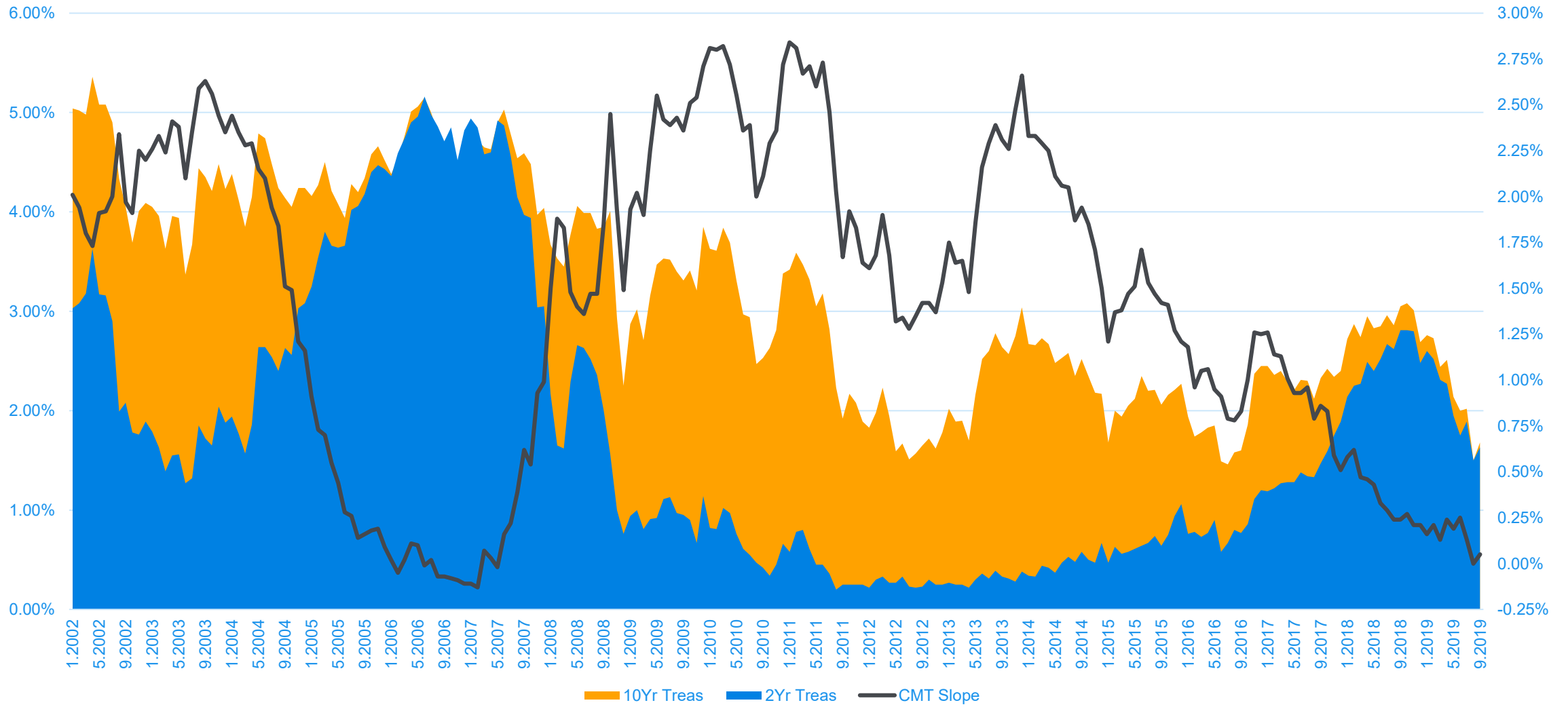
Source: 2017 Consumer Survey, LIMRA Secure Retirement Institute, 2017. Based on 3,082 consumers between the ages of 40 and 75, where 1,360 are retired and 1,722 are working. Note: 401(k)/IRA/Other savings includes 401(k) and other workplace plans, IRAs, Roth IRAs, personal savings and investments, and annuities.

Annuity Product Trends and Challenges

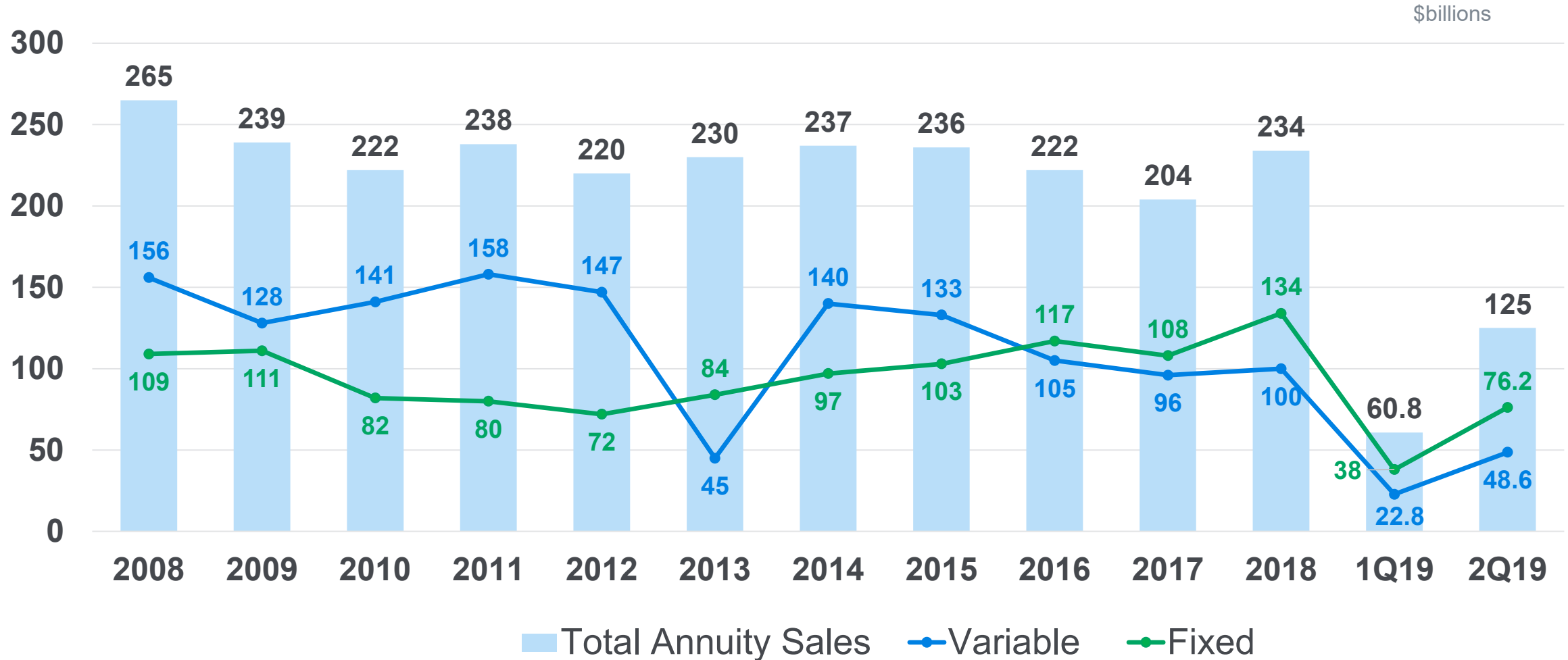
Overview

- Variable annuity sales have stabilized in 2018 and are increasing in 2019
- Fixed Indexed Annuities continue to have strong sales
- Structured Variable Annuities are newest products to market and also have strong sales
 - Predominantly accumulation products
- Regulatory changes and falling interest rates can present challenges
- Income Annuities still not selling in large volumes

