



Plan Sponsor's Guide to Retirement Income Solutions

A Path to Long-Term Financial Wellbeing for Your Participants



Ensuring Employee Financial Security Through Retirement: A Guide for Plan Sponsors

Between 1990 and 2020, the number of private sector US workers with a Defined Benefit (DB) plan decreased from 26 million to 12 million. This compares to an increase from 36 million to 85 million with access to a Defined Contribution (DC) plan over that same period.¹

The move away from DB and to DC plans shifts the burden from employers to American workers to plan and execute decumulation spending. This lack of DB

plan access combined with increased longevity is raising concerns from many retirees, and those near retirement, that they may outlive their savings.

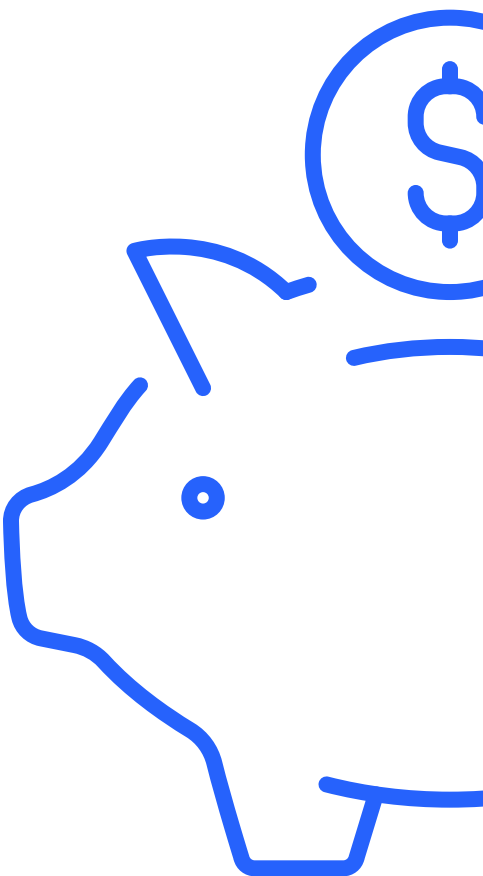
Since the inception of the 401(k), plan sponsors have focused on helping participants accumulate savings. In today's competitive job market, many leading firms are now adding retirement income solutions to their DC plans to address

existing employee concerns and attract new talent.²

This guide provides an overview of prudent processes which can be used to successfully select, implement, and oversee one or more retirement income solutions that serve your plan participants well. It also touches on how doing so can drive important business objectives.

¹ [What's Old is New Again: The Potential Benefits of Reopening Your Defined Benefit Plan - Georgetown Center for Retirement Initiatives](#)

² [Retirement Income Solutions Improve Recruiting and Retention \(401ktv.com\)](#)





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The Retirement Income Problem and the Solutions

Defining the Problem

- The #1 concern of working people approaching retirement age is the risk of running out of money during retirement.³
- The move away from DB and to DC plans shifts the burden from employers to American workers to plan and execute decumulation spending.
- Academic research has shown that concerns about financial stability “can severely reduce the productivity and health of employees, which can hurt a company’s bottom line.”⁴
- Concerns that retirement savings will last causes workers to delay retirement, increasing employer head-count costs.⁵

³ [Employee Benefit Research Institute \(EBRI\), Retirement Confidence Survey](#)

⁴ [The Cost of Financial Precarity \(ssir.org\)](#)

⁵ [Prudential Study](#)

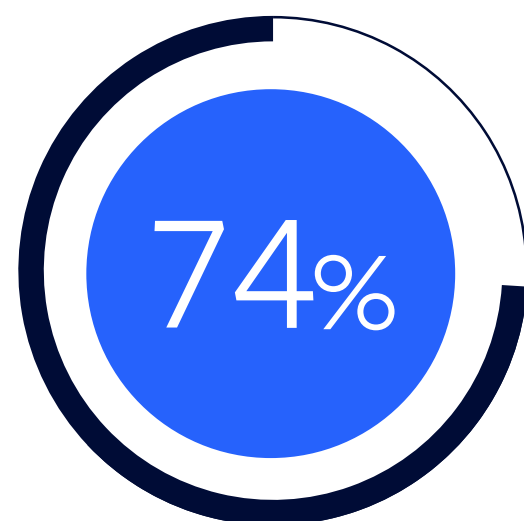
Introducing the Solutions

Retirement income solutions are commercially available products and services designed to distribute accumulated plan assets safely, efficiently, and economically to participants when they retire.

