



# Advisor playbook for retirement income solutions



A guide to effective implementation  
with defined contribution plans

# Introduction

In the years since IRAs and 401(k)s were first introduced in the 1970s, employers have moved away from defined benefit plans, making Americans more dependent on their own savings to fund retirement. With more plan participants approaching retirement age, there is a concern that they may outlive their savings.

The need for retirement income is imminent, and the process of adding retirement income solutions to an existing plan can be complex — which creates an opportunity for you to partner effectively with plan sponsors.

This playbook is intended for plan advisors and consultants who are implementing retirement income solutions (RIS) with plan sponsors. It provides step-by-step support through a logical framework, and is most effective when used in conjunction with [Prudent Practices for Retirement Income Solutions](#) and [associated resources](#).



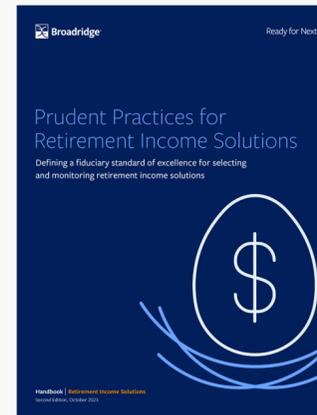
## What are retirement income solutions?

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



## What are the Prudent Practices?

Prudent Practices for Retirement Income Solutions is a detailed framework for plan fiduciaries to introduce and manage retirement income solutions in a defined contribution (DC) plan. We will reference the Prudent Practices throughout this playbook.



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**The Retirement Income Consortium** was founded in 2022 to empower the consideration of income options within retirement plans. Organized by Broadridge, the Consortium is educating the industry on the market need and has chartered this formalized due diligence process for evaluating offerings.

## Sound Advice

*Click picture to play this 0:26 audio clip.*



**John Faustino, AIFA®, PPC®**  
Head of Retirement Products,  
Broadridge

## Focus on longevity risk

Until recently, plan sponsors have been focused primarily on helping participants accumulate savings. Now they're challenged to ensure that participants will have a reliable source of income throughout retirement.

### Sound Advice



Click picture to play this 1:15 audio clip.



**Fred Reish**, Partner/Chair, Fiduciary Services ERISA Team, Faegre Drinker Biddle & Reath LLP

Fortunately, retirement income solutions and technology are bringing new levels of innovation to the defined contribution market. But few plan sponsors are aware of the solutions that are now available. [The Retirement Income Consortium](#) is working to change that, offering education and creating a process for evaluating the available options.

Some plan sponsors may only require a short conversation on retirement income solutions, while others may need more education through a series of meetings and discussions. Begin by crafting a compelling “why” message for retirement income solutions, then articulating the benefits for your plans and participants.



### Action Items

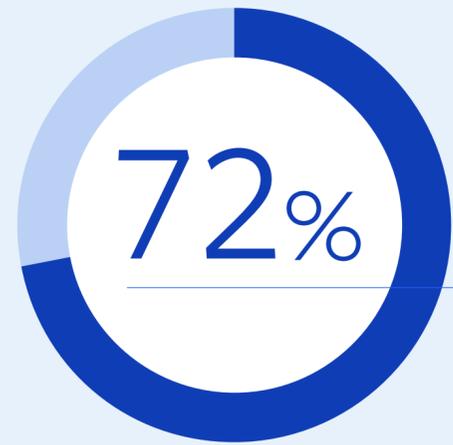
- ▶ **Identify your audience** and formulate questions to gauge their current level of understanding.
- ▶ **Gather information** about the need for retirement income. This may include broad market research, demographic information or structural reasons that can make the sponsor's plan well suited for retirement income.
  - ▶ [Refer to Practice 1: The decision to offer RIS](#)
- ▶ **Decide which education topics to cover.** Good starting points might include:
  - The evolution of retirement income solutions in DC plans.
  - Common terminology.
  - Changes in regulations and legislation driving retirement income.
  - The need for retirement income in DC plans.
- ▶ **Find a champion** for RIS who understands the need and can maintain the momentum.



### Practice Pointers

- ▶ **Prepare for objections.** Plan sponsors may not be aware of new innovations in solutions. Or they may have misperceptions based on poor experiences with retail annuities.
- ▶ **Be ready to educate.** If you need to find a partner or seek out input (from plan sponsors who have implemented RIS, product providers, consultants, etc.) for any aspects of the process, consider that early in the process.

