

# Institutional Investment Advisors and Consultants Forum: *Developing Expertise and Insights*

**OPTIMIZING OUTCOMES WITH  
AVAILABLE SOLUTIONS:  
*Non-insured and out-of-plan***

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*Innovation, Communication, Evaluation*

- Non-insured retirement income solutions
  - Managed accounts
  - Specialized products
- Out-of-plan rollover annuity platforms – “supermarket approach”
- Bringing it all together

# Non-insured retirement income solutions

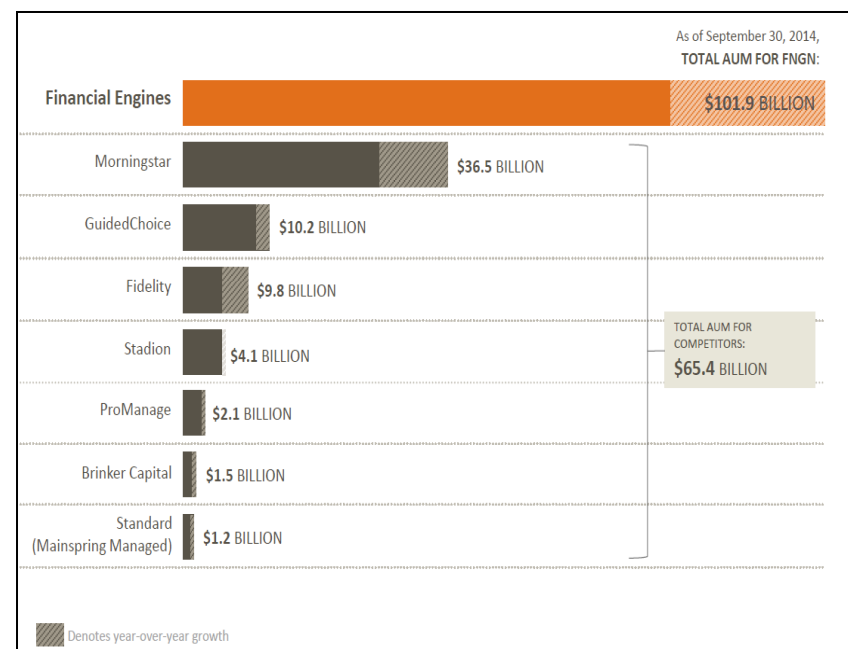
## Managed accounts: Overview



### Summary of key features

- Provide personalized advice
- Qualify as QDIA
- Minimal operational impact on retirement plan
- Strategy subject to market performance
- Lifetime income is not guaranteed
- High liquidity and flexibility

### DC managed account providers



Source: Financial Engines Investor Presentation Q4 2014

# Non-insured retirement income solutions

## Managed accounts: Recordkeepers



Managed Account Provider	ADP	Aon Hewitt	Ascensus	BOA Merrill Lynch	Charles Schwabb	Fidelity	Great-West	ICMA	JP Morgan	Lincoln Financial	Mercer	Milliman, INC	New York Life	Paychex, Inc	PNC Bank	Principal Financial	Prudential	Security Benefit	SunGard/Relius	T. Rowe Price	TIAA-CREF	Tramsamerica	USI Consulting Group	VALIC	Vanguard	Voya	Wells Frago	Xerox
Financial Engines		✓				✓			✓		✓									✓					✓	✓		✓
Morningstar			✓	✓	✓		✓	✓		✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	
Guided Choice	✓	✓			✓									✓						✓								

Source: "2013 Asset Allocation Solutions Buyer's Guide: Managed Accounts." PLANSPONSOR, 1 Oct. 2013. Web.; EY desk research

# Non-insured retirement income solutions

## Managed accounts: Financial Engines Income +



- Enhancement to the managed accounts program that provides steady monthly payouts, with a goal of steady income and limited downside risk
- Income+ rebalances investments to help protect future income
- Money stays in existing plan investment options
- Participants maintain full control of their accounts
- No need for in-plan annuity option, but participants can purchase an annuity as part of the Income+ offering
- Neither Financial Engines (FE) nor its advisor representatives receive any form of commissions or product compensation from annuity provider
- FE offers advisor counseling for users of managed accounts/Income+
- Average participant managed account fee was 37 bps\*

