



# EPOCH LIFTS

Pension Augmentation Strategy

# The Problem:

Most pension plans are underfunded

Investment returns are not keeping pace

How to augment pension fund without risk

# Part of the Solution

The LIFTS program provides **no risk** capital contributions to pension fund.

Year 1                    \$ 25,000,000\* (paid upon closing of each issue)

Year 15-30            \$ 150,000,000

Total                    \$175,000,000

## Assumptions:

- 2,000 insured lives with \$500,000 DB
- \$1 Billion face value of policies
- \*Issue: \$225mm LIFTS 4% Due 1/1/2045



# Participants

1).Institutional Investor

2).Life Insurance Company

3).Pension Fund

## LIFTS Participant Contribution:

The **institutional investor** contributes risk capital to pay the yearly insurance premiums.

The **insurance company** underwrites 2000 qualified lives with expectations to invest the premiums profitably.

The **pension fund** contributes retirees' lives and splits the death benefit with institutional investor (22%/78% over thirty years).

**The pension fund bears no risk or capital contribution!**

# What is a LIFTS?

**A Life Insurance Finance Trust Security ("LIFTS")** is a Rule 144A, asset-based, long term security that provides an attractive risk/return for institutional investors.

The asset is the life insurance on the qualified retirees.

Qualified by specific age, gender and health.

# Retiree Breakdown

- **Epoch Weighted Model**

- 1. 2000 Lives (60% (1200 Men)/40% (800 Women)
- 2. 30 year life insurance (UL/ROP)
- 3. \$500k Death Benefit
- 4. Simplified issue underwriting
- 5. 5 Year Step Premium

<u>Age</u>	<u>Men</u>	<u>Women</u>	<u>Total Lives</u>
60	2	0	2
61	4	0	4
62	10	3	13
63	22	12	34
64	20	16	36
65	46	26	72
66	54	34	88
67	62	40	102
68	64	50	114
69	70	54	124
70	74	60	134
71	82	80	162
72	90	76	166
73	108	74	182
74	116	68	184
75	112	64	176
76	104	54	158
77	90	46	136
78	50	31	81
79	<u>20</u>	<u>12</u>	<u>32</u>
	1200	800	2000

# How does it work?

The key component in the Epoch program is the dual trust structure, the **Lift Trust** and the **Irrevocable Life Insurance Trust** which governs and protects the cash flows that make the investment structure work.

## Two Trusts

### **Irrevocable Life Insurance Trust (ILIT)**

- Holds life insurance policies
- Assures payment of death benefit to participating defined benefit plans and investors
- **Life Insurance Funding Trust**
- Provides money to pay annual premiums

# Pension Fund Obligation

The pension fund has an insurable interest in retirees lives.

The pension fund needs to submit 2000 voluntary and approved retirees (specific ages and gender) to the program.

The pension fund agrees bestow a \$10,000\* “final cost benefit” to the retiree (out of initial proceeds).

# Participants contributions:

1. Institutional Investor/Risk Capital
2. Life Insurance Company/Underwriting
3. Pension Fund/Qualified Retiree

By using life insurance on retiree lives the institutional investors, life insurance company and pension fund can all make money for their mutual benefit.

# Expected Partners

1. Aon-Benfield (B/D and placement agent)
2. S&P
3. DBRS
4. Wilmington Trust
5. BDO
6. Aon Hewitt-MGA
7. Schulte Roth-Legal
8. Milliman Group
9. Prudential, Assurety, National Western

# Epoch International

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