May 3, 2010

DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 1
RIN 1545-BJ04

DEPARTMENT OF LABOR
Employee Benefits Security Administration
29 CFR Parts 2509, 2520 and 2550

RE: Request for Information Regarding Lifetime Income Options for Participants and Beneficiaries in Retirement Plans (RIN 1210-AB33)

Dear Department of Labor and Treasury personnel,

I am an independent actuary who has focused on developing improved financial products and services for seniors for the last 20+ years of a 45+-year career. My CV is attached for more particulars.

I am pleased that you are addressing the complex questions of lifetime income options for the retirement security of people with qualified retirement plans. As you are clearly aware as shown by the thoughtfulness and thoroughness of your statements, sightings, and questions, there is much evidence that people are at-risk as to financial readiness for retirement – both as to a) the adequacy of their funds and b) managing their funds and the less-forgiving financial risks present in retirement. And yet how the government might help is complicated.

I would like to address a few areas where I think I bring unique perspective.

1. **Life contingent annuities**

   I hold patent # 5,893,071, Annuity value software, that unbundles life contingent payout annuities to give insight into what they are all about – that they are like any other savings or investment account where money is deposited with a financial institution; credited by the financial institution with interest or investment earnings; and any monies paid out, in this case the annuity payments, are debited against the account balance. In the life contingent annuity case, there is another regular credit to the account, commonly called "mortality credits" where discussed such as by Moshe Milevsky, in, among his many other thoughtful writings, his Grandma's Longevity

Insurance example and by New York Life in their leading sales of immediate annuities. I prefer to call them "Living Credits".

These living credits represents the insurance tradeoff embedded in life contingent annuities. This tradeoff involves the owners of these annuities forgoing a death benefit of the (behind the scenes) account value when the annuitant dies in exchange for receiving this living credit every year the annuitant lives. The calculation of the annuity payout amount takes this tradeoff into account, thus increasing the payout amounts insurance companies pay on life contingent annuities. This depiction of how a life contingency payout annuities works thus looks like the following:

Age	Begin Acct Value	Interest	Living Credits	Income Payout	End of Year Acct Value
70	$100,000	$5,000	$1,814	$9,925	$96,888
71	$96,888	$4,844	$1,959	$9,925	$93,766
80	$68,945	$3,447	$3,494	$9,925	$65,960
90	$42,150	$2,107	$5,594	$9,925	$39,925
100	$22,670	$1,134	$6,943	$9,925	$20,821
110	$5,649	$282	$8,328	$9,925	$4,334
114	$994	$50	$9,354	$9,925	$473
115	$473	$24	$9,429	$9,925	$0

The illustration is of a life only payout annuity to a male age 70, assuming for simplicity that the pricing is based on 5% interest and the 2000 Annuity Mortality Table, and results in a payout rate of $9,925 payable annually for a $100,000 purchase payment

This living credit "leverage" is not discussed in almost all life contingent annuity sales presentations, either because it is not well understood even in the life insurance industry or it is felt to be too complicated compared to the simple – I'd say simplistic – presentation of: for this amount of purchase payment we'll pay you $X for as long as you live, often quoting the $X as an attractive Y% of the purchase payment, not even mentioning that the Y% includes amortization of purchase payments.

The point is, a major reason many people don't buy life contingent annuities is because it is felt to be a bet against the insurance company, that you only win if you live a long time, and buyers remorse fear of loss on earlier death sets in big time. This is more fully developed in Behavioral Obstacles to the Annuity Market. If, alternatively, people were shown how annuities work - and that they enable all annuitants to safely draw more income than other means, and why – Framing and Annuities suggests that many more would buy them.

Most importantly to this RFI, if retirees – particularly the so many who are short on the means of generating income in retirement - were made aware of this leverage, it would help them look more favorably and knowledgeably about using this instruments to improve the level of their income as well as the assurance of it lasting for as long as they lived. It is therefore suggested that this approach be considered for incorporation into programs featuring these products.

2. **Mandated guaranteed lifetime income or other products**
That said, I do not advocate mandating life contingent annuity products, or even variations such as temporizing ones to let people try them for a couple of year and then opt out, or any products for that matter, to further push people to provide a guaranteed lifetime income floor of protection from their qualified plans.

Social Security and other governmental programs already provide a floor of lifetime income under the 3-legged stool concept. Seemingly the government might push that floor higher by promulgating a certain percentage of qualified plan assets be annuitized, even on a sliding scale, perhaps to keep parity with the balances "anticipated" under defined benefit pension plans or projections of eventual increased reliance on government welfare programs resulting from people under-funding/managing retirement. I am just completing a major research paper for the Society of Actuaries on the Implications of the Perceptions of Post Retirement Risk for the Life Insurance Industry which suggests that the latter is not a significant risk because people gradually, albeit reluctantly and to a degree late, adjust their standards of living at higher than dependency levels, viz increases in savings during periods of recession. As to the former, even if parity with defined benefit plans could be established, intrusion into people's feeling that defined contribution plans are nest egg cash plans, would raise serious resistance, particularly where such plans were in fact not intended to be retirement income plans.