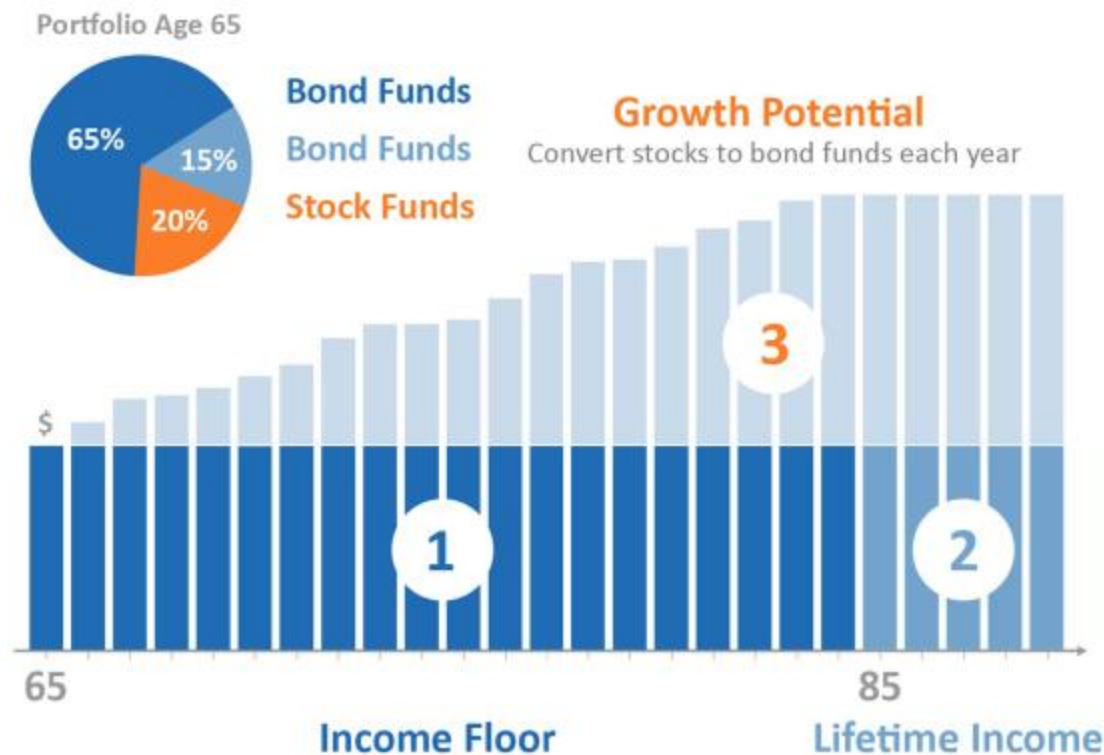
Source: "2013 Asset Allocation Solutions Buyer's Guide: Managed Accounts." PLANSPONSOR, 1 Oct. 2013. Web.; EY desk research  
\*No additional fees for participants or sponsors using Professional Management. Management fees for Financial Engines Professional Management program (including Income+) typically range from 20 bps to 60 bps based on plan and account balances and enrollment method.

# Non-insured retirement income solutions

## Managed accounts: Financial Engines Income +



- Financial Engines Income + approach to generating income



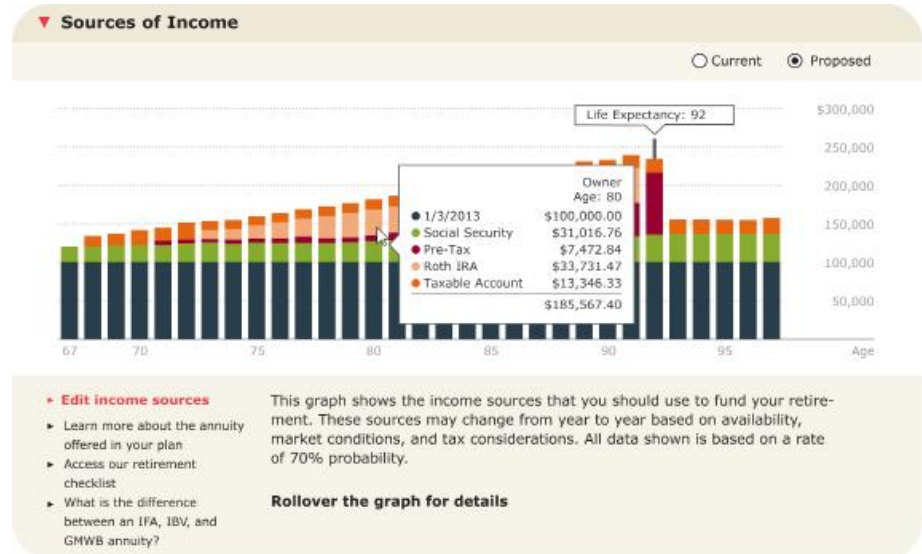
Source: "Financial Engines **Income+**: A New Approach to 401(k) Retirement Income" (2011). Financial Engines, Inc.

