
Sun Life Launches “De-Risked” Living Benefit Riders

By Editor Test Tue, Aug 25, 2009

The rider fees are higher and age-thresholds for higher payout rates are adjusted upward.

Sun Life Financial, the Massachusetts-based U.S. unit of Sun Life of Canada, has introduced a new [Masters Extra variable annuity contract](#) with two new living benefits that are “de-risked” versions of more generous riders that are no longer for sale to new contract owners. The riders became available August 17.

The riders are Sun Income Riser, which replaces Retirement Income Escalator II, and Income ON Demand III Escalator, a new version of Sun Life’s Income ON Demand line of flexible-payout lifetime income benefits. The company has also phased out a guaranteed minimum accumulation benefit rider called Retirement Asset Protector.

Maximum fees for the new riders are higher (110 bps for single coverage and 130 bps for joint) than in the past (the maximum was 100 bps). The mortality and expense risk charge for the base contract is 1.40%, plus a 0.15% administration charge and a 0.15% distribution charge.

The age-bands at which contract owners qualify for a higher annual payout rate are higher. For instance, the youngest policyholder has to be 80 years old to qualify for a 6% payout, up from age 75, and the 7% payout has been eliminated.

Clients who opt for the Sun Income Riser are eligible for an annual 6% roll-up in the guaranteed income base for every year during the first 10 years when they do not take a withdrawal from the contract. A new 10-year period starts every time the client opts for the step-up. This rider pays out a level income in retirement.

The Income On Demand rider is tailored for clients who want a flexible income. It allows clients to carry over their unspent annual payout from year to year during retirement. Clients who choose this rider are also eligible for either a 5% bonus on purchase payments made in the contract’s first year or, alternately, a bonus of 2% of the account value on every fifth anniversary of the contract.

The contract has a seven-year surrender period starting at 8%, but allows free annual withdrawals of up to 10% of purchase payments made in the previous seven years. To qualify for step-ups, assets have to be invested in certain designated funds or, if they wish, contract owners can build their own portfolios according to certain guidelines.

The designated funds include SC Ibbotson Growth, Balanced, and Moderate Funds; the Fidelity 2015 and 2020 target-date funds; the Fidelity Balanced Portfolio; the MFS Total Return Portfolio; the PIMCO Global Multi-Asset Portfolio; the AllianceBernstein Balanced Wealth Strategy Fund; the Equity and Income Portfolio from Universal Institutional Funds Inc.; and the BlackRock Global Allocation V.I.

"The PIMCO VIT Global Multi-Asset Portfolio has never offered before as a variable annuity investment option before," Sun Life said. The diversified portfolio, co-managed by PIMCO CEO and Co-Chief Investment Officer Mohamed A. El-Erian, holds global equities and bonds, commodities, real estate, derivatives and other variable insurance product funds (including other PIMCO funds).

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