Interest Rate Environment



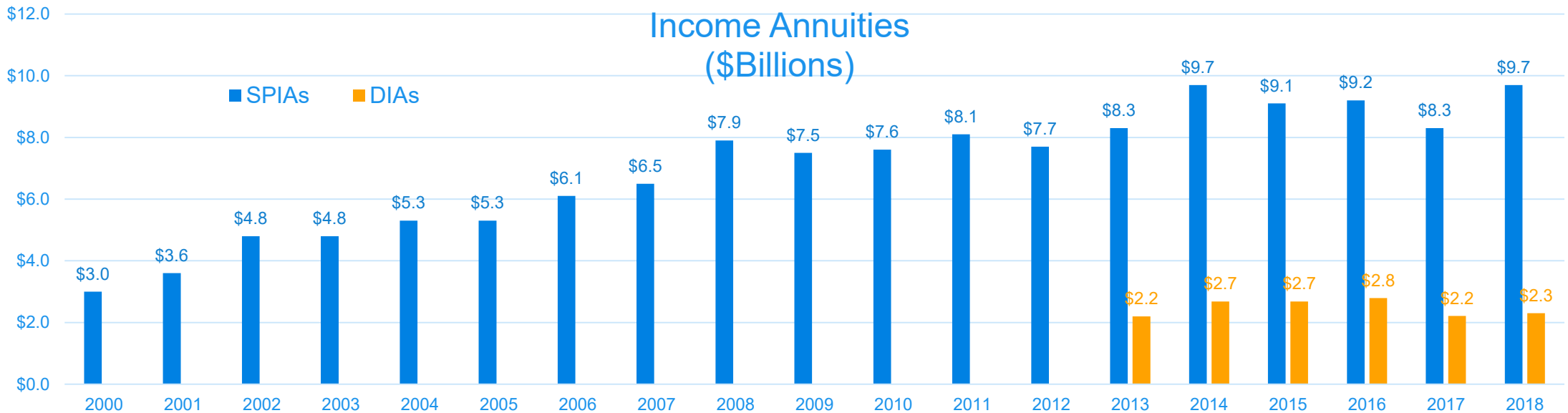
Individual Annuity Sales



Source: LIMRA

Income Annuities

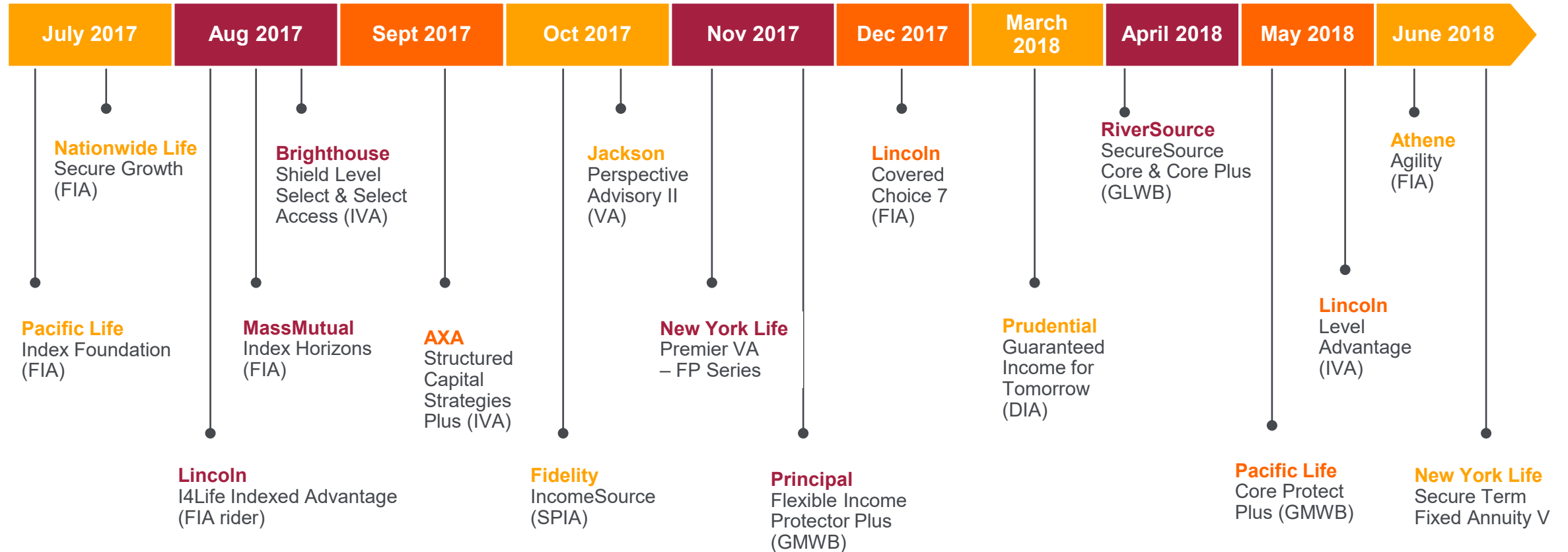
- Love by all, stagnant sales
- Provide a guaranteed stream of payments for life
 - Longevity Risk
 - Some provide Inflation Risk
- Two types
 - Immediate Income Annuity (SPIA)
 - Deferred Income Annuity (DIA) perfect product for portable pension
- Other ways to provide payments
 - 4% systematic withdrawal plan, dividend payout funds, CDs and Bond laddering
 - Other insurance options.- Annuitizations, GLWB, GMIB
- Other ways not as efficient as Income Annuities, Why?
 - Additional source of income beyond interest income and principal- Mortality Credits
 - What provides the advantage also provides the major disadvantage – Lack of liquidity



Source: LIMRA

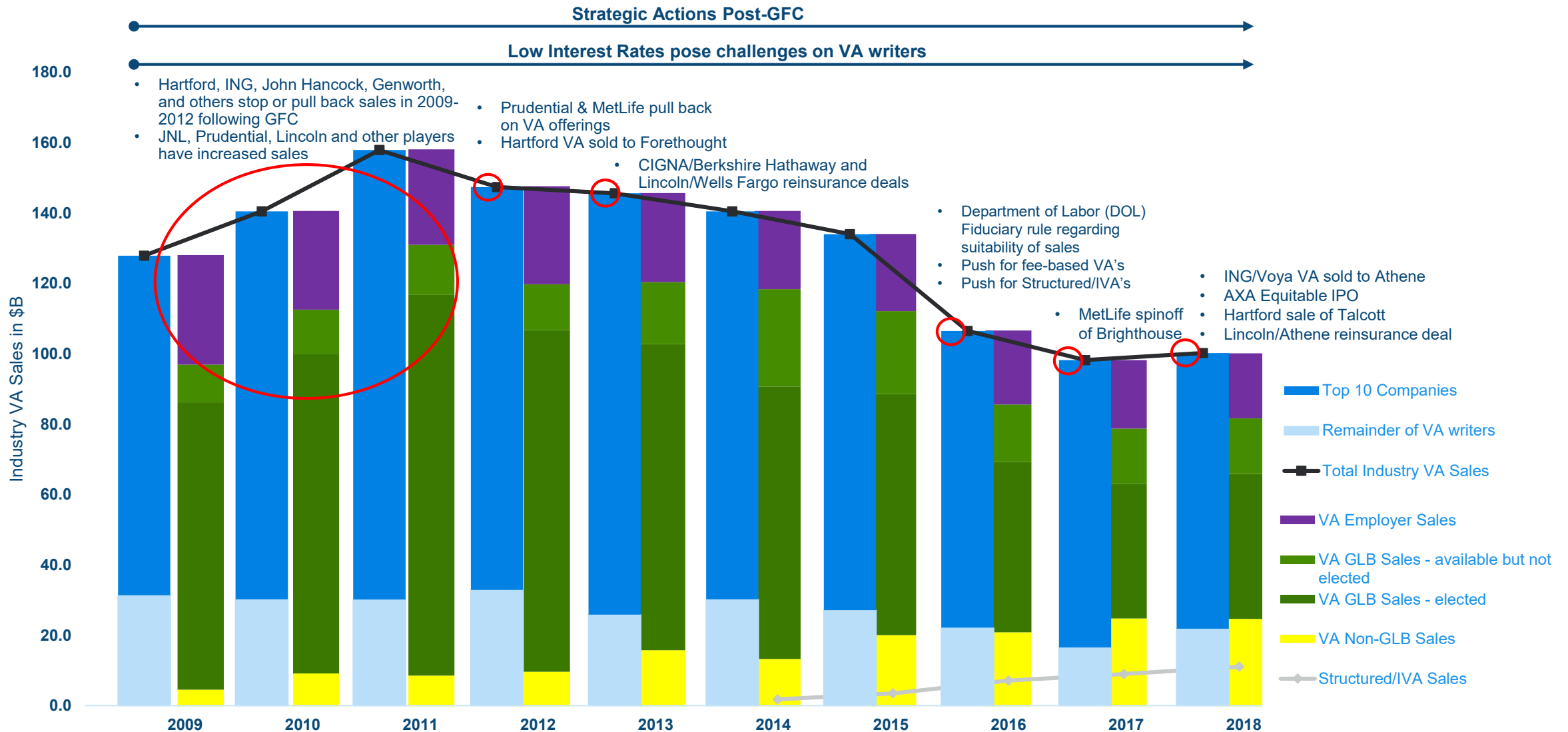
New Products

Snapshot of Recently Launched Products and Riders



Overview of Variable Annuity Market Trend

Market and regulatory pressures drive downward movement of VA sales since GFC



Sources: LIMRA Secure Retirement Institute, The U.S. Individual Annuity Market / Yearbook Reports