# Conversation starters



of plan sponsors agree on the need for a technology-enabled retirement income solution.<sup>1</sup>



The median amount the average American has in retirement savings.<sup>4</sup>

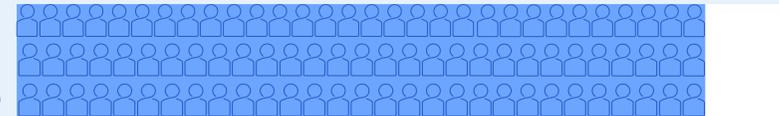
10,000  
baby boomers turn 65 every day.<sup>3</sup>



83

The age the average 65-year-old woman can expect to reach.<sup>2</sup>

88%



of Americans state:  
*"It's critical to have another source of guaranteed income beyond Social Security benefits for a comfortable retirement."*<sup>6</sup>



\$1,837 a month

The average Social Security benefit for a retired worker as of June, 2023.<sup>5</sup>



74%

of Americans indicated:  
*"An option that allows me to build a protected foundation for lifetime income would increase my loyalty to my employer."*<sup>7</sup>

## DB the DC plan

It's critically important to show how adding retirement income solutions can make a defined contribution plan more like a defined benefit plan. Once the plan sponsor understands the basics of retirement income solutions, and why they are necessary, it's time to identify the available solution types. Sponsors are likely to need education about the different solution types before they can evaluate the specific solutions.



### Action Items

- ▶ **Understand solution types available** to plan sponsors:
  - Insured
  - Investment-based
  - Hybrid
- ▶ [Refer to Practice 1: The decision to offer RIS](#)
- ▶ **Determine platform availability** for solutions the plan sponsor may want to evaluate. If any are unavailable on the current platform, you can ask the recordkeeper to add them, or suggest changing recordkeepers.
  - ▶ [Refer to Practice 5: Evaluating types of RIS](#)
  - ▶ [Refer to Practice 6: Selecting providers and solutions](#)



### Practice Pointers

- ▶ **Develop a system for monitoring** available offerings. Solutions are evolving quickly, and options that aren't currently available might be soon.
- ▶ **Use emerging tools and technology** from reputable third parties to evaluate solutions and gain insight into participant preferences.



# Types of retirement income solutions

There are generally considered to be three types of in-plan retirement income solutions:

1

## **Insured Income Solutions** (guaranteed)

provide guaranteed lifetime income from immediate, deferred fixed, or deferred indexed annuities.

These solutions generally focus upon mitigating longevity risk through either annuitization, or a guaranteed lifetime withdrawal benefit (GLWB) rider associated with a fixed rate or fixed indexed contract that also insures protection on asset growth.

Those who select these solutions favor certainty of income and relative freedom from ongoing decision-making over control of assets (liquidity) and the upside potential (and downside risk) of exposure to securities markets.

2

## **Investment-based Income Solutions** (non-guaranteed)

provide managed payouts (systematic withdrawals) from accumulated retirement account savings and investments.

These solutions typically allow investors (plan participants) to select from a finite range of payouts designed and implemented by a professional manager. The payouts rely on interest, dividends, and capital gains; therefore, the payouts vary based upon market conditions.

Those who select these solutions favor access to their assets, the potential for higher returns, and the possibility of leaving assets for heirs over the downside risk of securities market exposure and the possibility of depleting assets before lifetime income needs are met.

3

## **Hybrid Income Solutions**

provide a combination of insurance-based guaranteed income and access to accumulated assets in retirement account savings and investments.

These solutions include fixed, indexed, or variable annuities procured from insurance companies that are deployed with an investment portfolio approach, such as a target date or target risk structure, model portfolios, or managed accounts. The annuity component may or may not include a GLWB rider.

Those who select hybrid solutions seek to address a broad array of risks, such as longevity, legacy, liquidity, and cognitive (management ability) risks and they are willing to pay the added cost of features that may mitigate those risks. The cost of these protections depends on the design and implementation of the specific solution.



## Perform your fiduciary due diligence duties

ERISA requires plan fiduciaries to conduct a prudent process for investment-related decision making. In this regard, retirement income options are similar to other investment offerings. Establish a process and utilize it consistently on an ongoing basis. You may be able to build a scalable process that can be used across multiple clients.



### Action Items

- ▶ **Develop a framework** such as an investment policy statement (IPS) or other stated objectives.
  - [Refer to Practice 3: Investment Policy Statement](#)
  - [Refer to the Investment Policy Statement Guide](#)
    - The type of IPS updates may depend on the retirement income solution selected. For example, investment-based solutions may only require minimal updates.
    - Add detailed qualitative and quantitative criteria as an appendix, for example, particularly when selecting a guaranteed or hybrid solution.
- ▶ **Get all the details** — either through independent research or by meeting with solution providers or consultants.
  - Confirm that safe harbor requirements have been satisfied if you are including a guaranteed or hybrid option.
  - [Refer to Practice 4: Evaluating safe harbors](#)
    - Determine whether to offer proprietary solutions (where available).
- ▶ **Compare providers and solutions** objectively.
  - [Refer to Practice 5: Evaluating types of RIS](#)
  - [Refer to Practice 6: Selecting providers and solutions](#)
- ▶ **Select the retirement income solution(s)** to include, and document each decision.



### Practice Pointers

- ▶ **Decide how to incorporate the solution into the plan.** If the retirement income option will be part of a managed account or qualified default investment alternative, check the IPS and other governing documents to ensure they account for the addition of a retirement income solution.
- ▶ **Update related documents,** such as the plan document, committee charter or education policy statement, in conjunction with the IPS review.



## Simplify implementation

Once you have selected a retirement income solution, you need a strategy for successful implementation. In addition to legal and regulatory requirements such as signing an updated recordkeeping agreement and sending participant notices, there are likely several strategic decisions that will help ensure success.