- **Insured Income Solutions:** Provide guaranteed lifetime income from immediate, deferred fixed, or deferred indexed annuities. Those who select these solutions favor certainty of income and freedom from ongoing decision-making over managing assets and exposure to securities markets.
- **Investment-based Income Solutions:** Provide managed payouts (systematic withdrawals) from accumulated retirement account savings and investments. Those who select these solutions favor access to their assets and the possibility of leaving assets to heirs; they are willing to retain the risks of security ownership and non-guaranteed income.
- **Hybrid Income Solutions:** Provide a combination of insured and investment-based income. These options are favored by those who seek to address a broad array of risks and are willing to pay the added cost of features that mitigate risks.



It's Your Business – Is this a good decision?



74% of Americans indicated: “An option that allows me to build a protected foundation for lifetime income would increase my loyalty to my employer.”⁶

\$50,000

Estimated cost of a one-year delay in retirement for an individual employee.⁷

⁶ [2022 Q2 Quarterly Market Perceptions Study, conducted by Allianz](#)

⁷ [Prudential Study](#)

Is adding a retirement income solution to your plan a smart business decision? Adding this feature can help address common business objectives such as:

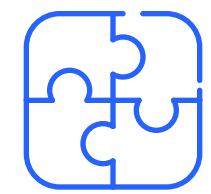
- Attracting new and retaining existing talent with this highly valued benefit.
- Making timely retirement more viable for older employees, saving the firm money and creating advancement opportunities for others.
- Fostering a culture that demonstrates a commitment to the long-term financial success of employees and your firm.

A financial advisor trained in retirement income evaluation can assist you in evaluating whether one or more retirement income solutions are appropriate based on your plan's demographics and needs.



Four Steps to Success

Meet your fiduciary obligations by working with a knowledgeable financial advisor and get started with retirement income solutions by breaking into a four-step process to prudently select, monitor, and replace retirement income solutions.⁸



Organize

Organize for Effective Plan Management

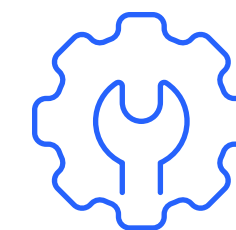
Assess the need for retirement income solutions and amend plan documents in collaboration with plan fiduciaries.



Formalize

Formalize Plan Decision-making

Ensure the Investment Policy Statement addresses prudent selection and monitoring of retirement income solutions. Consider available safe harbors.



Implement

Implement Retirement Income Solutions

Perform due diligence to select retirement income types and solutions. Address conflicts of interest and establish agreements with solution providers.



Monitor

Monitor and Maintain the Plan

Conduct periodic reviews to ensure that retirement income solutions continue to meet the needs of the plan and participants.

⁸ [The Prudent Practices for Retirement Income Solutions](#)

Leverage the Talents and Tools of Your Team

Identify your “champion” – Someone in your company to promote and contribute to this initiative.

- Ideally a member of your plan’s investment/fiduciary committee.
- Respected by employees across the organization.
- Able to work with your financial advisor to maximize success.

Financial Advisor

- Knowledgeable and experienced in the prudent selection, implementation, and monitoring of retirement income solutions.
- Skilled at working with plan recordkeepers and retirement income solutions providers.
- Able to provide or arrange education for plan participants and resources for plan sponsors.

Selected Retirement Income Solutions provider

- Chosen through a prudent due diligence process to serve the best interests of plan participants and beneficiaries.
- Actively engaged in monitoring and improving participant utilization of retirement income solutions.
- Able to provide education or helpful communication pieces to participants and members of your team.

Resources Your Team Can Use

Meet your fiduciary obligations by working with a knowledgeable financial advisor and get started with retirement income solutions by breaking into a four-step process to prudently select, monitor, and replace retirement income solutions.⁹



Detailed 10-step framework for plan fiduciaries to introduce and manage retirement income solutions in a defined contribution plan.



Suggested language for capturing and incorporating retirement income solutions within an Investment Policy Statement.



Guide to help identify risks participants face in retirement and how various solutions can address those risks.

⁹ [Explore more resources in the Retirement Income Resource Hub](#)

