

April 29, 2010

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

Attention: Lifetime Income RFI

RE: RIN 1210-AB33
29 CFR Parts 2509, 2520, and 2550

Request for Information Regarding Lifetime Income Options for Participants and Beneficiaries in Retirement Plans

To Whom It May Concern,

WorldatWork respectfully submits these comments in response to the Request for Information Regarding Lifetime Income Options for Participants and Beneficiaries in Retirement Plans [Federal Register Vol. 75, No. 21, 02/02/2010]. We appreciate the opportunity to comment.

Background on WorldatWork

WorldatWork (www.worldatwork.org) is a not-for-profit global human resources association focused on compensation, benefits, work-life and integrated total rewards to attract, motivate and retain a talented workforce. Founded in 1955 and formerly known as the American Compensation Association, WorldatWork provides a network of more than 30,000 members and professionals in more than 100 countries with training, certification, research, conferences and community. It has offices in Scottsdale, Arizona, and Washington, D.C.

WorldatWork members are human resources professionals who design and administer programs — including retirement plans — to attract, motivate and retain employees. These members believe there is a powerful exchange relationship between employer and employee, as demonstrated through the WorldatWork Total Rewards Model. Total rewards involve the deliberate integration of five key elements that effectively attract, motivate and retain the talent required to achieve desired organizational results. The five key elements are: compensation, benefits, work-life, career development and recognition.

The model recognizes that total rewards operate in the context of overall business strategy, organizational culture and HR strategy as well as a complex external environment that influences the organization. Within this context, an organization leverages the five elements to offer and align a value proposition that creates value for both the organization and the employee. An effective total rewards strategy results in satisfied, engaged and productive employees, who in turn deliver desired performance and results.

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Current Employer Practices Regarding Lifetime Income Options

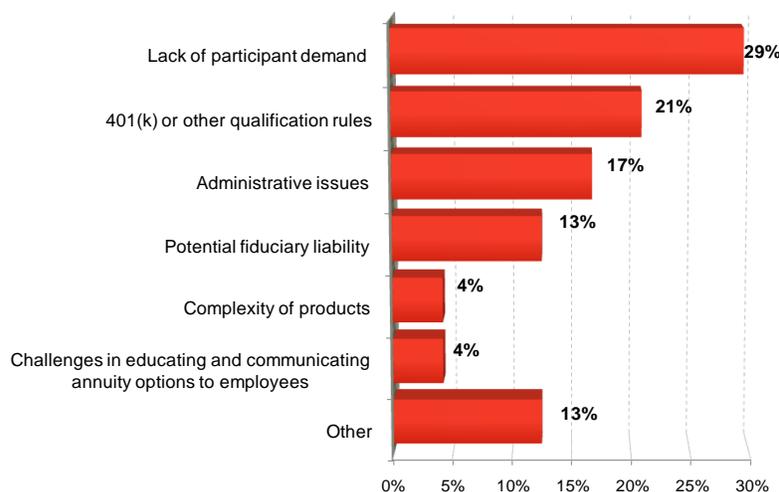
In order to quickly gauge current practices and opinions of employers who sponsor retirement plans, WorldatWork conducted a snapshot survey of benefits professionals and solicited targeted information from a focus group made up of senior human resources leaders currently working in the benefits field.

The survey, entitled *Snapshot Survey: Retirement Plan Options in the U.S.*, was in the field from March 2 to March 31, 2010. A total of 64 members and nonmembers participated, and of those respondents: 53% currently offer a lifetime annuity option with: their defined benefit plan (33%); with their defined contribution plan (11%); or with both their defined benefit and defined contribution plans (9%). Of the 47% who do not offer a lifetime annuity payout option, 14% are considering adding an annuity payout option in the future.

In responding to this Request for Information, we chose to address the questions where we received the most substantive, well-rounded feedback from our various outreach efforts.