VA Sales Commentary

- Variable Annuity Guaranteed Living Benefits (GLB) Election*:
 - Approximately 60% of total VA sales (excluding employer plans) since 2014 have included GLB riders, declining to 50% more recently
 - When GLBs are available, approximately 77% of those policies elect benefits
 - 90% of those elected to include GLB riders are GLWBs and the remaining GLB elections are mostly GMIBs
- GLWBs have gained increasing popularity since the mid-2000s, phasing out GMIBs (as well as hybrid riders, GMABs, and GMWBs) in more recent years
- Continued usage of de-risking strategies
 - Risk-managed funds, fund allocation limitations, increased rider fees, reduced benefits, close existing products, IOVAs, etc.
- Emergence of fee-based products (2018 sales of \$3.2B, compared to 2017 sales of \$2.2B) and Structured VA's (

*Source: LIMRA Secure Retirement Institute, The U.S. Individual Annuity Market / Yearbook Reports

Evolution of Top Selling Products

Product Trends	2008	2018
Rider Fee*	0.60% - 0.95% (Average = 0.79%)	0.80% - 1.50% (Average = 1.16%)
M&E Charge**	0.85% - 1.75% (Average = 1.26%)	0.95% - 1.45% (Average = 1.18%)
GLWB Age 55, \$100k, 10yr def***	\$8,144 – \$12,969	\$8,500 - \$10,400
GLWB Age 65, \$100k, 5yr def***	\$6,381 – 8,415	\$6,750 - \$8,775

- Most VA writers have:
 - Changed product designs/features (guaranteed withdrawal schedule, treatment of withdrawals, bonus rates, etc.) to reduce richness of benefits, but the top players continue to offer fairly rich products
 - Raised rider fees
 - Introduced restrictions on policyholder asset allocation and managed risk funds to mitigate equity/volatility risk

*Rider fees are typically charged as a percentage of benefit base which leads to higher rider charges on a dollar amount basis collected in early years, whereas M&E charges are charged as a percentage of account value. VA fund fees have declined over time due to competition between asset managers and more scrutiny on revenue sharing.

**For a reasonably fair comparison, only products with similar share class and surrender charge schedule from the top 10 sellers across VA writers were included.

***AIG is removed due to its different withdrawal rates pre and post-AV depletion.

Variable Annuity Considerations

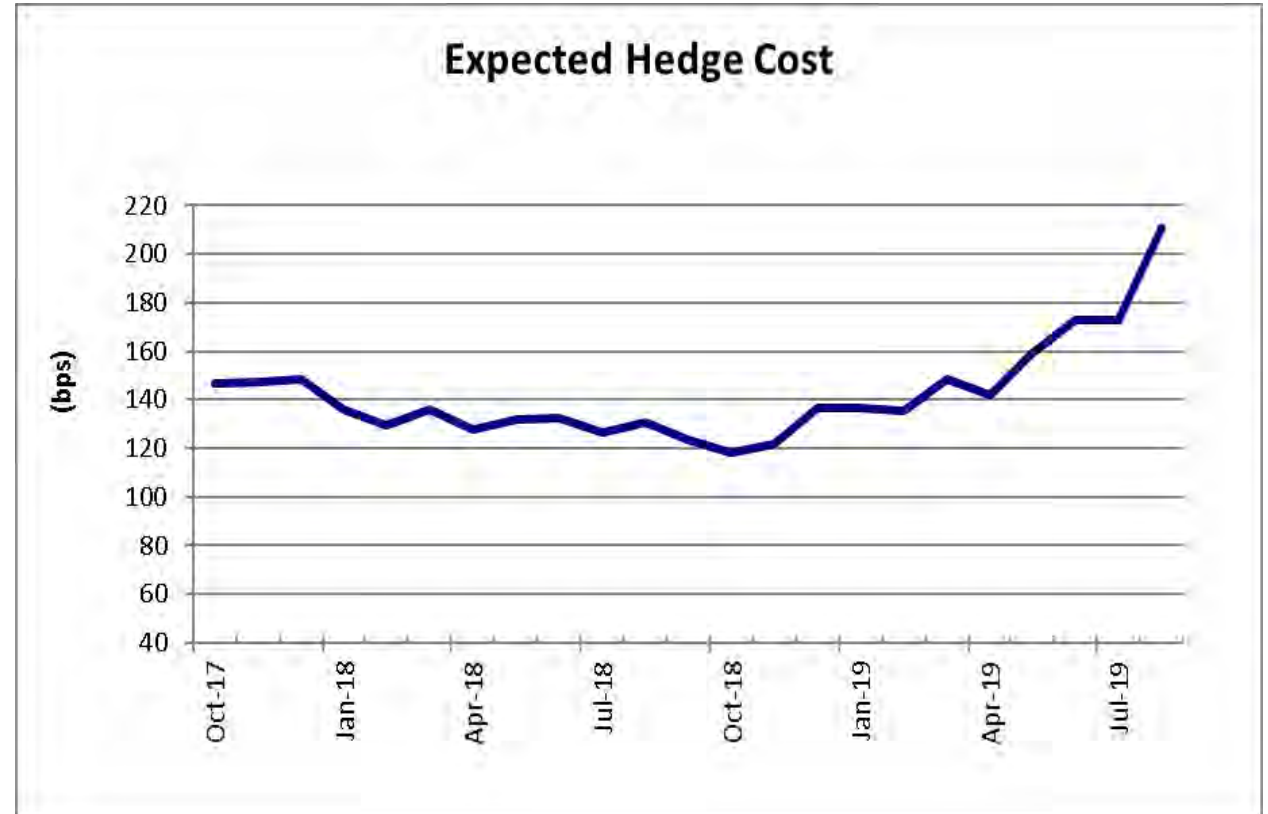
VAs are complex but profitable when rigorous risk management is implemented

MANAGEMENT CONSIDERATIONS	Profitability	<ul style="list-style-type: none">• Low interest rate environment and customer value proposition• Competitive market place
	Earnings Volatility	<ul style="list-style-type: none">• US GAAP earnings volatility is high versus other lines of business• Economic / GAAP / Stat all have different dynamics making management challenging
	Capital Intensity	<ul style="list-style-type: none">• Potentially higher ROC on other products / regions• Potential new capital requirements for certain companies (SIFI)
	Managing Legacy In-force	<ul style="list-style-type: none">• Products are long-term, ranging from 5-40 years• Older products had less restrictions
	Regulatory Changes	<ul style="list-style-type: none">• Department of Labor fiduciary rule• NAIC Changes and GAAP
	Investor Perception	<ul style="list-style-type: none">• Concerns about long term risks of Variable Annuities• Potential impact on stock price
KEY PRODUCT RISKS	Policyholder Behavior Risks	<ul style="list-style-type: none">• Deviation of actual experience from expected assumptions can lead to losses• Lapse and withdrawal experience is beginning to emerge
	Capital Market Risks	<ul style="list-style-type: none">• Liability value of guarantees offered is tied to investment returns in the sub-accounts• Capital market risks can be reduced through hedging
	Basis Risks	<ul style="list-style-type: none">• VA offers wide variety of sub-accounts, including actively managed funds• Pricing and hedging guarantees with passive benchmark indices can lead to basis risks

Milliman Hedge Cost Index

Estimated Hedge Cost for Typical Lifetime GMWB

- Assumptions
 - Rider fee of 1.15%; M&E and Investment Management Fees of 2.25%
 - Annual 5% rollup and resets; lifetime withdrawal rates of 4-6% depending on attained age
 - Modeling Assumptions based on typical actuarial and behavioral assumptions used by VA writers
 - Target fund volatility of 10%; calculations based on end of month US Swap Rates



