

Allianz Life offers in-plan indexed annuity with living benefit

By Editorial Staff Thu, Jul 22, 2021

'Allianz Lifetime Income+ Annuity' comes with two annual bonuses to participants who maintain the contract through retirement. Whether plan sponsors will embrace this type of in-plan income solution remains to be seen.

Allianz Life Insurance Company of North America (Allianz Life) has entered the defined contribution market with a guaranteed income option for participants in employer-sponsored plans, according to a release this week.

The offering, [Allianz Lifetime Income+ Annuity](#), is a deferred fixed indexed annuity with a guaranteed lifetime withdrawal benefit (GLWB) that's intended to give participants a "flexible and portable" income that can supplement Social Security income in retirement.

"The innovative design features growth potential, protection from market loss and guaranteed lifetime income that has the potential to increase annually for life to help address the effects of inflation," the release said.

This new product adds to the in-plan annuity options that plan sponsors can consider offering to their participants. It differs from the first generation of in-plan income options, such as Prudential's Income Flex, in that a living benefit is added to a fixed indexed annuity (FIA) rather than a variable annuity (VA). Relative to VAs, FIAs are less volatile and therefore less risky for life insurers to offer.

But FIA contracts and lifetime withdrawal benefits are each complex and could require substantial education so that participants can make sophisticated decisions about them. This part of the annuity market is new and relatively untested.

New hire Mike De Feo will lead Allianz Life's new Defined Contribution Distribution team. Previously, he held similar positions at VOYA Investment Management and Nuveen Investments.

According to the client [brochure](#):

The product's specs include a minimum initial premium of \$2,000 and an annual 0.50% product fee. If the participant dies, his or her spouse can continue it; otherwise, the account value goes to the designated beneficiary. Lifetime income payments can begin anytime after age 60.

There's an annual 2% "Income Builder" credit to the "Lifetime Income Value" (the notional benefit base used to calculate monthly payments in retirement, not the account value) starting at age 50 when no other interest accrues.

There's also an annual 150% "Income Accelerator" credit to the Lifetime Income Value on any fixed or indexed credit, less withdrawals. The two credits can continue to enhance income during retirement, after the income stream begins. Contract owners can apply the account value to the purchase of a life annuity if they wish.

A market value adjustment may be assessed on withdrawals under certain conditions.

Plan participants can allocate their contributions to the following options:

- Fixed rate
- Annual point-to-point or monthly sum with a cap on the S&P 500, Russell 2000 or Nasdaq 100 (price-only index; no dividends)
- Annual point-to-point with a participation rate on the Bloomberg US Dynamic Balance Index ER II or PIMCO Tactical Balance Index ER (volatility-managed custom indices)

"The product is flexible," Matt Gray, head of Employer Markets, Allianz Life, told *RIJ* in an email. "Each plan's version of the product can have one or more allocations and one or more age bands for the payout percentages. Payout percentages are based on the economic environment over time."

A recent Allianz Life survey showed this evidence of demand for its offering:

- 73% of participants would consider a lifetime income option if available in their plan.
- 64% of participants said market volatility caused by COVID-19 has increased their interest in such an option.
- 59% of participants would consider adding an annuity to their plan if available.
- 77% said such an option would demonstrate their employer's interest in their retirement readiness and wellbeing
- 65% said this option would increase their loyalty to their employer.