Retirement Income
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‘OnePension’ lets employers put DB back in DC

By Editorial Staff *Thu, May 17, 2018*

'We now have a solution that adds a guaranteed component to the retirement plan without being burdensome,' said Pete Welsh of OneAmerica, the provider of OnePension.

OneAmerica, the Indianapolis-based mutual insurance company, asset manager and advisory network, has rolled out OnePension, a qualified employer-funded profit-sharing plan that requires employees to convert their balances to “out-of-plan” income annuities when they retire.

“The product doesn’t have the negatives of DB plans, such as minimum funding requirements, actuarial overhead or PBGC (Pension Benefit Guaranty Corporation) premiums,” Pete Welsh, vice president and managing principal, OneAmerica Retirement Services, told *RIJ* in an interview this week.

Welsh

“The employer would contribute to a profit-sharing account for each employee,” Welsh said. “The employer and its advisor would then hire an asset manager to manage the contributions collectively. That money keeps growing and at retirement we issue an annuity out of the account balance.” The employee can choose a single life annuity, a joint and survivor annuity or a period-certain annuity.

“We hear employers say that they are legitimately concerned that their employees might outlive their nest eggs. We now have a solution for that. It adds a guaranteed component to the retirement plan without being burdensome. The employer can add the 401(k) component, and when employees separate from service, that’s their money,” Welsh said.

Demand for such a product exists, Welsh said. "We invited some of our bigger plan sponsors in to discuss this," he told *RIJ*. "One of the larger employers, the head of a family-owned business, said he's been paying out about $20 million in profit-sharing to employees every year, but he didn't think they had the financial acumen to know how best to use the money" for long-term security.

Since OneAmerica doesn't sell proprietary mutual funds, it is indifferent to the funds that a plan sponsor and plan advisor decide to use in a OnePension plan. "We're not a 40 Act mutual fund complex," Welsh said. "We're open architecture and that makes it simpler for us to offer."

In terms of its potential for growth, OnePension would have an advantage over traditional DB plans. Someone who participated in OnePension for a limited number of years during the early part of his or her career could benefit from a long period of market appreciation.

"Under the old DB plans, you might earn 8% of final salary for eight years of service ending at age 36, but your average salary wouldn't change after you left the company," Welsh said. "If you had a couple of decades left until retirement, your pension would decrease in purchasing power. But with our plan, the money stays in the plan, and if the market goes up, your account would grow and you'd be able to buy more income at retirement."

OneAmerica has provided retirement plan options through American United Life Insurance Company (AUL) a OneAmerica company, since the 1960s.

OnePension is different from an in-plan guaranteed lifetime income fund or a group variable annuity. As a qualified plan, it allows retirement plan sponsors to invest on behalf of participants.

Products are issued and underwritten by American United Life Insurance Company, a OneAmerica company. Administrative and recordkeeping services are provided by McCready and Keene, Inc. or OneAmerica Retirement Services LLC, companies of OneAmerica which are not broker/dealers or investment advisors.

Lifetime income is not OnePension's only annuity payout option and the individual should consider with care their specific needs and financial situation prior to annuitizing, a OneAmerica release said.