Defined Outcome

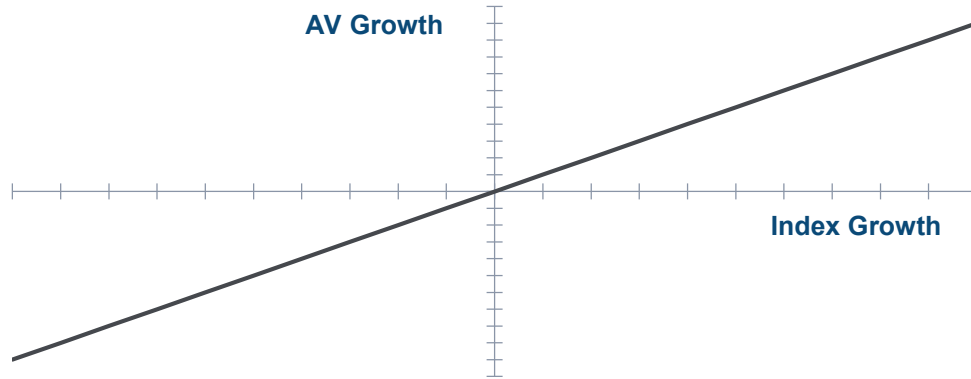
Definition

- Defined Outcome products provide a defined level of return to a customer based on the performance of an index.
- Insurance products that meet this general definition
 - Fixed Indexed Annuities
 - Registered Fixed Indexed Annuities
 - Structured Variable Annuities (Hybrid VAs, Indexed VAs)
- Non-Insurance Products
 - Structured Notes – Multi trillion dollar global market
 - Primarily a high net worth retail product in the US

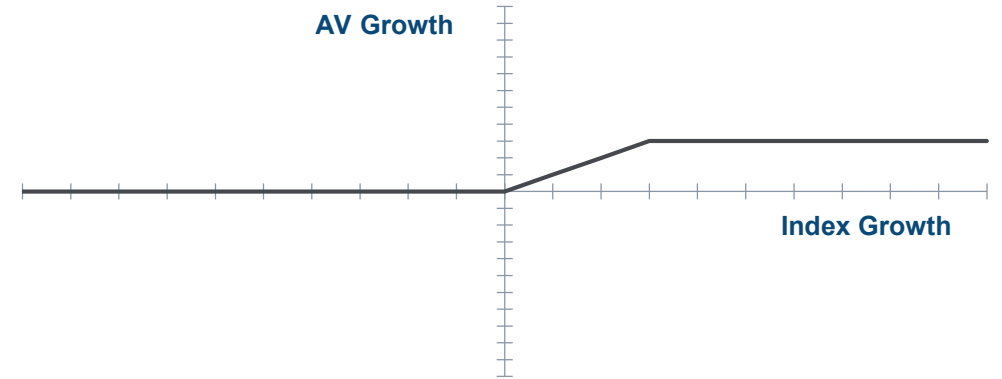
Structured Variable Annuities

How are they different

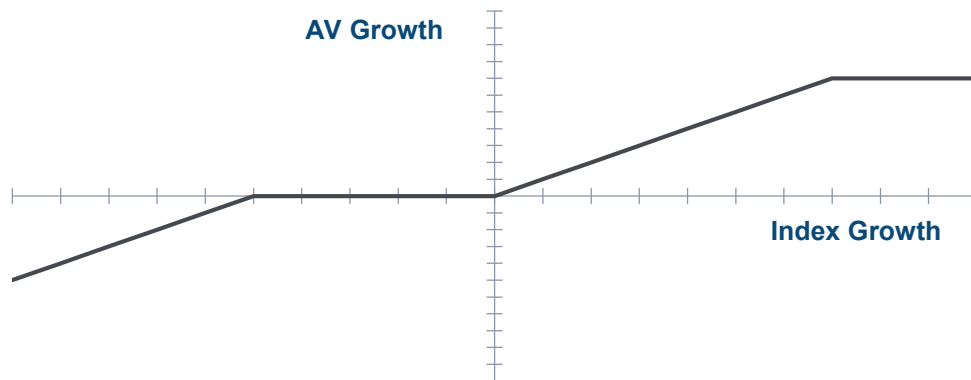
Variable Annuity



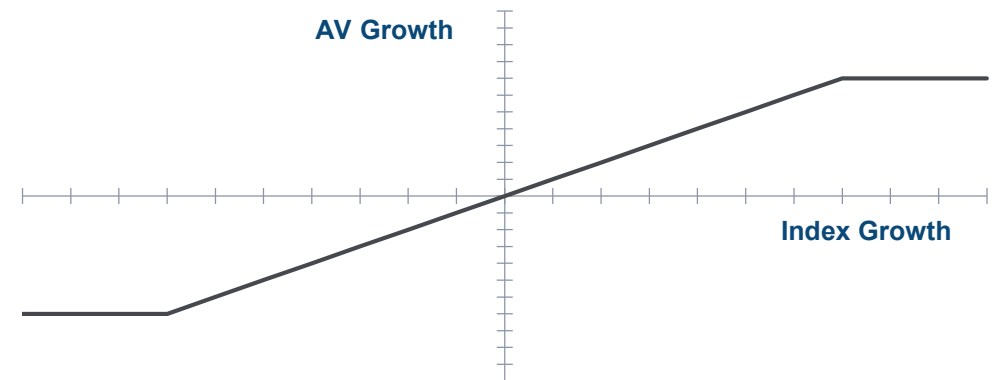
FIA - Annual Cap



Structure Annuity - Buffer



Structure Annuity - Floor



Why Companies are looking into Structured Annuities?

- Growing sales in a declining VA market
- Innovative crediting structures
 - Allows for market differentiation
- Good accumulation story
 - Sophisticated buyers with transparent product structured (simpler sell than traditional VA guarantees)
 - Registered agents
 - Inherent protection
 - Higher growth potential than FIAs
- VA companies in advantage
 - Ease of market entry
 - Sales force and company ready to sell registered products
 - Sophisticated systems and asset management
 - Capital Diversification
 - Principles Based
 - Risk Management

Structured Variable Annuities

Profile

- 2018 Sales of \$11.22B
- YTD 2019 Sales through 2Q of \$7.6B
- Only 8 companies predominantly selling
 - AXA (31% of market)
 - Brighthouse (28%)
 - Allianz (19%)
 - Lincoln (15%)
 - CUNA Mutual, Great American, Symetra, Protective combine for 8%
- Sales Distribution is 54% Independent B/D, 29% Bank, 9% National B/D, 8% Career (2Q19)
- 99% of product have surrender charge period less than 10 years
- Average premium is \$128,000 (\$118,000 for FIA)

Source: LIMRA US Annuity Yearbook and Wink's Sales and Marketing Report

Structured Variable Annuities

Market Trends

- Growth of market will drive additional entrants and new product designs
 - Lincoln and Great American both very new to market
- Emergence of GMxB's could in the near future
- Emergence of Alternative Indices could be in the near future to provide
 - Means to offer uncapped structures with reasonable floors or buffers
- Some distribution channels will continue to demand simplicity and not allow as many choices

