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

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

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General Comment

This all sounds good on paper. My concerns center on the implementation of such a plan.
1. Annuities are generally offered and guaranteed by insurance companies. Is this how the administration envisions this annuity option working? If so, which insurance companies would be allowed to offer these rollover annuities? Would there be any controls to ensure that the insurers meet some minimum tests for financial strength?
2. Fees and expenses are a key element of any annuity product. Would there be some oversight and regulation to ensure fair and reasonable expenses? Who would define what constitutes fair and reasonable expenses? Higher fees generally equal lower payouts for annuitants.
3. Would the annuities offer inflation protection as in the public sector or would the payout remain flat as with many commercial annuities and corporate pension payments?
4. A much discussed regulatory initiative centers on making 401(k) plan fees and expenses more transparent and standardized. Often, 401(k) plans administered by insurance companies are anything but transparent regarding fees and expenses. Will the addition of this annuity option add to the confusion regarding plan fees and expenses?
5. Will annuity payments be based upon some sort of standardized formula such as age, years of service etc.? Will this formula be standardized across the all employers or will the insurers be free to offer whatever payouts "the market will bear?"
6. If an insurer offering a rollover annuity product was to experience financial difficulty who would stand behind the participant's payments? The already strapped PBGC? State insurance regulators? Someone else?
Again, on paper this is a good idea. I fear that this good idea could turn out badly for plan participants if these and many other questions are not ironed out on the front end.