

## The Index-Linked Annuity Payment Adjustment Rider

### Help Structured Settlement Clients Manage Inflation

When personal injury clients choose a structured settlement, they can look forward to many years of steady, guaranteed income. But is a *fixed*-payment settlement enough? What about the rising cost of living?

Some costs, like medical care, tend to increase as clients age. How important is it to give your clients the potential for higher payments in later years?

Traditionally, the only way to create payment increases within a structured settlement was to add a cost-of-living adjustment (COLA) rider. But Pacific Life has pioneered a *new* option—one that gives clients the potential for *higher* payment increases: the Index-Linked Annuity Payment Adjustment (ILAPA) rider.

### The ILAPA Rider Advantage

	Payment Increases	Annual Increase Amounts
<b>COLA</b>	Fixed	Typically set at 2–3%
<b>ILAPA</b>	Occur when annual S&P 500® index <sup>1</sup> performance is positive	Equal the increase in the index, up to a maximum of 5%

**With the ILAPA rider, there is never a decline in payments if the S&P 500® index performance is negative. Payments can only go up or stay the same; they cannot go down.**

<sup>1</sup>The S&P 500 index is a product of S&P Dow Jones Indices LLC (“SPDJI”), and has been licensed for use by Pacific Life Insurance Company. Standard and Poor’s®, S&P®, and S&P 500® are registered trademarks of Standard & Poor’s Financial Services LLC (“S&P”) and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Pacific Life. Pacific Life’s products are not sponsored, endorsed, sold, or promoted by SPDJI, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s), nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 index.

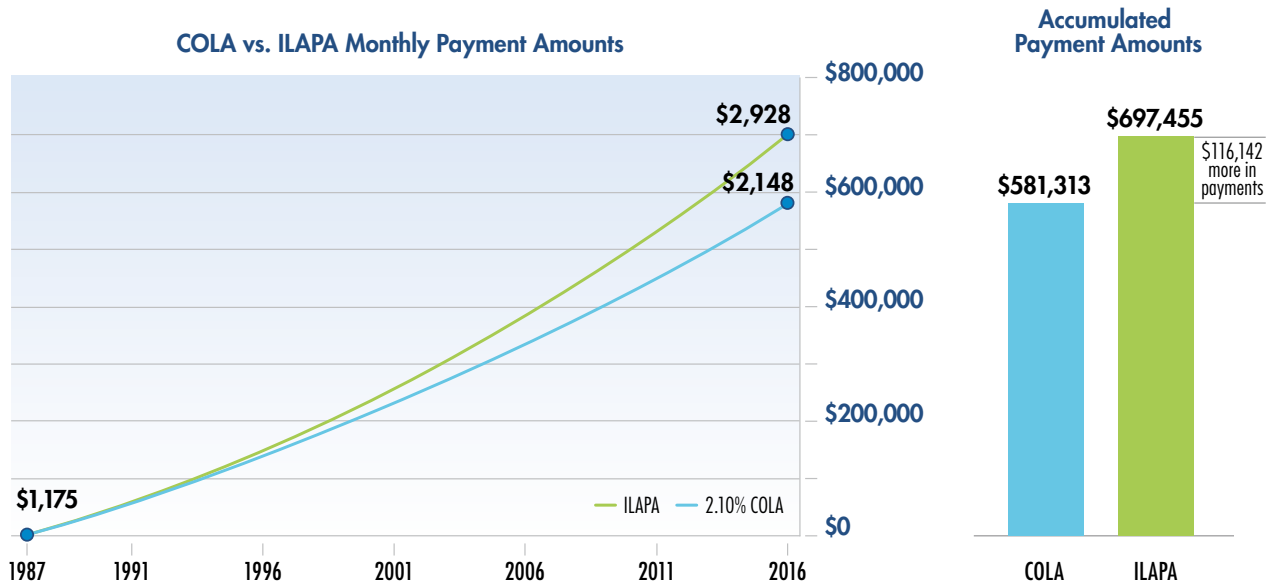
The index is not available for direct investment, and index performance does not include the reinvestment of dividends. Cost-of-living adjustment and the Index-Linked Annuity Payment Adjustment rider cannot be used together with the same payment stream.

## A Hypothetical Example

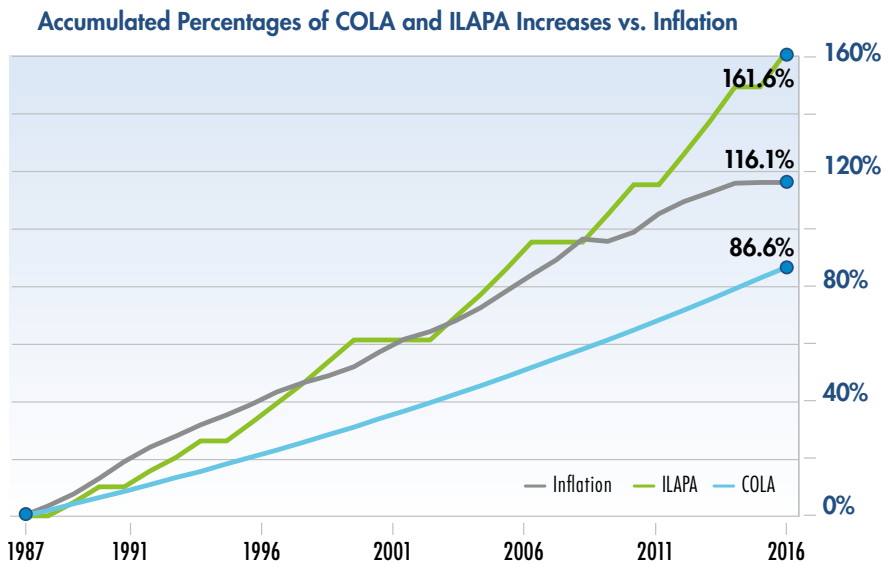
Because the ILAPA rider links your client's payment increases to the S&P 500® index, the long-term growth of payments may be greater than with a COLA.