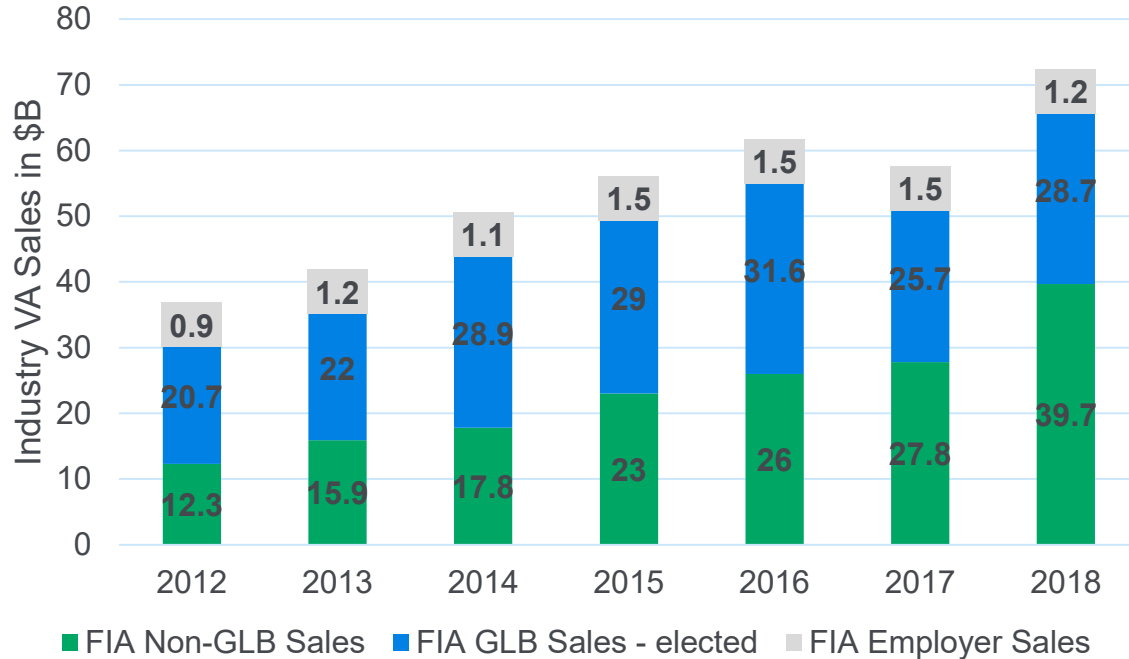
Fixed Indexed Annuities

Profile

- Top 10 companies are about 69% of sales
 - Allianz, Athene, American Equity, Nationwide, Lincoln, Pacific Life, Global Atlantic, Great American, Fidelity & Guaranty Life
- Sales Distribution is 55% Independent, 23% B/D, 16% Bank, 6% Career (2Q19)
 - 5 Years ago it was 87% Independent
- Average commission is 5.91%
- 43% of products have surrender charge period less than 10 years
- 41% include a premium bonus

Guaranteed Living Benefits on Fixed Index Annuities

Election Rates are Falling



Election Rates based on the percentage of new premium that elected GLBs when GLBs are available

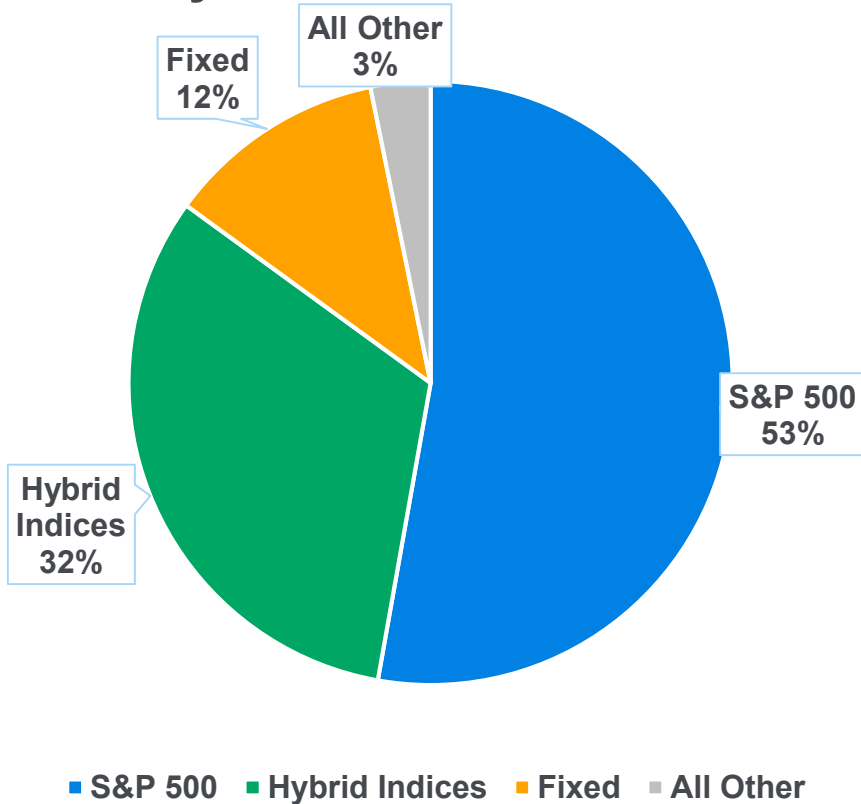
Source: LIMRA Annuity Yearbook

GLWB Continue to be a differentiator amongst products

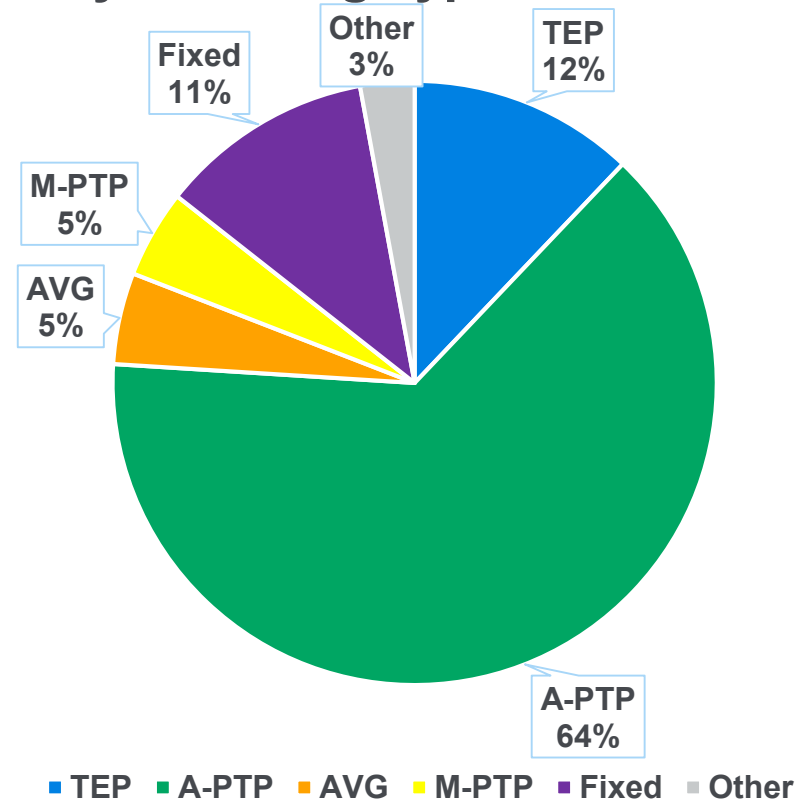
- **Benefit Base**
 - Performance Driven Income Riders (Stacked, Multiples)
 - Guaranteed Roll-ups (simple, compound, or none)
 - Bonus Based
- **Payouts**
 - Vary by age, duration, joint structures
 - Flat, guaranteed increases, Index linked increases
- **Enhanced Benefits**
 - Triggered by health conditions (“Doubblers”)
 - Failing 2 out of 6 ADL
 - Confinement into a medical care facility
 - Waiting periods, elimination period, limitation of benefits
 - Death Benefits
 - With or without GLBs
 - Payout periods common (5Yrs) (Lower lump sums)
 - Roll-ups or Bonus based

Index Annuities Crediting Strategies

Sales By Index



Sales By Crediting Type



Source: Wink's Sales & Market Report

Fixed Indexed Annuities

Market Trends

- Continued attention on Alternative Indices
- Continued attention on Guaranteed Lifetime Withdrawal Benefits
- Shortening of surrender charge periods due to large growth in Bank and Broker/Dealer channels
- In general, rising interest rates can help product performance and enhance offerings but falling interest rates can present challenges