# Non-insured retirement income solutions

## Managed accounts: Morningstar Retirement Manager



- Morningstar Retirement Manager with Income Secure provides retirees with a sustainable spending plan, as well as an investment strategy for their retirement account(s)
- A specific, individualized drawdown plan that outlines how much the retiree should pull from each account each year, considering taxes and minimum required distributions



Source: "Morningstar® Retirement ManagerSM with Income Secure" (2013). Morningstar

# Non-insured retirement income solutions

## Managed accounts: Guided Choice Guided Spending



- Retirement income advice program built upon founder Dr. Harry Markowitz's Modern Portfolio Theory
- Provides participants nearing retirement with the following information:
  - How much the retiree can spend per month (after-tax) in retirement
  - The amount to sell from each account and from which investments
  - Target asset allocation based upon participant's risk profile and individual circumstances
  - When to begin taking Social Security (including participant's spouse)
  - Advice given through computerized algorithm
- Annual fee of 25 basis points or less on participant assets, applied to the first \$100,000 in each participant account

Source: "2013 Asset Allocation Solutions Buyer's Guide: Managed Accounts." PLANSPONSOR, 1 Oct. 2013. Web.; EY desk research



# Non-insured retirement income solutions

## Specialized products: Blackrock CoRI Index

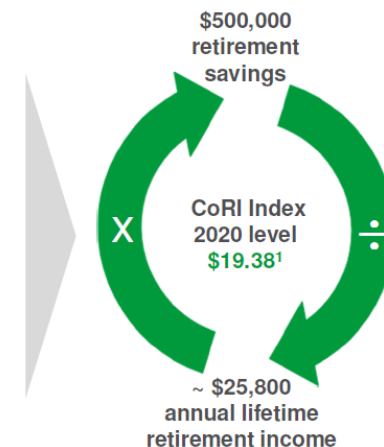


- Accesses “annuity beta” exposure to manage retirement income risk while maintaining the flexibility of a bond fund
  - Can be integrated into diversified strategies like target date funds
  - Allows for some access to the lifetime income market without requiring a permanent financial commitment

### Benchmarking retirement income in relatable, actionable terms

- ▶ The CoRI™ Retirement Indexes (“CoRI Indexes”) are a suite of age-based, U.S. bond indexes.
- ▶ Each index seeks to track the estimated cost of \$1 of future, cost of living-adjusted (COLA) annual lifetime income starting when an individual turns 65 (or starting today if 65 and older) in the U.S.

How Old Do You Turn in 2015?	Your CoRI Index Ticker	Your CoRI Index Level <sup>1</sup>
55	CORI2025	N/A
56	CORI2024	\$17.25
57	CORI2023	\$17.79
58	CORI2022	\$18.28
59	CORI2021	\$18.81
60	CORI2020	\$19.38
61	CORI2019	\$20.09
62	CORI2018	\$20.70
63	CORI2017	\$21.25
64	CORI2016	\$21.79
65	CORI2015	\$22.30
66	CORI2014	\$21.39
67	CORI2013	\$20.72
68	CORI2012	\$20.04
69	CORI2011	\$19.38
70	CORI2010	\$18.73
71	CORI2009	\$18.04
72	CORI2008	\$17.37
73	CORI2007	\$16.67
74	CORI2006	\$15.99
75	CORI2005	\$15.32



*A 60 year old would need approximately \$19.38 saved today for \$1 of COLA-adjusted, annual lifetime income beginning at age 65.*

CoRI Index levels are subject to change over time and are shown for illustrative purposes only. Past performance is not indicative of future results. Indexes are unmanaged and one cannot invest directly in an index. Data shown does not represent an actual investment or account. 1. Index levels are as of 02/05/2015; CoRI Index 2025 anticipated to launch in June 2015

