

The Income Accumulation Fund



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Combines the best of investment-only & insurance approaches

Provides efficient accumulation of *inflation protected* lifetime income

- 69% consider receiving a guaranteed monthly income very important¹
- Inflation protection: Assuming a constant inflation rate of 3%, a dollar will lose approximately 50% of its purchasing power over 25 years

While still providing opportunity for growth and flexibility

- 61% of workers believe that maintaining control of their savings is very important²
- Potential for growth of assets is essential in providing participants with the flexibility they need before and after retirement

Uses well-known target-date framework and is a QDIA

- A product must be easy to understand and easy to use
- Decisions for participants should be limited in number and complexity



¹ TIAA-CREFF Institute Policy Brief. "Annuitization: What Individuals Say, What Individuals Do".

² TIAA-CREFF Institute Policy Brief. "Annuitization: What Individuals Say, What Individuals Do".

How Does the Income Accumulation Fund Work?

Income Accumulation Fund prior to age 65



Income Accumulation Fund after age 65

A Retirement Investment Portfolio continues to provide access to market growth through a diversified asset allocation strategy



If converted to an individual retirement annuity¹, the assets from the Income Portfolio provide lifetime inflation protected monthly payments



¹ Individual retirement annuities are issued by one or more insurance companies; BGI does not assume any responsibility for the service quality or financial solvency of such issuers.

Not a Traditional Insurance Product

Helping participants reduce costs and improve utilization

Price checks

- Institutionally designed fairly priced annuity, with mutually agreed valuation model

Improved transparency

- A fixed deferred annuity during the accumulation phase, with options available at retirement (when needed most), simplifies and lowers pricing

Lower transactions costs

- Standardized annuity with contracts attached to fund, rather than each participant, allows for trading without surrender charges
- Lower expected costs — Annuity holdings are tied to the fund, not to each participant

Reduction of interest rates risk

- Purchasing annuities over time diversifies participants' interest rate exposure

Inflation protection

- Annuity payments grow at a fixed 2.5% annual COLA adjustment helping to mitigate the impact of inflation on participants

Why the Income Accumulation Fund Annuity Makes Sense

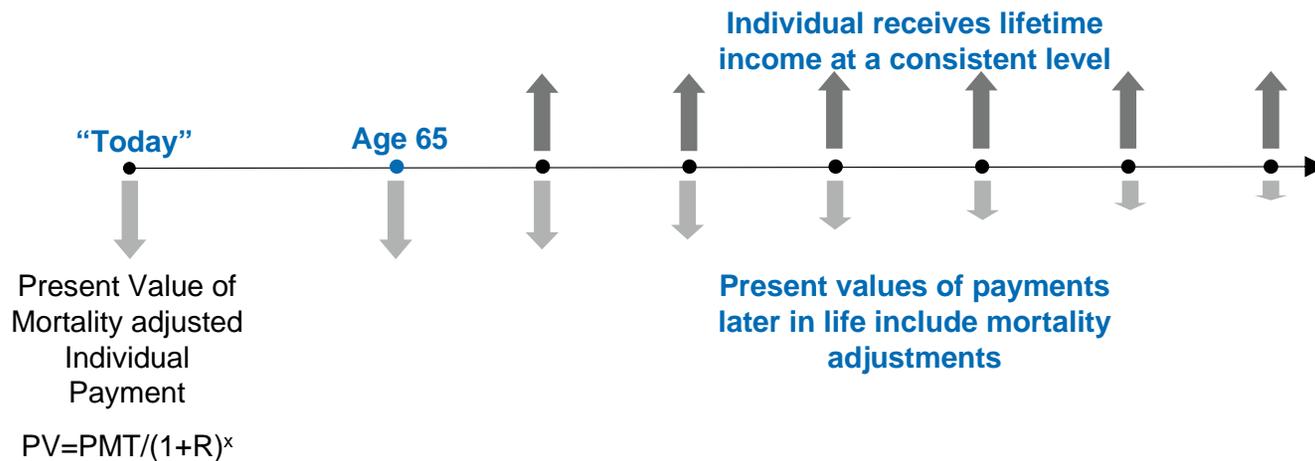
The annuity used in the Income Accumulation Fund effectively hedges the participant's retirement liability

- Moves discussion of problem from asset-accumulation to asset-liability

Provides institutionally priced access to a true mortality pool

Unallocated group annuity structure reduces complexity

Provides a non-zero frame of reference for annuitization



Where Have Current Income Products Fallen Short in Meeting Participant Needs?

Flexibility

Participants need **flexibility** to accommodate unexpected expenses in retirement

Security

Participants need **security** in the form of guaranteed, inflation-protected income



**Mutual Fund
Pay-Out Strategies**

Traditional Annuities

Current Income Products

- Traditional annuities and mutual fund pay-out strategies address either security or flexibility, not both
- Priced at retail levels
- Participants must make decisions about retirement income without the benefit of plan sponsor expertise

Where Does the Income Accumulation Fund Fit?



Income Accumulation Fund the flexibility and secure income through a combination of deferred fixed annuities and a liquid portfolio of investments

Key Income Accumulation Fund Differentiators

Inflation-Adjusted Income

- Fund automatically allocates increasing percentage to fixed deferred annuities as participant ages
- Benefits from “dollar cost averaging” on different interest rate environments
- Can see income grow over time, allowing for better planning
- Receives embedded 2.5% COLA regardless of market value changes

Cost and Pricing Transparency

- Single investment management fee
- Fund is valued daily, so full value of annuities is received if sold before retirement
- Can move freely in and out of fund without penalty before retirement

Managing Credit Risk

- Asset manager is fiduciary
- Multiple insurance companies
- Annuities contract are held in fully collateralized separate account
- Collateralized account lowers costs of hedging for insurance provider