Industry Focus

Alliance for Lifetime Income

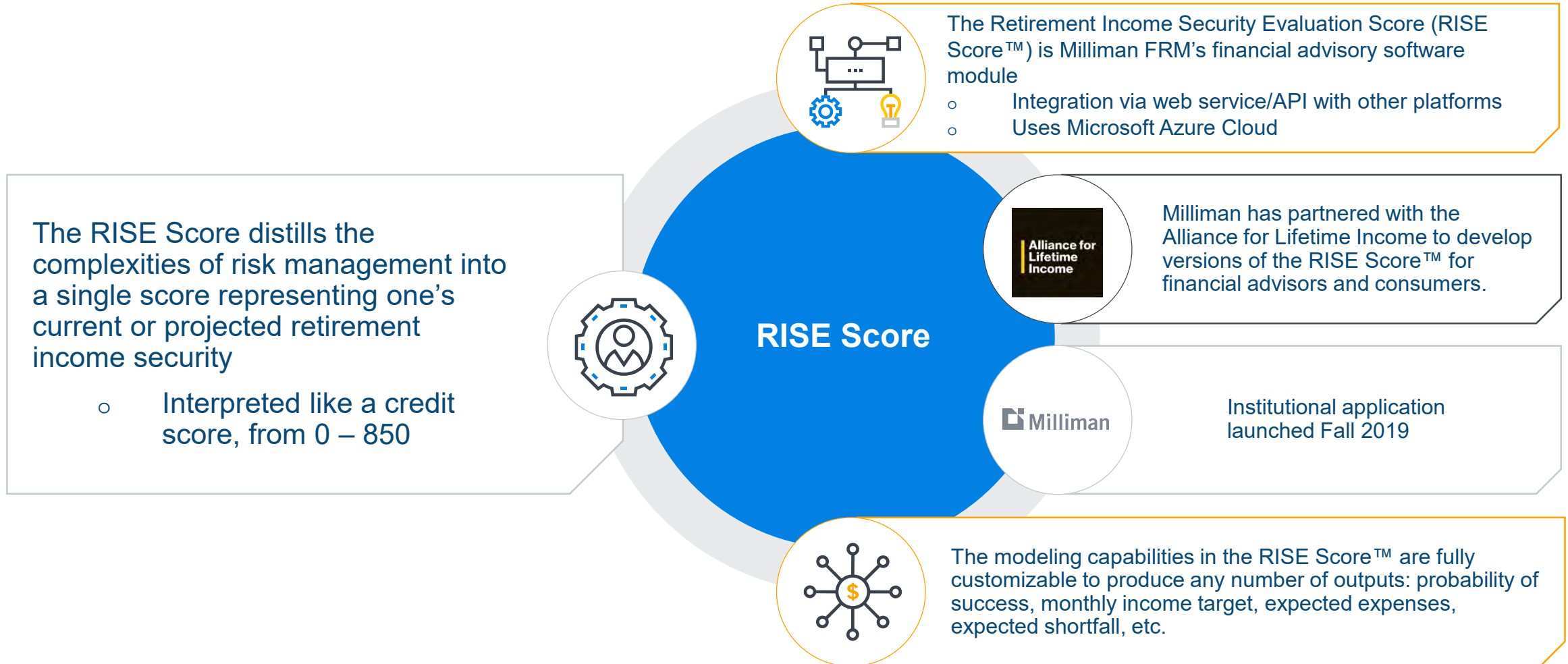
24 financial services organizations launched the Alliance for Lifetime Income in 2018



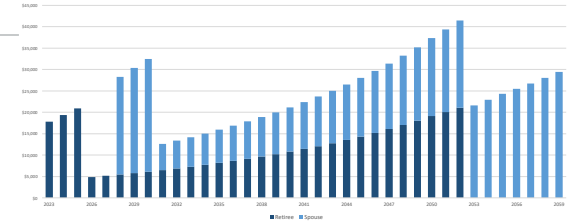
Alliance for Lifetime Income

- Purpose:
 - Helping Americans address the risk of outliving their retirement income
- Commitments:
 - Educate Americans on the value of protecting income as part of a retirement plan
 - Make retirement income planning easier
 - Help consumers better understand the role of annuities
- Multi-year education campaign designed to motivate consumers and financial advisors to discuss not only retirement income, but also the importance of protected lifetime income
 - Advertising via: Digital, Print, Social Media, Radio, and TV
- Key Consumer Focused Components:
 - RISE Score, powered by Milliman
 - Protected Income Index, in partnership with MIT AgeLab/Joe Coughlin
 - Educational Advisory Board, acting as spokespeople for the Alliance, through media interviews, events, and content

Milliman RISE Score™



Retiree Health Cost Planner



Data package that allows financial advisors to integrate health costs and assumptions into their client's financial projections

Based on Milliman's Health Cost Guidelines™, an industry gold standard, and our health care actuarial consulting practice – the largest in the U.S.

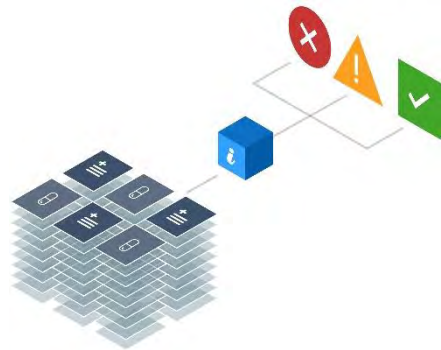
- Long term health cost trends
- Pre-Medicare bronze plan premiums by state and age
- Pre-Medicare out-of-pocket costs by age, gender, state, and health status
- Medicare premiums by state
 - Medicare Supplement Plan G plus a Part D standard plan
 - Medicare Advantage plan with prescription drug coverage
 - Medicare Part B
- Medicare out-of-pocket costs by age, gender, state, and health status
- Long term care premiums and costs for a variety of scenarios

Flexibility to include condition-based health costs and retirement savings plans.
Please contact Robert Schmidt at robert.schmidt@milliman.com for information.

Milliman IntelliScript Product Suite

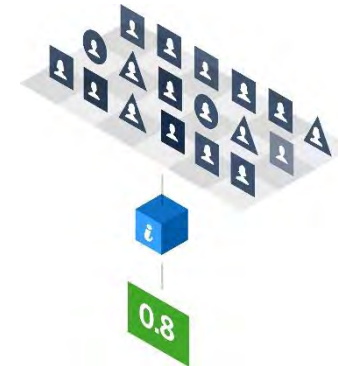
Irix®

Medical Data
Prescription Data
Irix – Risk Score
Irix – ReCheck



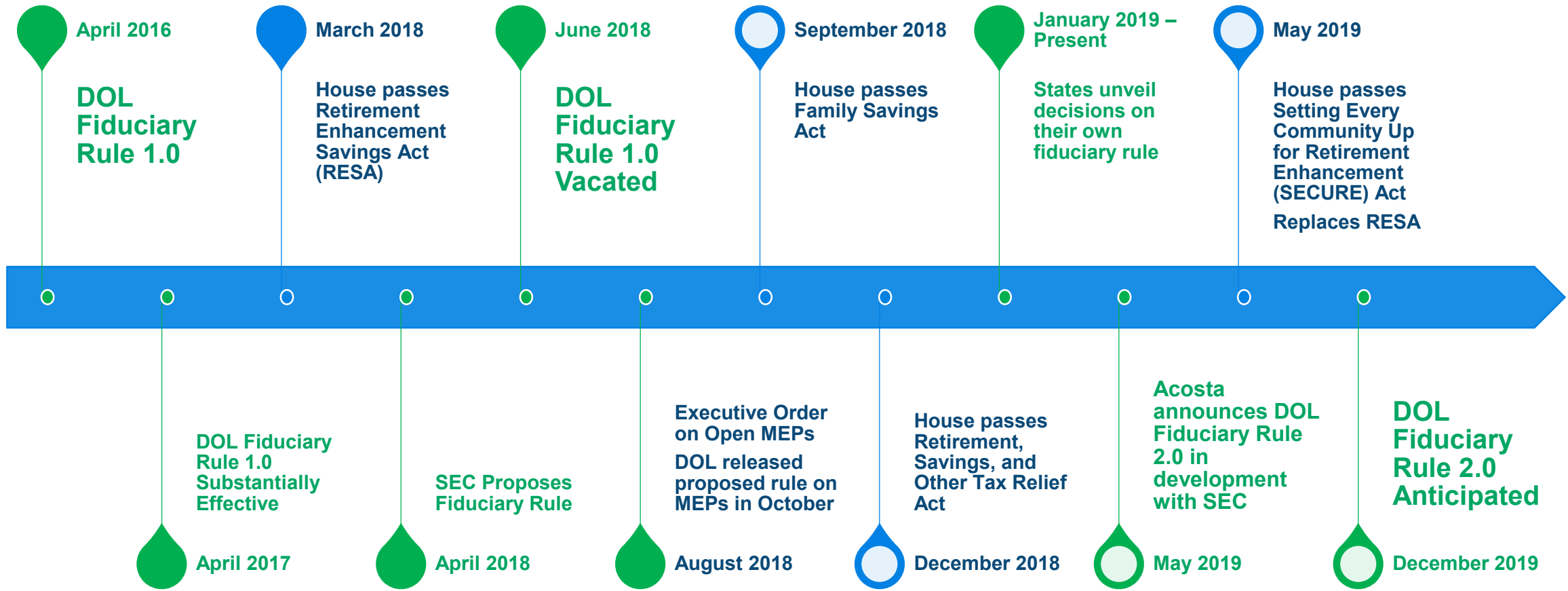
Curv®

Curv – Group Health
Curv – Select
Curv – Market Segmentation
Curv – Inforce
Curv – PRT



