PENSION
consultants inc.

May 3, 2010

Submitted Electronically by E-mail to *e-ORI@dol.gov*
RIN 1210-AB33

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210
Attn: Lifetime Income RFI

Re: Lifetime Income Options for Participants and Beneficiaries in Retirement Plans

Dear Sir or Madam:

Pension Consultants, Inc. is an innovative pioneer in objectively managing and evaluating all facets of employer-sponsored retirement plans. Most importantly, our firm is an independent advocate for our clients and their plan participants. We are committed to helping our clients maintain their retirement plans in compliance with the applicable pension laws and regulations and to assisting participants in planning for a secure and comfortable retirement. We appreciate the opportunity to offer our views and comments on the use of lifetime income or other similar arrangements in retirement plans.

Our firm recognizes the importance and necessity for participants to properly prepare for retirement. We are in agreement with the conclusion in the *General Accounting Office* Report GAO-030810. It is essential that participants consider not only the growth of the investments in their retirement accounts, but also the amount and structure of withdrawal payments from these accounts in order to reduce the risk that they will outlive their retirement savings or their standard of living in retirement will be less than they planned. We are supportive of an appropriately structured lifetime income option offered to assist participants with meeting these risks.

The majority of our clients do not provide an annuity distribution option in their retirement plan, unless required due to the plan holding prior pension plan assets. To answer question 14, the main reasons our clients do not include an annuity as a distribution option are (1) the burdensome plan administration procedures necessary to provide for and process an annuity distribution, including notices and explanations, (2) the extra costs associated with processing the distribution, (3) the difficulty in explaining to plan participants the complicated provisions of an annuity option as compared to a lump sum distribution, (4) the reluctance of the plan fiduciaries to take on additional responsibilities for selecting and monitoring an annuity provider, (5) the lack of transparency in the fees associated with an annuity option and (6) their participants are simply not interested in an annuity distribution option.

The concerns listed above identify the major disadvantages we see preventing plan sponsors from offering annuities and other lifetime income arrangements as distribution options in their retirement plans (in response to question 9). To address these concerns we encourage the U.S. Departments of Labor and Treasury to consider simplifying the participant notice and consent requirements for a lifetime income option in a retirement plan, requiring more transparency of the underlying fees and expenses and providing relief for fiduciary liability in providing a lifetime income distribution option in a retirement plan. The details of any regulations and the ease of implementation of a lifetime income program will be critical in gaining the support of plan sponsors and increasing the availability of lifetime income arrangements in retirement plans.

Few, if any, participants in our clients' retirement plans elect an annuity distribution option, when given the opportunity. The most common distribution choice is a lump sum. Addressing question 2, the low usage rate by participants of available lifetime income arrangements can be explained because most participants (1) find annuities difficult to understand and the fees associated with annuities confusing and expensive, (2) fail to appreciate the long-term benefits of a lifetime income stream in retirement and (3) are reluctant to invest their account balances in an annuity option because they do not want to give up control over their retirement funds. Additionally, participants who are familiar with annuity options have concerns with the fiscal health of annuity providers and are hesitant to lock-in a long-term investment with just one provider. These are the key reasons we see stopping participants from electing an annuity or other lifetime income option as their distribution choice.

To assist participants in better understanding and appreciating lifetime income options we see the benefits of expanding the type of educational materials and information permitted under Interpretive Bulletin 96-1, as outlined in Recommendation 2 of the report by the ERISA Advisory Council's Working Group on the Spend Down of Defined Contribution Assets at Retirement. Providing participants with information and programs related to the spend-down of retirement plan assets, including distribution options from the plan and outside the plan, will prepare these participants to make better decisions about managing their retirement assets at and during retirement. Participants can also benefit from receiving a comparison describing the retirement benefits between a lifetime income option and a lump sum distribution.

In general, our position is that any action addressing some form of lifetime income distribution options should not require defined contribution plans to provide for such a distribution, either as the default distribution option or at the participant's election. To answer question 13, a requirement to include some form of lifetime income distribution option as the default distribution for all defined contribution plans will discourage plan sponsorship because plan sponsors are not interested in taking on more fiduciary liability nor increased expenses with the administration of their retirement plans.

Retirement planning is a personal decision and varies from participant to participant. The factors a participant must consider in arranging their retirement accounts are best addressed outside the retirement plan after the participant receives a distribution. The primary functions of a retirement plan should be to accumulate retirement savings and increase earnings on those savings. Secondarily, a retirement plan should provide education and information to participants addressing proper planning for their retirement years. The de-accumulation or spend-down phase of retirement is best managed outside the retirement plan. Finally, the benefits of the investment products and choices available to participants in the general marketplace outweigh the security a participant may receive by having a lifetime income option provided in the retirement plan.

Our firm appreciates the opportunity to provide comments and information on this important issue. We are happy to provide additional input or clarification. You may contact us during regular business hours at (417) 889-4918.

Sincerely,

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