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Sent: Monday, April 12, 2010 7:23 AM
To: EBSA, E-ORI - EBSA
Subject: Annuities-request for information

I am writing in response to the RFI on annuities inside plans and why the uptake rate has, to date, been so low.

Obviously, this is a complex issue. Annuities offer a solution to a problem that most participants 1) do not understand and 2) don't wish to contemplate - - namely, how will they generate income in retirement. Most people are far more concerned about generating income TODAY, especially given current economic conditions.

The issue of complexity lines at the heart of the low uptake rate. Participants generally do not want to take the time to educate themselves with regard to the plan, its provisions, and the investment choices. They want to understand the operational aspects - - how do I get online, when do I get a statement, what is the match - - but not much deeper. Think of the plan as a car. They want to turn it on and drive (hopefully by enrolling), but they don't want to know where the spark plugs are or how to change the oil.

For plan sponsors, the car analogy also holds. While they do want/need to understand more of the details at point of purchase (miles per gallon, trunk size, how often do I change the oil, what will my insurance cost), they also do not want to get in to the inner workings of what makes the car go. They want to fulfill their requirements from a due diligence perspective, but not overdo it.

The best solution, IMHO, if from a policy perspective you see value in greater inclusion of annuities in plans, will be expanding the QDIA definition to include annuities, and specifically including annuities in the definitions of the balanced fund, target date fund or target risk fund. If the PS feels that they will have some protection from the risks of the inevitable unintended consequences down the road, they will be more likely to move forward. If the participant receives the annuity inside another investment package, they will be more likely to utilize and develop their understanding over time, as opposed to at initial enrollment.

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