Regulation & Legislation

Overview



Family Savings Act (H.R. 6757)

- Passed House of Representatives on 9/27
 - Not yet presented on Senate floor for vote
- Many provisions from the bill were based on the bipartisan Retirement Enhancement and Savings Act (RESA) of 2016
- The bill was amended by the House Ways and Means Committee Chairman, Kevin Brady (R-TX), prior to passing in the House
- Key provisions from RESA, applicable to annuities
 - Annuity selection safe harbor (added by the Brady amendment)
 - Portability of lifetime income options

116th Congress

Legislative outlook

- **HR 1994** – Setting Every Community Up for Retirement Enhancement Act (SECURE) of 2019
 - Status: House passed, stalled in Senate
- **HR 397** – Rehabilitation for Multiemployer Pensions Act of 2019 (RMPA)
 - Status: House passed, not yet passed to the Senate

SECURE Act provisions

- Adds lifetime income provisions
 - Safe-harbor checklist choice of insurer
 - Safe-harbor illustrations of conversions to annuities from account balances
- Modifies DB “soft-frozen” plan nondiscrimination testing
- “Open” MEPS/pooled employer plans safe harbors
- Increases required minimum distribution age to 72 from 70 ½
- \$5,000 loans to participants for new-baby care
- Increases the cap to 15% of employee pay in auto-escalation automatic enrollment safe harbor plans
- Allows pay down of student debt via the savings plan*
- Prohibits qualified plans to offer loans via credit cards, etc.
- Dual eligibility requirement (legal spouse or partner signoff on form of distribution)
- Increases failure-to-file penalties

116th Congress

Legislative outlook

HR 860 - Social Security 2100 Act

S 478 - Social Security Expansion Act

Status: neither in play

- Payroll tax decrease/holiday trial balloon

No legislative text yet

\$7,300 more in payroll tax for employer and employee

RegBI from the SEC

- SEC Regulation BI (Best Interest) – (it's 770 pages!)
- It applies to “investors” and to “retail customers” and their relationship with a broker-dealer
 - Different than the relationship with a fiduciary under DOL rules
 - Employer plans are “retail customers”,
 - Employer plan sponsors are not, since employers don't sell investment securities.

DOL Fiduciary Rule 2.0

- On DOL semiannual work plan
- Speculation that this proposed reg has already been drafted and could be published by end of 2019
 - New prohibited transaction rules?
 - New “who is a fiduciary” guidance
- Unclear if it will “harmonize” with Reg BI
- Some states (and others lined up behind them) are setting their own fiduciary rules, some based off the repealed DOL reg.



Thank You

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Session 104: Managing the Payout Phase: The Use of Annuities to Provide Retirement Income

Kelli H. Hueler
Founder and CEO



Retiree Challenges

- Longevity
- Market volatility
- Inflation
- Declining pension coverage
- Low financial literacy
- Complexity and cost of retail annuities
- Savings held mainly in employer plans without guaranteed lifetime income options
- Aggressive marketing efforts from retail annuity distributors




<http://leonsblog.leonwilliams.me/wp-content/uploads/2011/12/retirement-options.jpg>



Individuals are concerned about outliving their resources and must create personal pensions without the institutional structure (actuaries, investment professionals, etc.)

Lifetime Income Is Highly Valued Yet Underutilized

- 1 in 5 individuals who took a lump from either a DB or DC plan had depleted it, on average, in 5.5 years *
 - Many lump sum recipients regret their first year spending and gifting to family and friends (nearly 25% gave money away) *
 - 96% of annuitants were happy that they chose an annuity over a lump sum, and had a predictable income stream *
 - Cost effective annuitization should be available for retirees to consider as part of a comprehensive retirement income plan
 - No single product or lifetime income option can meet all participant needs
 - Income annuities may play a critical role in a financial plan and improve overall outcome
-  **Plan Sponsors play a vital role in providing access to cost effective lifetime income options**
- **Plan distribution or individual retirement annuity rollover**

*Paycheck or Pot of Gold Study: Making workplace retirement savings last. MetLife, 2017.

What Do Participants Tell Us?

- Need to supplement their income during retirement
- Cover baseline needs and everyday expenses during retirement
- Create an income stream for either their life and or a joint life
- Reduce their exposure to the stock market during retirement years
- Solving for income gap before social security begins
- Creating additional income to supplement social security
- Have a product that will allow them to pass money onto their spouse or heirs with no risk or potential loss of premium
- Quote comparisons –substantial improvement in income. How can that be?

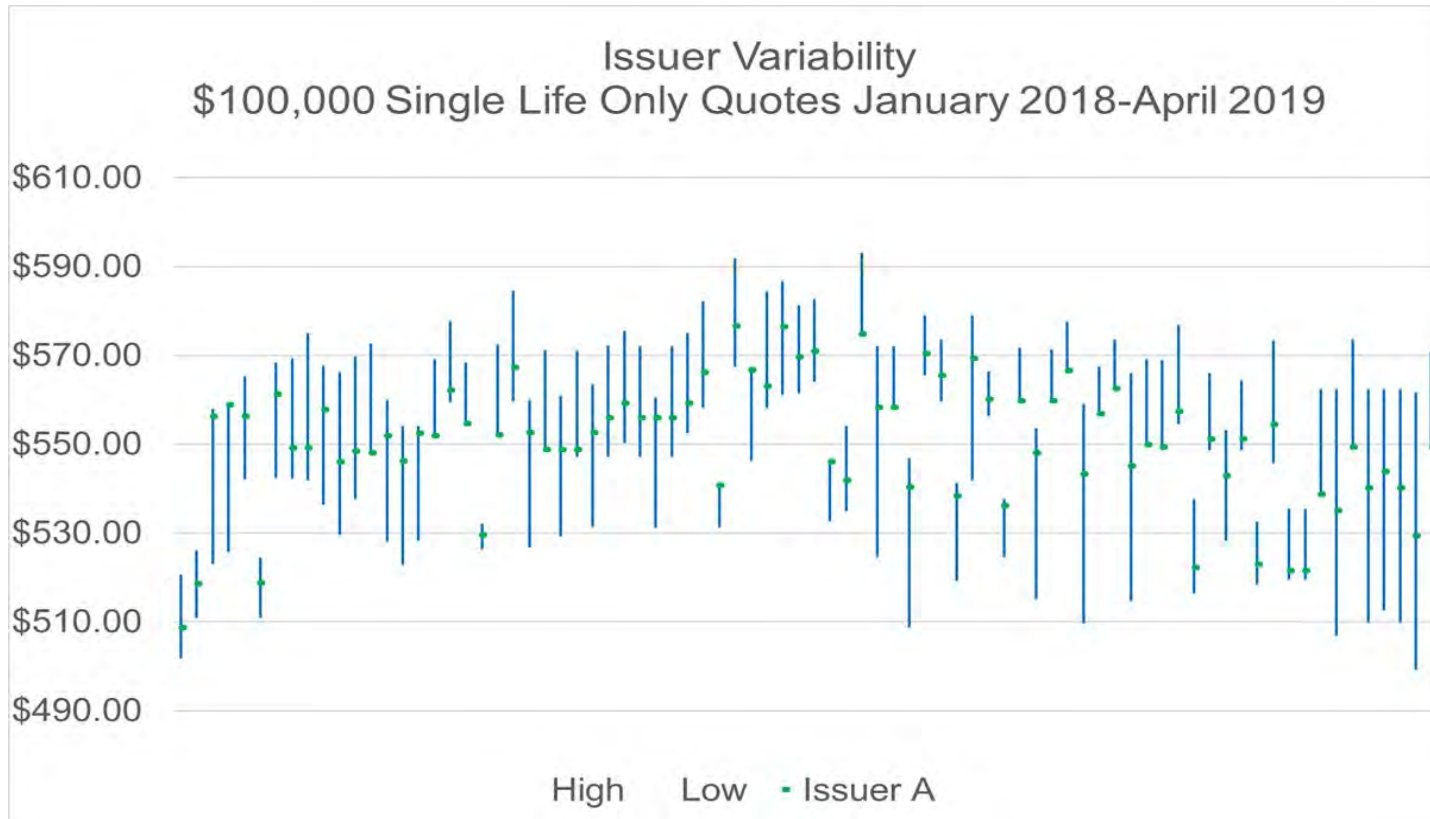
Annuity Distribution

- Landscape is changing
 - Expanded distribution models
 - Advisors utilizing income annuities
 - Plan sponsors acknowledging need
 - Increased advertising is driving public awareness
- Traditional distribution ??
- Technology plays a key role

