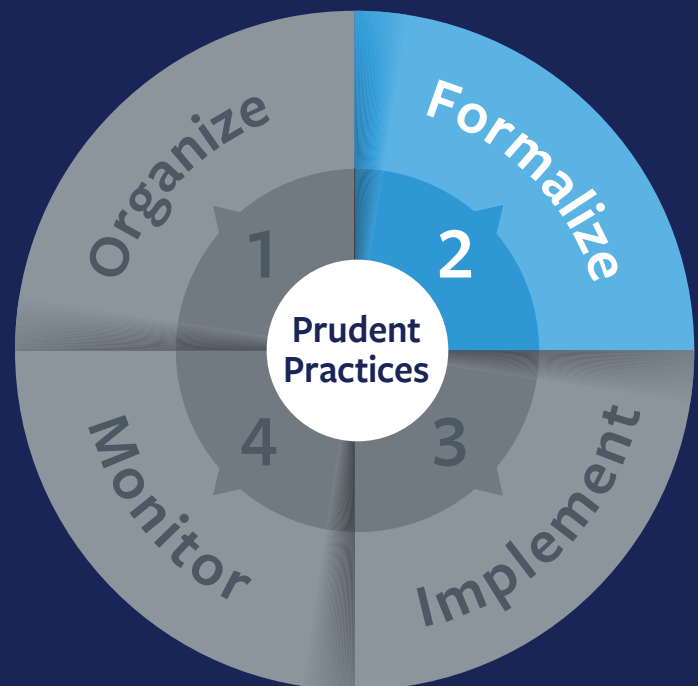


RETIREMENT INCOME CONSORTIUM

Investment policy statement: A fiduciary's guide

Suggested provisions for retirement income solutions in defined contribution plans.



A well-devised Investment Policy Statement (IPS) for defined contribution plans documents the general rules, goals, and strategies that are being employed. To help with capturing and incorporating retirement income solutions (RISs) within the IPS, the Retirement Income Consortium (RIC) has crafted suggested copy you can leverage. This language should be used in conjunction with the [Prudent Practices for Retirement Income Solutions handbook](#), a 10 step guide that defines a fiduciary standard of excellence for selecting and monitoring retirement income solutions.

The sample IPS language is broken out into 10 parts to best help advisors and plan sponsors prudently and effectively update sections of their IPS including the purpose, objectives, monitoring, and more for RIS options.

REPRESENTATIVE IPS SECTION	NEED TO ADDRESS RIS IN THIS SECTION	REPRESENTATIVE RIS-RELATED LANGUAGE
<p>1. Purpose</p> <p>States and describes how the IPS assists the Plan Sponsor in discharging fiduciary duties and provides a framework for sound decision making.</p>	<p>This section should capture either (1) the Plan Sponsor’s decision as settlor to include RISs in the Plan or (2) the Plan Sponsor’s intention for the Plan’s Fiduciary Committee to assess and determine what (if any) RISs will be included in the Plan. (See Practices 1 and 2 of the RIC Prudent Practices for RISs regarding settlor decisions and implications for a Plan’s governing documents.)</p>	<p>(1) “As settlor, the Plan Sponsor has determined that the Plan shall include one or more RISs. [State the type(s) of solution(s) to be included, if specified by the Plan Sponsor as settlor.]”</p> <p>(2) “At the direction of the Plan Sponsor, the Plan’s Fiduciary Committee determined that that the following RIS types will be included in the Plan: [State the type(s) of solution(s) to be included as determined by the Committee.]”</p>
<p>2. Statement of Objectives</p> <p>Lists and describes how the Plan intends to provide employees with vehicles to save for and receive benefits for retirement.</p>	<p>This section should explicitly state as an objective either that the Plan (1) shall or (2) may include one or more RISs.</p> <p>(See Practice 3 of the RIC Prudent Practices for RISs regarding the role of the IPS in Plan governance.)</p>	<p>“An objective of the Plan is to include one or more Retirement Income Solution(s) to provide regimented and reliable retirement income to Plan participants who utilize these products and services as elective or default options.”</p>
<p>3. Default Options</p> <p>States an intention to use a qualified default investment alternative (QDIA), if elected.</p>	<p>A RIS is often delivered as part of a QDIA (e.g., target date fund); however, language does not need to be added to the IPS (though it could be in the Fiduciary Committee’s discretion.)</p>	<p>N/A</p>
<p>4. Duties and Responsibilities</p> <p>Outlines responsibilities of the Plan Sponsor, Fiduciary Committee, Investment Advisor, and Service Providers.</p>	<p>The language in this section of a typical IPS is broad; however, the ERISA 404(e) safe harbor includes provisions for the selection and monitoring of insurers providing guaranteed RISs. (See Practice 4 of the RIC Prudent Practices.)</p>	<p>Note – If the Plan intends to select guaranteed RISs and elects to use the 404(e) safe harbor, it is recommended that the IPS include an appendix that captures the requirements of the safe harbor and names the party responsible for assuring compliance.</p>
<p>5. Selection and Monitoring of Service Providers</p> <p>States in broad terms duties to prudently select and monitor service providers.</p>	<p>The language in this section of a typical IPS is broad; however, the ERISA 404(e) safe harbor includes provisions for the selection and monitoring of insurers providing guaranteed RISs. (See Practice 4 of the RIC Prudent Practices.)</p>	<p>Note – If the Plan intends to select guaranteed RISs and elects to use the 404(e) safe harbor, it is recommended that the IPS include an appendix that captures the requirements of the safe harbor and names the party responsible for assuring compliance.</p>