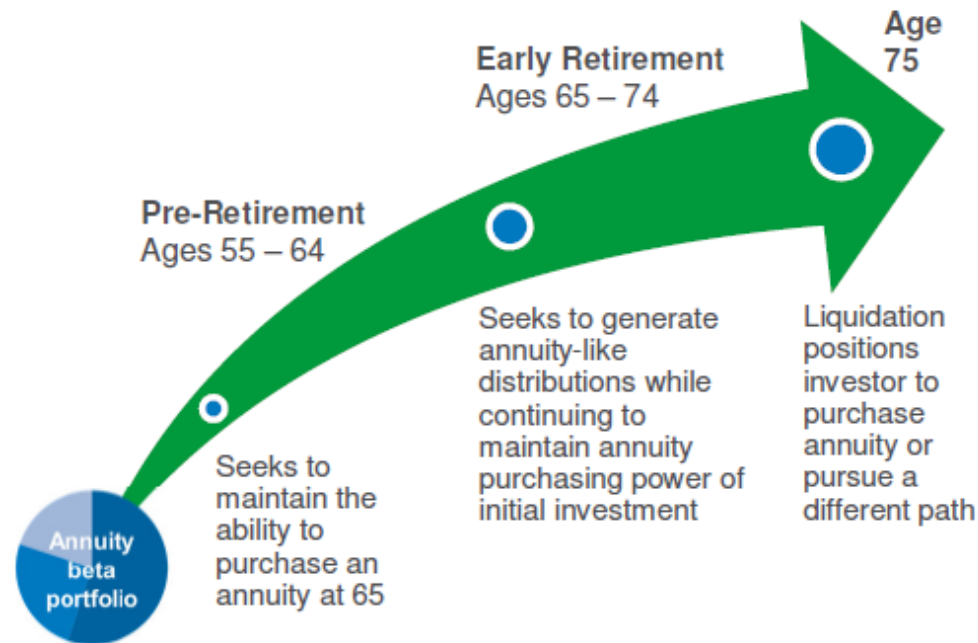
Source: “Managing to retirement income choice in Defined Contribution: CoRITM Retirement Indexes & investment strategies” (2015). Blackrock

# Non-insured retirement income solutions

## Specialized products: Blackrock CoRI Index



What is the investor experience?



Source: “Managing to retirement income choice in Defined Contribution: CoRITM Retirement Indexes & investment strategies” (2015). Blackrock

# Out-of-plan rollover annuity platforms

## Hueler Income Solutions<sup>®</sup> Annuity Platform



- Serves transitioning investors who want to convert part of their savings into a reliable, guaranteed income stream
  - Access to non-commissioned annuity specialists who provide education
  - Post-sale annuity specialists remain available for service and assistance
- Offers institutionally priced, automated delivery of lifetime income via a multi-issuer\* platform
  - Types of annuities\*\* include SPIA, QLAC and longevity insurance
  - No fee to plan participants to run quotes on the Income Solutions<sup>®</sup> platform
  - Low cost, one-time transaction fee at purchase that is transparent and standard across all providers
- Available to plan sponsors, through recordkeepers and fee only advisors

Source: EY desk research

\* Hueler is independent from the insurance companies and pre-screens the issuers on its platform

\*\* Deferred income annuities and fixed deferred annuities are also available

# Bringing it all together

## Recap: Key features



<b>Design features</b>	<b>Systematic withdrawal plan</b>	<b>GLWB</b>	<b>Fixed deferred annuity</b>	<b>Managed accounts</b>	<b>Annuity platform</b>
In-plan / Out of plan	Either	In-plan	In-plan	In-plan	Out of plan
Type (Product / Solution)	Solution	Product	Product	Solution	Product
Customized advice - 3(38) fiduciary	No	No	No	Yes	No
Dedicated education services	No	Yes	Yes	Yes	Yes
Initial income*	Low	Medium	High	Low	High
Guaranteed income	No	Yes	Yes	No	Yes
Protection from market downside	No	Yes	Yes	No	Yes
Participation in market upside	Yes	Yes	No	Yes	No
Flexibility to change out of annuity option	N/A	Yes	No	N/A	No
Investment control	Yes	Restricted	N/A	Advisor	N/A
Liquidity	Yes	Yes**	No	Yes	No

\* Based on a 65 year old couple.

\*\* The level of guaranteed income may change if excess withdrawals are taken.

# Bringing it all together

## Next steps: Evaluating retirement income solutions



The next step is to develop an evaluation framework that considers:

### Plan sponsor

- Fiduciary concerns and safe-harbor protections (or lack thereof)
- Appetite for portability
- Initial and ongoing education
- Control over investment and distribution decisions
- Company culture

### Participant

- Appetite for portability
- Need for long-term income replacement
- Current investments and savings level
- Risk profile
- Financial literacy
- Need for advice and counseling

### Advisor / consultant

- Identify the risk-value metrics that are most important to the employer and employee
- Evaluate each option against the selected metrics
- Assist the plan sponsor in ranking the importance of each selected metric

# Questions