Competitive Platform Model

- Conflict free: no “pay to play”
- Reduced distribution fees (“institutional pricing” with level fees)
- Fee disclosure
- Independent issuer selection criteria and on-going monitoring
- Standardized quotes- fee and feature leveled
- Meaningful competition
- IRA Rollover
- Retiree selects annuity form and income features
- Objective guidance and purchase guidelines

Issuer Price Variability



Average Issuer Differential Between High and Low = 5%

4% Annual Drawdown & Income Annuity Payments:

Research suggests an 18% probability the 4% drawdown will fail¹

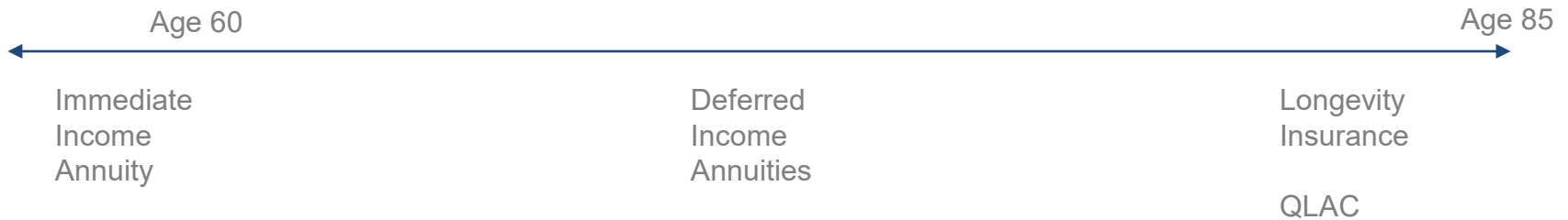
65 Year Old Male, \$100,000

	Monthly Income	Annual Income
4% Drawdown	\$333	\$4,000
Single Life Only	\$538*	\$6,456*
Single Life Only 2% Annual Increase	\$435*	\$5,220*
Single Life with 10 Year Period Certain	\$528*	\$6,336*

¹Finke, Michael, Wade D. Pfau, and David M. Blanchett.. 2013. "The 4 Percent Rule Is Not Safe in a Low-Yield World." *Journal of Financial Planning* 26 (6): 46-55.

*Annuity quotes provided from Income Solutions® as of 9/26/2019.

Customized Income Streams



Income Benefit Forms

- Single Life
- Joint & Survivor
- Term Certain
- Cost of Living Adjustment
- Death Benefit

Purchase Flexibility

- Partial Annuitization
- Staggered Income Start Dates
- Incremental Purchasing
- Diversification of Insurer

Flexible Technology Is Key



Flexible technology facilitates:

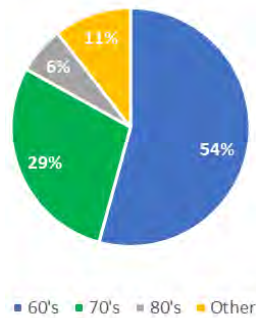
- Standardization of annuity quotes
- Meaningful competition
- Personalization of types and features
- Purchase flexibility
- Fee level / feature level annuity quotes
- Dovetailing of pay down strategies
- Low cost widespread access
- Creative collaboration
- Constructive disruption

Lifetime Income Buyers:

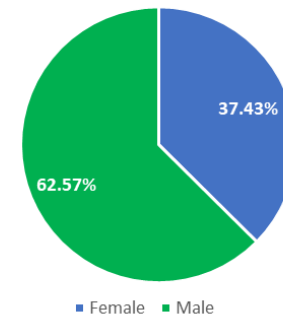


- Average purchase = 20-25% of available assets
- 70% of purchasers identify themselves as retired

Annuity Purchases By Age
For Period 2004-9/27/2019

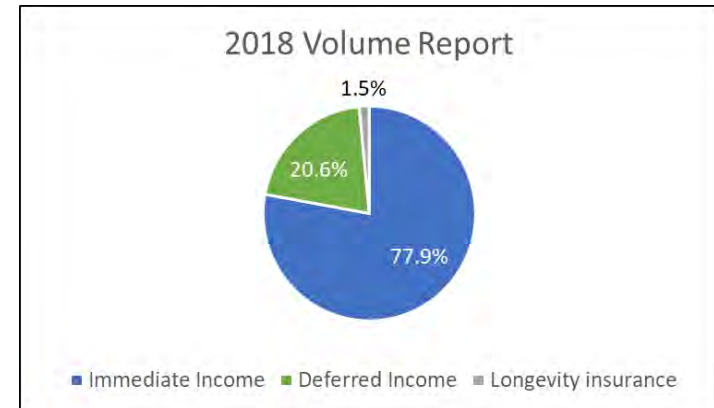
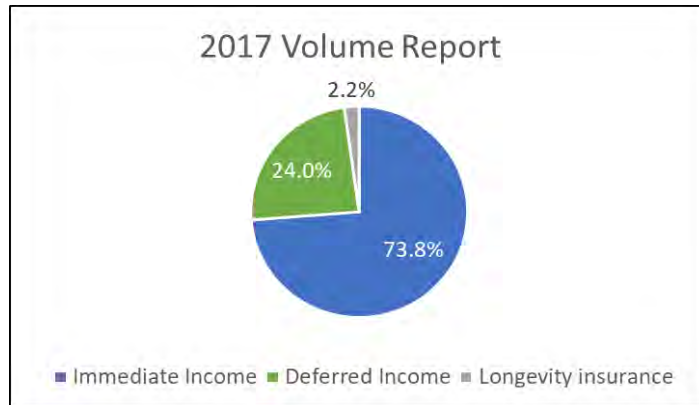


Annuity Purchases By Gender
For Period: 2004-9/27/2019



Lifetime Income Buyers Want Choice:

Income Solutions® Immediate Income Annuity, Deferred Income Annuity, Longevity Insurance Volume Based on Number of Purchases:



Current Environment For Plan Fiduciaries

- Record-keeper dependent
- Multiple in-plan solutions brought to market to – still not popular
- Annuity drawdown solutions are proprietary and/or single issuer
- Auto everything not realistic for income distribution
- Drawdown phase is highly personal
- Participant Engagement increases
- A generation facing critical need for pension like distributions
- Pending regulatory changes

Creative Collaboration Or Constructive Disruption

- Collaborative capability not record-keeper dependent
- Plan fiduciaries negative on proprietary in-plan options
- Lack of portability and flexible record-keeping infrastructure
- Jumbo plans no longer driving change – risk averse and cost-conscious
- Mid-market plans and Fiduciary Advisors driving change
- Target date funds need assured income drawdown strategies
- Plan Sponsors want record-keepers to accommodate independent solutions

Design A “Default-Like Path” For Voluntary Decision Making

- Offer lifetime income alternatives that dovetail with available investment options and natural decision-making points
- Focus on 50+ age demographic
- Present lifetime income alternatives prior to and during existing election events
 - Age 50 catch up
 - Age 62 decisions about Social Security
 - Age 65 decisions about Medicare
 - Age 70.5 decisions about Required Minimum Distribution
 - Termination
 - Retirement

Practical Steps For A Plan Sponsor

- Encourage participants to consider the value of converting a portion of their savings into a Personal Pension
- Review detailed (demographics and destinations) “money out” report from your service provider to see what your participants are doing when they leave the plan
- Allow flexibility so action can be taken by participants based on personal financial circumstances
 - Allow partial and ad-hoc withdrawals
 - Promote keeping assets in the plan
 - Offer systematic, periodic partial payments