Moreover, there are too many variations in individuals' situations (e.g., health, other assets, degree of income sufficiency, gender, age at retirement, dependent and legacy needs, etc.), and too many complex variables that evolve over the potentially fairly long period in retirement, to be fair in mandating a single or even package of products.

3. **Long-term care financial planning and management**
I have developed an at-need for long-term care annuity that is discussed in a paper I recently authored - Home Equity and At-Need Annuities–A Dynamic Long-Term Care Funding Duo, for a Society of Actuaries Monograph. It presents some thoughts for long-term care funding and the use of home equity, both of which are key areas that also need to be addressed as part of considerations for lifetime income. The Implications paper mentioned above concludes that a key part of post-retirement planning needs to integrate these elements into the process, and that in so doing, long-term care funding might be better looked at as multi-tiered, including the Community Living Assistance Services and Supports program (CLASS) portion of the Patient Protection and Affordable Care Act (PPACA).

4. **Education**

That said, but given the un-readiness of people for retirement, what more might the DOL and Treasury do to complement its work to date in the pre-retirement arena?

As implied by many of your questions and by my discussion above, a major portion of the problem and challenge is motivation and education about a too remote and complex target, especially within the framework of for the most part a consumer-driven America.

To a degree, motivation is a function of education about personal consequences and balancing priorities. How does one get a 35 year old to prioritize attention to retirement many years away, let alone saving for it compared to many other pressing shorter-term priorities?

Some rules-of-thumb such as automatic savings, diversification, rebalancing, and risk-reduction nearing retirement, and matching and nearing-retirement catch-up programs seem to help in the accumulation stage. Similar rules of thumb would be useful for the at- and in-retirement decumulation stage, albeit there is more individualization needed, some of the science is just evolving, there is more risk of ultimate failure involved, and there have been restrictions placed on the free market. Nonetheless, rules-of-thumb introduced to even the 35 year-old, such as is implied by your annual statement educational content questions 21-24, would seem useful but need to be carefully thought out. For instance, if benefit statement balances are characterized by potential income produced by COLA life contingent annuities, to what degree do they need to be qualified in that not only might rates change, but that most people don't choose them. Similarly, if the 4% withdrawal rule were used, to what degree would it need to be qualified as to failure rates and the need to be at least 50% in equities, again something that not all retirees will invest in. Should both, and/or other approaches such as just living off of dividends and interest, be used?

My own take n this is that there is a need for education, albeit there is evidence that available even free education is mostly not pursued. The problem is there is too much education out there, most of it inadequate in many dimensions. It would seem that an interesting, involving, well thought out government provided educator, along the lines but well beyond that provided by the Social Security Administration would be of much use in these respects. The DOL's Taking the Mystery Out of Retirement Planning project was a step in this direction, albeit it, as do many calculators, was focused on providing a simple solution rather than on educating about the many elements involved.

I am working on a multi-level Post-Retirement Financial Planning Educator site, backed by a financial planning software program, including the use of stochastic mortality, morbidity, inflation, and investment, developed by a major consulting firm that is more sophisticated than any used in the market. The Educator aims to inexpensively help people simply (yes simply, even with all of that stochastic stuff), interestingly, and interactively explore, self-educate, and self-plan to the extent users feel comfortable, including concepts such as what does a 60/40% equity/bond portfolio; or the 4% withdrawal rule of thumb; or a life contingent payout annuity; mean and do for them. If they want help going deeper, top notch inexpensive hourly fee-based planners will be available to help them with their planning.

I am open to collaborating on this Educator project to the extent desired.

I hope these comments to this point are helpful and look forward to any way I can be of more detailed help..

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Steve Cooperstein & Affiliates
1991-Present

Entrepreneurial creation, development, and consulting on new concepts to the financial services industry, primarily focused on the senior market. Major efforts include a highly impaired annuity for people already receiving long term care; a patented unbundled payout annuity; hedging minimum guarantees on variable annuity products; an efficient COLA payout annuity; multi-level financial planning for the payout stage; development of a corporate-owned life insurance grouping mechanism; a new life settlement market, and long term care insurance innovations for companies such as AXA, Golden Rule, Allianz, Hartford, Aegon, & Ohio National.

Assisted attorneys in expert witness matters including annuities certain, indexed annuities, and the basis for excess interest declarations on fixed deferred annuities.

Helped implement changes in Minimum Required Distribution Rules. Developed current and projected mortality table for payout annuities.