REPRESENTATIVE IPS SECTION	NEED TO ADDRESS RIS IN THIS SECTION	REPRESENTATIVE RIS-RELATED LANGUAGE
<p>6. Asset Class Guidelines</p> <p>Establishes obligations to prudently consider and select asset classes to allow diversification and meet the needs of participants.</p>	<p>Non-guaranteed RIS options (e.g., systematic withdrawal services associated with investment holdings) involves no change to this section. Guaranteed RIS options may be treated as an asset class.</p>	<p>“The review and determination of asset classes that may be represented in the Plan shall include Guaranteed RISs.”</p> <p>Note – While asset class guidelines are generally addressed in the body of the IPS, an appendix may provide detailed guidance.</p>
<p>7. Investment Selection</p> <p>Requires the application of prudent due diligence in the evaluation and selection of investments available in the Plan.</p>	<p>Most IPSs do not specify the details of what due diligence criteria will be used for the selection of investments. However, some do specify representative criteria in an appendix to the IPS.</p>	<p>(See Practices 5 and 6 of the RIC Prudent Practices for RISs for specific guidance on the selection of RIS providers and of specific solutions.)</p>
<p>8. Investment Monitoring</p> <p>Establishes general obligations to identify and apply benchmarks, performance objectives, watch list, and investment replacement criteria to prudently satisfy monitoring responsibilities.</p>	<p>Because the principles and criteria covered in this section of the IPS are generally broad, they are likely to cover RISs without the need to add RIS-specific language. However, the content of this section should be reviewed to ensure that it does not preclude RISs.</p>	<p>Note – Generally, language does not have to be added to the IPS for in-plan RISs. However, some IPSs specify monitoring criteria in the body of the document or in an appendix. In this is the case, it may be desirable to directly address monitoring criteria for RISs. (See the criteria listed in Practice 9 of the RIC Prudent Practices for RISs.)</p>
<p>9. Identifying, Evaluating, and Containing Costs</p> <p>States the obligation to consider costs in the selection, retention, and replacement of investment options in the Plan.</p>	<p>While the scope and content of this section of the IPS is often sufficiently broad to cover RISs, it is best practice to include direct reference to consideration of implicit and explicit costs associated with RIS options.</p>	<p>“Cost considerations to be reviewed include implicit and explicit costs of RISs.”</p>
<p>10. IPS Review</p> <p>Establishes a standard for review of the IPS to keep the IPS current.</p>	<p>Best practice is for annual IPS reviews. This section of the IPS will generally not be impacted by the inclusion of RISs in the Plan.</p>	<p>NA</p>
<p>Appendices</p> <p>Generally used to set specific standards or capture information that is detailed and subject to change. Appendices may be changed without editing the body of the IPS.</p>	<p>(See Practice 10 of the RIC Prudent Practices for RISs.)</p>	<p>Note –</p> <p>Appendices are optional.</p> <p>See references to how RISs may be addressed in appendices to an IPS in items 5, 6, 7, and 8, above.</p>

About the Retirement Income Consortium

The Retirement Income Consortium was founded in 2022 to empower the consideration of retirement income options within retirement plans.

Organized by Broadridge, the Consortium is educating the industry on the market need and has chartered a formalized due-diligence process for evaluating offerings.

The Consortium's shared goal brings together comprehensive expertise in the retirement space in support of the effort to make financial security a reality for all Americans.

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Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with \$5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. \$9 trillion of equities, fixed income and other securities globally.

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