### Action Items

- ▶ **Determine how to incorporate the retirement income solution(s)** into the fund line-up, and gain approval from the plan's fiduciary committee.
  - For example, the plan may add a single investment option or as part of the qualified default investment alternative (QDIA).
  - Some solutions may be available as either a stand-alone option or as part of a managed account offering.
- ▶ If a solution offers additional optionality (e.g., the age to allow participation), **be careful to ensure prudent decision-making** and document each decision the fiduciaries make.
- ▶ **Work with stakeholders** at the recordkeeper, solution provider, and plan sponsor to develop an implementation plan that aligns with the plan sponsor's goals.
- ▶ **Create a participant communication plan** that includes consideration for:
  - The online experience for active employees and new retirees.
  - Development and deployment of initial and ongoing notices.
  - Roles and responsibilities for each component of the strategy.



### Practice Pointers

- ▶ **Minimize the decision points** for plan sponsors. Present case studies that highlight the ways these decisions have been successful for other sponsors.
- ▶ **Use simple language** in participant communications. Participants don't want to deal with confusing jargon and technical terms. Use a variety of communication channels and highlight ease of use and similarity to existing products or structures.
- ▶ **Refer to the Participant Guide** [Share this guide with participants to help educate them on post retirement risks and the options that can help address those risks.](#)



## Monitor marketplace and plan developments

Once a solution is implemented, it's important to periodically monitor both the solution's results and participant engagement. Fiduciaries should also monitor the marketplace as solutions continue to evolve.



### Action Items

- ▶ **Decide what tools and resources will be used** to monitor the solutions. If the safe harbor is utilized for insured and hybrid solutions, monitor the requirements of the safe harbor annually to ensure they remain accurate.
  - ▶ [Refer to Practice 9: Periodic reviews](#)
- ▶ **Continuously monitor the effectiveness** of the participant engagement strategy and update as necessary. Where available, consider metrics on guaranteed income provided and utilization by participants and retirees.



### Practice Pointers

- ▶ **The participant engagement strategy should continue beyond the initial launch**, with ongoing communications to current employees as well as new retirees. Unlike prior engagement campaigns, there should be an emphasis on retiree communications.
- ▶ **Work with recordkeepers and solution providers** to generate reports on the solution's effectiveness for retirees over time.

# Conclusion

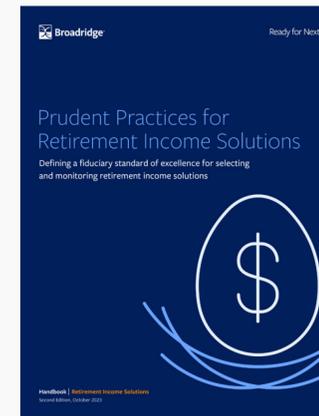


The need to provide participants in defined contribution plans with path to sustainable savings is clear. The addition of retirement income solutions can help plan sponsors attract and retain valuable employees by showing a path beyond the participant’s working years.

Although it’s a win-win proposition, retirement income is a complex issue. We encourage you to take advantage of this playbook and related Retirement Income Consortium resources as you help plan sponsors adapt their DC plans to account for the full retirement lifecycle.

# Additional resources

## Prudent Practices for Retirement Income Solutions



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

## Investment Policy Statement Guide



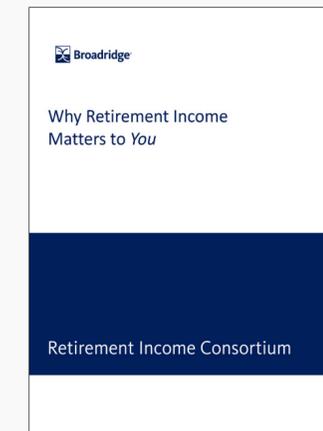
View suggested language for capturing and incorporating retirement income solutions within the Investment Policy Statement.

## Glossary of Terms for Advisors



Read up on the definitions for the most common terms you’ll come across in the retirement income industry.

## Participant Guide



Educate your clients on the risks they face at retirement and the different retirement income solutions designed to address those risks.

[View all resources >](#)

# About the Retirement Income Consortium

The Retirement Income Consortium was founded in 2022 to empower the consideration of guaranteed income options within retirement plans. Organized by Broadridge, the Consortium is educating the industry on the market need and has chartered this 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.

[➤ Broadridge.com/Retirement-Income-Consortium](https://www.broadridge.com/Retirement-Income-Consortium)

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## FOOTNOTES

<sup>1</sup> PLANSPONSOR

<sup>2</sup> U.S. Centers for Disease Control and Prevention

<sup>3</sup> U.S. Census Bureau

<sup>4</sup> The Federal Reserve. Survey of Consumer Finances. Accessed Oct. 24, 2023.

<sup>5</sup> Social Security Administration

<sup>6</sup> 2023 Q1 Quarterly Market Perceptions Study, conducted by Allianz

<sup>7</sup> 2022 Q2 Quarterly Market Perceptions Study, conducted by Allianz

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