Bradley Bergeron’s first professional job out of college was selling retirement savings investments to public schoolteachers in Connecticut. The applications he carried in his black leather briefcase, however, were for one type of product only: a high-priced variable annuity.

“From the teacher’s standpoint, they really miss out getting quality advice,” said Mr. Bergeron, 27, who sold the plans for Axa Advisors’ retirement benefits group. “People who are in the schools pitching them and positioning themselves as retirement specialists are really there just to sell them one product.”

Workers at private companies typically enroll in a 401(k) retirement plan approved by the employer, which is held responsible for the menu of investment options offered. But public school employees and people working for nonprofits and religious institutions are often exposed to brokers who operate in a more unruly marketplace under different rules, which are defined by a patchwork of state laws and less stringent securities regulations.
Brokers and insurance executives say it has become more difficult to walk into schools freely in recent years — the Los Angeles Unified School District, for instance, strictly forbids soliciting on campus.

Brokers still find ways to win face time with teachers, however. Many schools allow them to make presentations for their 401(k)-style counterparts — known as 403(b) plans — at the end of faculty meetings. Or they might hang out in break rooms and provide free meals on professional development days.

“Teachers are still being preyed upon by salespeople,” said Dan Otter, founder of the advocacy and educational site 403bwise.com, and a longtime teacher now working at the University of New Mexico. “The problem is their first experience with a 403(b) is in a sales environment.”

At Axa — which has about $16.3 billion in 403(b) assets held for employees of elementary, middle or high schools — sales representatives often start the conversation with prospective clients using a so-called yellow pad presentation, several former brokers said, even if they don’t always have it written down on the yellow pads all teachers are familiar with.

Brokers are trained to start by explaining how a teacher’s state pension works, how the tax-advantaged 403(b) operates and what sort of gap might have to be filled with savings to help maintain the teacher’s standard of living in retirement. Many — even those who later became disenchanted with their jobs — said they believed they were helping teachers save and realize their long-term goals.

Only after setting the stage does the broker introduce the main performer. For Axa’s brokers, that role is usually assigned to Axa’s Equi-Vest variable deferred annuity. It isn’t simple: To get the full rundown on how it works, people must sift through a document that is 460 pages long.

And it doesn’t come cheap. The most popular version of the Equi-Vest annuity has a total annual cost that can range from 1.81 to 2.63 percent, according to an analysis from Morningstar.

In contrast, large 401(k) plans usually charge an annual fee of less than half a percent of assets, according to a May report by BrightScope using 2013 data. Large, federally regulated 403(b) plans charge a bit more.

Then there is the surrender fee. An Equi-Vest annuity owner who wants to transfer savings into another 403(b) product or roll it over into an I.R.A., for example, would pay 5 percent to Axa on any of the withdrawal that was contributed in the previous six years.
Axa said that annuity owners can withdraw up to 10 percent of their money without penalty annually, as long as it is permitted under the tax code, and that the fee can be waived for hardships and other reasons.

Beyond Axa, other large players in this market include Voya, Valic, Lincoln Financial Group and MetLife (whose retail adviser force was recently acquired by MassMutual), according to the retirement industry publication PlanSponsor. Last year, Axa sold roughly $2.2 billion worth of Equi-Vest annuities within retirement plans, according to Morningstar, which include different versions of the product.

The charges for such complex annuities are intended to provide plenty of incentive for sales representatives and their managers. At Axa, for example, a broker can earn roughly 5 to 7 percent of the total amount teachers deposit in their 403(b)’s for the first year (though some pocket only half that amount, a former broker said, depending on their pay structure).

In a statement, Axa said that it offered a range of approaches and products to meet each individual client’s needs, and that the company appropriately disclosed all benefits, risks, fees and restrictions. “The variable annuity product we make available in the 403(b) space offers guarantees not available in mutual funds or index funds,” an Axa spokesman said, “which can significantly reduce our clients’ exposure to market loss.”

