
From: Albright, Shellie [mailto:Shellie.Albright@vta.org]

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To: EBSA, E-ORI - EBSA

Subject: Annuities

I work for a local public employer. We offer a defined benefit and a defined contribution plan. The defined benefit plan is paid in the form of an annuity and the defined contribution (employee contribution only, no employer contributions) does not offer an annuity form of payout. A while ago, I rolled over money from my defined contribution plan into the defined benefit plan to purchase additional years of service to increase the amount of my annuity.

I did this because I believe it is imperative for retirees to have a substantial annuity to rely upon that will have no longevity risk. Unfortunately, with an annuity, there is always issuer risk. I thought I had avoided this because I was buying into a large pool, which would be more stable than a private insurer. Unfortunately, it didn't really occur to me then that I was at risk of my employer going bankrupt and ceasing contributions needed to pay benefits for the long haul.

I think it is the risk that the issuer will go bankrupt that is the major concern about purchasing an annuity. If this were not a concern, many more folks would buy annuities. If annuity payments were insured and guaranteed like FDIC insurance, more people would buy them.

At least requiring that plans advise you of how much of a monthly income you could expect at three conservative rates of return will let folks see clearly that they have not saved enough to retire.

Almost 10 years ago now, I purchased the Schwab Yield Plus Fund when I got concerned about market risk shortly after Sept. 11, 2001. I bought it because it was supposed to be a low risk money market equivalent fund. Schwab invested heavily in mortgage backed securities and lost 50% of my money. They claim it is my fault, I should have sold once I saw the fund starting to drop. Unfortunately, due to the illness and death of several family members, I did not even notice the drop till it was too late. People need a risk free way to guarantee their retirement savings and insure that they will not out live them. Annuities are best for this purpose but, as indicated, there needs to be a way to remove the risk of loss. (I'm old enough to remember the Executive Life mess.)