Recently authored a paper for a Society of Actuaries Monograph at http://www.soa.org/library/monographs/finance/housing-wealth/2009/september/mono-2009-mfi09-toc.aspx and writing a significant research paper for the Society of Actuaries on the "Implications of the Perceptions of Post Retirement Risk for the Life Insurance Industry" at http://www.soa.org/research/other-research-projects/proposal-requests/research-imp-post-retire.aspx .

Deloitte and Touche
1990-1991

Developed customer-based marketing programs. Created targeted and broadened products and services, e.g. long term care type coverage for mid-aged people and re-funneling of charitable contributions; building company/customer relationships to complement agency activity; and market and agency computer modeling and Expert Systems. Participated in company audits and the development of an internal financial management system. Developed Universal Life pricing for a NY subsidiary of a national insurance company.

Steve Cooperstein & Affiliates

1982-1990

Marketing and strategic planning consulting and entrepreneurial joint ventures. Expanded financial service product, including Expert Systems applications. Developed a fund-raising plan, while raising funds, for a non-profit. Established and ran a charitable financial planning and marketing business in a joint venture with Monarch Life Insurance Company. Developed innovative deferred giving programs involving charitable remainder and lead trusts, gift annuities, and life insurance. Performed charitable financial planning for two dozen donors. Helped plan major computer enhancements for Equitable Life Assurance Company's product development process. On retainer to Monarch Life, developed programs for direct response and pension marketing of variable life insurance. Worked with sales agency of Penn Mutual to create, broker, and sell new insurance programs.

Metropolitan Life Insurance Company
1962-1982

Developed strategic insurance marketing plans as Vice President, Long Range Strategic Market Planning. (1962-1982)

Managerial and staff positions in all aspects of personal insurance actuarial work. (1962-1979 - Officer in 1970)

Management accomplishments

- Revitalized 100-person semi-technical operation.
- Reorganized and reoriented 500 person/4 unit administrative departments
- Led department in many management functions such as personnel evaluation, motivation, and action, budgeting, planning, conference development, social activities, and manpower planning.
- Liaison between Actuarial and Marketing, Computer, Personnel, Accounting, Legal, and Administration.

Staff accomplishments

- Created a number of innovative insurance products.
- Made company price competitive.
- Spearheaded an extensive overhaul of a major line of business's expense position.
- Instituted new interdepartmental financial controls.
- Developed system for assessing and communicating financial impacts for executive understanding.
- Established special tax saving liabilities.
- Developed several new computer systems for modeling the company's financial affairs.
- Creative computer programming early in career.

EDUCATION AND PROFESSIONAL EXPERIENCE

- Member of Committee on Post-Retirement Risks & Needs of the Society of Actuaries (2004 – Present)
- Member of the Retirement Income Industry Association (RIIA) (2008 – Present)
- Member of Project Oversight Group of the Society of Actuaries on Consumer Profiles (2008)
- Member of Project Oversight Group of the Society of Actuaries on Retirement Spending (2008)
- Member of Project Oversight Group of the Society of Actuaries for the Personal Actuary (2006 – Present)
- Member of Personal Actuary Task Force of the Society of Actuaries (2006 – Present)
- Member of Project Oversight Group of the Society of Actuaries on a Transferring the Financial Risks in Retirement Program (2005)
- Chaired Product Subcommittee which created multiple sessions for annual LIMRA, LOMA, SOA Retirement Industry Conferences (2005 – Present)
- Member of Nontraditional Marketing Section Council of Society of Actuaries (2000-2004)
- Member of Technology Committee of the Society of Actuaries (2000-2003)
- President of the Actuaries Club of New York (1982).
- Member of the Academy of Actuaries (1968).
- Fellow of the Society of Actuaries (1966).
- B.S. in Mathematics from Queens College (1962).
- Graduate of Bronx High School of Science (1958)

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- Participated in many professional activities, including panel discussions, workshops, writing articles, and committees, some of which included: Panelist and moderator at sessions of Retirement Industry Conference (2005, 2006, 2007); Article in the National Underwriter on GLWB's (1/1/2007); Article in the National Underwriter on Impaired annuities (2003); Panelist on Patents at SoA meeting (2000); Nontraditional Marketing Newsletter (1997) and the Actuary (1974). Member of ACLI Actuarial Taskforce on Dynamic Valuation (1977-78); Discussion paper on Sternheil paper on Variable Life (1974) Panelist at Record Of Society Of Actuari*es,* 1986 Vol, 12 No. 2, Actuaries In Non-Traditional Roles**;** Comments at Record Of Society Of Actuaries,1983 Vol. 9 No. 4, Agency Strategies For Marketing Success

- Licensed to sell insurance and registered to sell certain securities.