Selling annuities also creates a continuing income stream for the brokers. Axa pays a commission of 1.5 percent to 2 percent on every future dollar an employee contributed to a 403(b) annuity. The annuity sold to the teacher, in a sense, becomes an annuity for the sales rep and the company’s managers.

While that translates into a healthy living for some brokers, many others are poorly compensated, dependent largely on commissions. This is particularly true for those fresh out of college.

Many of these practices are plainly stated on Axa’s website, including the fact that brokers are paid more to sell annuities than to sell mutual funds. Axa said that reflected the complexity of selling annuities.

To qualify for Axa’s health insurance plan and retirement benefits, moreover, brokers must sell a certain amount of proprietary insurance-related products, including annuities.

Justin Victor, a certified financial planner who left Axa in 2008 after three years, recalls the intensity of that pressure. “I am not going to lie,” he said. “When you have your health insurance on the line in the commission-based financial advisory world, you will do whatever you can to get a commission.”

Axa said certain tax rules required its insurance sales representatives to solicit and sell mostly insurance products, including annuities, so they could receive employer-provided benefits.

Axa managers take a healthy cut from the younger recruits they oversee, according to a former broker who spoke on the condition of anonymity because he feared repercussions from the firm. Figures can vary widely, but managers might earn, he said, up to 36 percent of a new broker’s commissions on proprietary products sold during the first three years of service.

“It is really designed for the experienced advisers to take advantage of the younger advisers’ enthusiasm,” said Mr. Bergeron, who left Axa in 2014 after a year and a half. He later held two short-lived jobs in the industry, but struggled financially. He has since decided to leave the field altogether.

“It was a mental drain working as an adviser,” he added. “I became a little depressed at the end of it and wanted nothing to do with it.”
Mr. Bergeron’s testimony is echoed by others. Several former brokers said they left Axa — and the 403(b) business over all — because they decided this was not the type of product they would sell to their own family members.

Despite their misgivings, several sales representatives said they understood how some of their former colleagues justified selling high-fee products: If it weren’t for us, they reason, many teachers would not be saving for retirement, beyond their pensions, at all.

Brian Jenkins, now a consultant for firms that raise money for start-up companies, shared that mindset. He worked for more than 30 years in the media industry before joining Axa, where he covered the Barrington school district, in an affluent Illinois suburb where his children attended school, among others.

“Many school employees would have never taken the initiative to open a retirement account if I had not been there,” said Mr. Jenkins, who left Axa in 2014. “The fees that were built into the annuity product paid for a field staff of agents to go into the schools and reach out to people. I feel good about what I was able to do for them.”

He said he was always encouraged by his managers to be upfront about the various charges, which he fully disclosed to his customers, many of whom did not know what 403(b) options they had.

Still, those fees erode workers’ balances over time, leaving retirees with significantly smaller nest eggs.

Take an employee with a starting salary of $40,000 who saved 6 percent of her salary over a 40-year career. She would retire with about $175,000 when paying annual fees of 2 percent, assuming a 4 percent return after inflation, according to an analysis conducted by Vanguard. (The analysis also assumes that her salary rises 1 percent annually, also adjusted for inflation.)

But she would have 25 percent more, or a total of nearly $218,000, if fees had been 1 percent, and almost $260,000 if she paid 0.25 percent in fees.

Mat Burridge, a sixth-grade teacher in Hannibal, N.Y., said he had trouble untangling exactly how much he paid for his variable annuity from Voya (which invests in a collection of subaccounts similar to mutual funds). After several phone calls, he learned that he paid at least 1.2 percent for the annuity, in addition to the various fees for 15 underlying funds his broker chose.

After reading about how much that will cost him over time, he decided to stop contributing and redirect his savings into an I.R.A. at Vanguard, known for its rock-bottom costs.

“It really hit home because we just refinanced our mortgage,” Mr. Burridge, 30, said. “You are talking a significant amount of money.”

Doris Burke contributed research.