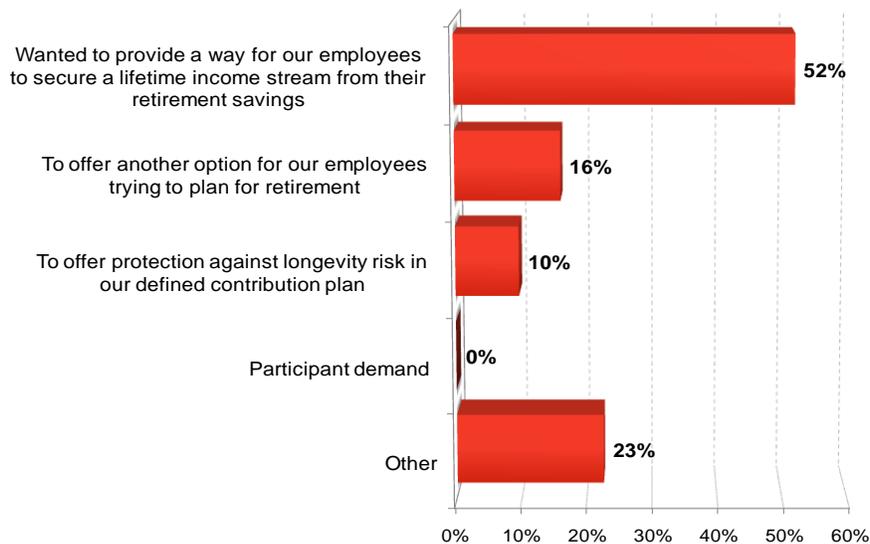
RFI Question 9: What are the advantages and disadvantages from the standpoint of the plan sponsor of providing an in-plan option for lifetime income as opposed to leaving to participants the task of securing a lifetime income vehicle after receiving a plan distribution?

In order to investigate what plan sponsors saw as the advantages and disadvantages of lifetime annuity offerings, respondents were asked what their motivations were for why they chose to offer a lifetime annuity or not. The responses from those who did not offer a lifetime annuity are outlined in the chart below. The most common reason for not offering a lifetime annuity payout option was a lack of participant demand (29%), followed by 401(k) or other qualification rules (21%) and administrative issues (17%).



The people who responded “other” were asked to write in their answers and cited reasons such as “It is the owner’s decision” or they did not know the specific reason why.

Those who responded affirmatively that they do offer a lifetime annuity option were asked what the primary reason behind this decision was. Their responses are outlined in the chart below. The majority of respondents (52%) cited wanting to provide a way for employees to secure a lifetime income stream from their retirement savings as the primary reason for offering a lifetime annuity payout option.



Again, those who responded “other” were asked to write in their responses. Their responses included:

- Legislated
- Prevalent design feature at the time the plan was adopted
- Required in a DB plan

A focus group of senior HR leaders in benefits was asked about what they saw as the advantages and disadvantages of offering lifetime annuity payout options in retirement plans. The advantages that the focus group members identified centered on securing lifetime income streams for their employees and enhancing the employer-employee exchange relationship.

- “Annuities seek to offer protection against longevity risk. Guaranteed income from an annuity provides a steady stream of income to the participant.”
- “We believe it would provide another option for our employees in their cash flow during retirement.”
- “It could establish a more solid employee-employer relationship in that there would be some security (retirement income) provided by the employer.”

The disadvantages that the focus group members identified centered on the cost for employers, the increased fiduciary risk, lack of participant interest, and cost of current annuity products.

- “I do not believe that participants will recognize or value this option.”
- “In-plan annuity options may not be viewed as favorably as a lump sum option. Also, fiduciary and tax considerations and administrative concerns.”
- “It makes us responsible for the oversight of the annuity carrier, adds administrative time/cost to manage, and is much more complex to explain to retirees.”
- “There is a large amount of information/studies that indicate that annuities are overpriced, and that is our concern with this option.”
- “Administrative complexity, lack of competitive pricing for male participants, increased cost to communicate, increased cost to administer, potential claims for fiduciary duty breach, potential for mistakes in making elections with resulting appeals and litigations – particularly by the survivors.”

RFI Question 13: Should some form of lifetime income distribution option be required for defined contribution plans (in addition to money purchase pension plans)? If so, should that option be the default distribution option, and should it apply to the entire account balance?

When asked about whether or not a lifetime income distribution option should be mandated, five out of the eight focus group members responded “no.” However, all of the respondents, whether or not they believed in a mandated annuity option, believed that any sort of annuity option should not be the default option for the entirety of the retirement account balance.

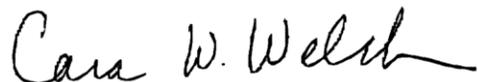
RFI Question 19: What specific legal concerns do plan sponsors have about educating participants as to the advantages and disadvantages of lifetime income or other arrangements designed to provide a stream of income after retirement? What actions, regulatory or otherwise, could the Agencies take to address such concerns?

When soliciting the advice from our focus group as to the legal concerns they had surrounding providing financial education for securing a lifetime stream of income, the responses varied widely. However, the most common theme was ensuring that the information/education provided came from an independent source and shielded the employer from any fiduciary liability.

Conclusion

In conclusion, we appreciate this opportunity to comment on the Request for Information and are ready to provide any assistance or information needed to facilitate the discovery process. Please do not hesitate to call on us to provide resources or unbiased expertise on retirement plans.

Sincerely,



Cara Woodson Welch, Esq.
Director, Public Policy