

# **Exploration of Retirement Income Solutions and Issues**

Decumulation/Retirement Income in DC Plans

EBRI Policy Forum

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Washington, D.C.

Pacific Investment Management Company LLC, 840 Newport Center Drive, Newport Beach, CA 92660, (949) 720-6000

# Speakers

P I M C O

Moderator: Stacy Schaus, PIMCO

Panelists:

- Chip Castille, BGI
- Stephen Deschenes, MassMutual
- Mark Foley, Prudential
- Tom Fontaine, AllianceBernstein
- Jody Strakosch, MetLife
- Elizabeth Heffernan, Fidelity

# Product Types

## Generating Alternatives for DC Plans

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Product Types:	BGI	MassMutual	Prudential	ABDC	MetLife
Fixed Annuity					X
Variable Annuity				X	
Living Benefit (e.g., GMWB)		X	X	X	
Longevity Insurance					X
Capital Market Product (e.g., bond fund)		X		X	
Systematic Withdrawal		X			
Hybrid	Combo	Combo		Combo	

SOURCE: BGI, MassMutual, Prudential, ABDC, MetLife

# Product Features

## Generating Alternatives for DC Plans

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Product Features	BGI	MassMutual	Prudential	ABDC	MetLife
a. Longevity protection	Yes	Yes	Yes	Yes	Yes
b. Money management flexibility	Some	Yes	Yes	Yes	No
c. Revocability	During Accumulation	Yes	Yes	Yes	Yes
d. Upside potential	Yes	Yes	Yes	Yes	No
e. Market protection	On income	Yes	Yes	Yes	No
f. Inflation protection	During Annuity Payout	Yes	No	Yes	Yes
g. Bequest payout	JS Option	Yes	Yes	Yes	Yes
h. Diversified insurance company risk	Yes	Yes	No	Yes	No
i. Health care coverage	No	No	No	No	No
j. Portability	No	No	Yes	Yes	No
k. Competitive bidding	Yes	No	No	Yes	Yes
l. Integration within DC plan	Yes	No	Yes	Yes	Yes
m. Pricing transparency	Yes	Yes	No	Yes	No
<b>Product Status</b>	Live with no clients yet	Live with DC to IRA clients	Live with clients	Soon to be live	Live with clients

SOURCE: BGI, MassMutual, Prudential, ABDC, MetLife

## Adding a guarantee insurance product to the plan...sponsors are likely to add insurance

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How likely are your clients to add guaranteed income as an investment option to their plans?  
N=32

	Total	Percentage
<b>Highly likely. Some have added already</b>	<b>2</b>	<b>6%</b>
<b>Likely. Discussions are underway</b>	<b>6</b>	<b>19%</b>
<b>Somewhat likely. Discussions are slow but moving</b>	<b>17</b>	<b>53%</b>
<b>Unlikely in the next two years</b>	<b>7</b>	<b>22%</b>

SOURCE: PIMCO DC Consulting Survey 2009

## Most attractive types of products...

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How attractive are the following guaranteed income products? N=31	Total	Percentage
Lifetime income (guaranteed minimum withdrawal benefit)	26	84%
Fixed annuity	20	65%
Payment-stream product that pays out earnings and/or principal (3 to 7 percent, without income or longevity insurance)	11	35%
Longevity insurance	10	32%
Variable annuity	8	26%
Other (e.g., laddered TIPS, target date funds with insurance wrapper, immediate variable annuities)	3	10%
Capital-market derivative or non-insured principal-protection strategy	2	6%

SOURCE: PIMCO DC Consulting Survey 2009

# Guarantee adoption may be slowed by plan sponsor concerns about....

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What are the primary concerns that would stop your clients from offering guaranteed products? N=32	Total	Percentage
<b>Insurance company default risk</b>	<b>27</b>	<b>84%</b>
<b>Cost</b>	<b>23</b>	<b>72%</b>
<b>Transparency</b>	<b>21</b>	<b>66%</b>
<b>Fiduciary oversight</b>	<b>19</b>	<b>59%</b>
<b>Insufficient government support (e.g., safe harbor, regulatory clarity)</b>	<b>13</b>	<b>41%</b>
<b>Lack of participant demand</b>	<b>9</b>	<b>28%</b>
<b>Monitoring/Benchmarking concerns</b>	<b>6</b>	<b>19%</b>
<b>Other (e.g., liquidity, portability, administrative issues, product immaturity, communication difficulties)</b>	<b>5</b>	<b>16%</b>
<b>Selection criteria</b>	<b>3</b>	<b>9%</b>

SOURCE: PIMCO DC Consulting Survey 2009

# Appendix

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All investments carry the possibility of loss. PIMCO does not offer insurance guaranteed products or products that offer investments containing both securities and insurance features.

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