



Lifetime Benefits: Types of Annuity Options

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Presentation to Connecticut Retirement Security Board



In General

- Two Common Methods of Providing Annuities
 - State Pension System
 - Purchase From A Private Sector Insurer
- Common Feature
 - Periodic Payment for Life (or Joint Life Expectancy) and/or Specified Term



Distinctions

- Source of Guarantee
 - Employer Versus Insurer
- Paid From
 - Trust Versus Insurance Company Separate Account
- Funding Source
 - Employer/Employee Contributions Versus Payment to Insurer at Annuity Purchase



Impact of Different Structures

- State Pension System
 - Future Employee/Employer Contributions Fund Deficits
 - Future Cash Flow Can Lead to Less Conservative Investments Than an Insurer
- Private Insurer
 - Tight Regulation – No Other Funding Source
 - More Conservative Investments



Other Discussion Item

- Captive Insurance Solutions
 - Illiquidity Risk
 - Connecticut Law
 - Federal Law – DOL and IRS Considerations