In the example below, a client wanted an initial monthly payment of \$1,175 for life, guaranteed for 30 years (purchase cost of \$500,000). With a Pacific Life 30-year Period Certain structured settlement and a COLA rider, payments would have increased 2.10% annually from \$1,175 to \$2,148 in 30 years.

But what would have happened with an ILAPA rider? The ILAPA increases shown in the chart below are based on the actual performance of the S&P 500® index increases from March 1, 1987, to February 1, 2017, and reflect the ILAPA rider's 5% cap. As you can see, the two incomes would have been virtually the same in the early years. But despite stock-market values that fluctuated during those years, the contract with the ILAPA rider would have outpaced inflation, growing from \$1,175 to \$2,928 in 30 years.



Assumptions: 30-year Period Certain for a purchase cost of \$500,000.  
COLA increase set at 2.10% to match initial ILAPA payment. For illustrative purposes only.



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Historically, the ILAPA rider would have done a better job of outpacing inflation. The chart shows the accumulated percentage of payment increases during the last 30 years. (Inflation line assumes the actual annual inflation rates for the past 30 years resulted in an average annual rate of 2.61%.)

<sup>1</sup>Source: U.S. Bureau of Labor Statistics, Consumer Price Index Data for All Urban Consumers, 1987-2016.

## The Results

The table below shows details of the COLA versus ILAPA comparison chart on the previous page. Over the 30-year period, the ILAPA rider payment more than doubles, while the COLA payment increases by just over two-thirds.

Year Number	Year	COLA			ILAPA		COLA vs. ILAPA Annual Variance
		Annual Increase	Monthly Payment	S&P 500® Index Annual Return <sup>1</sup>	Annual Return (Maximum 5%)	Monthly Payment	
1	1987	2.10%	\$1,175.29	-5.06%	0.00%	\$1,175.29	\$0
2	1988	2.10	1,199.99	12.62	5.00	1,175.29	-296
3	1989	2.10	1,225.20	18.72	5.00	1,234.05	106
4	1990	2.10	1,250.95	-6.91	0.00	1,295.76	538
5	1991	2.10	1,277.23	34.12	5.00	1,295.76	222
6	1992	2.10	1,304.07	3.89	3.89	1,360.55	678
7	1993	2.10	1,331.47	8.64	5.00	1,413.51	984
8	1994	2.10	1,359.45	-1.88	0.00	1,484.18	1,497
9	1995	2.10	1,388.01	28.73	5.00	1,484.18	1,154
10	1996	2.10	1,417.18	27.91	5.00	1,558.39	1,695
11	1997	2.10	1,446.96	23.92	5.00	1,636.31	2,272
12	1998	2.10	1,477.36	30.77	5.00	1,718.13	2,889
13	1999	2.10	1,508.41	17.85	5.00	1,804.04	3,548
14	2000	2.10	1,540.10	-10.01	0.00	1,894.24	4,250
15	2001	2.10	1,572.46	-13.07	0.00	1,894.24	3,861
16	2002	2.10	1,605.50	-19.89	0.00	1,894.24	3,465
17	2003	2.10	1,639.24	23.29	5.00	1,894.24	3,060
18	2004	2.10	1,673.68	4.63	4.63	1,988.95	3,783
19	2005	2.10	1,708.85	8.70	5.00	2,081.14	4,467
20	2006	2.10	1,744.76	11.12	5.00	2,185.19	5,285
21	2007	2.10	1,781.42	-3.48	0.00	2,294.45	6,156
22	2008	2.10	1,818.86	-38.90	0.00	2,294.45	5,707
23	2009	2.10	1,857.07	34.64	5.00	2,294.45	5,249
24	2010	2.10	1,896.10	13.84	5.00	2,409.18	6,157
25	2011	2.10	1,935.94	-0.32	0.00	2,529.63	7,124
26	2012	2.10	1,976.62	14.22	5.00	2,529.63	6,636
27	2013	2.10	2,018.15	25.54	5.00	2,656.12	7,656
28	2014	2.10	2,060.56	7.81	5.00	2,788.92	8,740
29	2015	2.10	2,103.85	-5.64	0.00	2,928.37	9,894
30	2016		2,148.06			2,928.37	9,364

The annual return (see column 6) is applied to the payment for the next year.

**Average Annual Increase: 3.28%**

**Total Variance: \$116,142**

By year 30, the ILAPA rider payment increased to \$780 more per month than the COLA payment for an annual total of \$9,364.

■ Monthly payment beginning March 1, 1987.

<sup>1</sup>Returns as of January 15 of each year.

For more information, contact your  
structured settlements consultant.  
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The Index-Linked Annuity Payment Adjustment rider is not a security and does not participate directly in the stock market or any index, so it is not an investment. It is an insurance product designed to help a client prepare for his/her future. Selecting the Index-Linked Annuity Payment Adjustment rider may result in a varying benefit amount based on the annuity type and period selected.

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Contract Form Series: 10-1213, ICC11:10-1213, 25-21694NY  
Rider Series: 20-1280, ICC13:20-1280, 20-2280

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