Subject: **RIA / Advisor Segmentation**

Introduction

In considering the parts of the institutional retirement market that would be best positioned to take advantage of a lifetime income solution offering, IRIC determined it would be helpful to first inventory all the relevant constituents. The following parties were identified as the key stakeholders: plan sponsors, recordkeepers, and advisors / RIA's.

The following summary will detail what we believe to be the key attributes of RIAs / advisors / intermediaries that may be best positioned to consult on lifetime income solutions, as it relates to defined contribution plans.

IRIC believes that any intermediary that believes in Institutional income will have the following attributes common across plan size, plan types and market segments they serve.

- Well versed in the types of retirement income (RI) products / solutions available in the marketplace
- Well-resourced in understanding new RI solutions as they are introduced into the market
- RI is an important part of their practice that differentiates them from other intermediaries / advisors.
- Intermediaries that are NOT wealth managers that seek RO business from their DC business; or if they are wealth managers, has a business model where Institutional RI is an important component of their business plan, revenues and profits.
- Well versed when consulting with employers / sponsors on the rationale regarding adoption of RI and how Institutional RI can make client's benefit plan a better HR management tool
- Have (or partner with RK that have) robust retirement readiness education, financial wellness understanding, tools to convert consolidated retirement balances to RI, and overall education program that frames the education into retirement income that can be generated from their DC / retirement balances.

IRIC also recognizes that intermediaries in the very large / mega market will be different than their smaller market counterparts due to the customization desired in the large end of the market, unique solutions that can be bargained by larger sponsors and research resources available in the large end of the market. The small market advisor / intermediary will differ from their larger market counterparts in the level of participant services that they offer (advisors in the very small end of the market may perform their own enrolment meetings and education, while in the larger / mega market – advisors usually do not offer educational resources at the participant level), In the small market, the need to be able to have common sponsor needs, reasons to add a RI product, and understanding of RI products so that product / solution features can be replicated across their client base. In short, the market segment serviced by the consultant, advisor or intermediary can cause nuances in the delivery of RI security to DC participants. But at its core, all intermediaries that believe in Institutional income products and have expertise into the solution sets offer in their market segment are able to stand apart from other advisors that are less versed in the additional security offered by Institutional RI products.

The next two sections of this memo are broken down into the "Larger" end of the market and the "Smaller" end of the market to better understand the nuances of RI as they apply to different market segments.

Summary for advisors and consultants serving the larger end of the market

In order to be best positioned to provide advice and direction on a lifetime income solution, an advisor should be well-resourced, integrated into the investment manager and recordkeeper community, and have a client base that is not only interested in moving forward with a solution but also has the ability to leverage their client's collective buying power with regard to both custom institutional solutions as well as "off the shelf" income solutions.

Advisor Size - large market

Why is it important? The size of the advisor is an important factor to consider as it provides insight into the level of influence the advisor may have on the institutional marketplace.

Classifications Global | National | Aggregators | Boutique

Target Market

Why is it important? Understanding the advisor's target market is helpful when determining the penetration-level the advisor may have into the institutional marketplace. For example, an advisor that targets the jumbo plan marketplace may receive more media attention should their client pursue a Lifetime Income Strategy, while an advisor serving several smaller-sizer plans may have more widespread adoption given potentially lower governance hurdles.

Classifications Jumbo (>$5B) | Large ($1B→$4.9B) | Moderate ($250M→$0.9B) | Small ($50M→$249M) | Micro (<$50)

Depth of Research Team - larger market

Why is it important? An advisor with specialist research resources will certainly be better positioned to dedicate the time and effort to understanding the institutional lifetime income offerings, and thereby will be more valuable to whatever market they serve.

* Note for this classification, you can make more than one selection.

Classifications Generalist | DC Specialist | Insurance Specialist | Target Date Specialist | Managed Accounts Specialist | Research Team <50 people | Research Team 20→50 people| Research Team > 50 people

Service Models Available – larger market

Why is it important? Advisors that have the ability to take over implementation responsibilities from their clients will likely have better success implementing a lifetime income solution. This is most likely under a delegated investment arrangement as the advisor will be providing operational support. Advisors that provide advisory-only services could be well-equipped to provide guidance, but operational aspect of implementation would fall to the client, creating a barrier to adoption.

Classifications Retainer | Asset-based | Commissions | 3(21) Advisory-only | 3(38) Delegated-only | Both 3(21) and 3(38) fiduciary services

Type of Plans Serviced - larger market

Why is it important? The type of plan and advisor services, or specializes in, will help determine if they are more or less familiar with the concept of lifetime income. For example, large corporate plan sponsors may be familiar with the concept through the provisions of a defined benefit plan, while a not-for-profit has likely been providing annuities to their participants all along.

Classifications Corporates | Not-for-profit | Public Sector | Tart-Hartley

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In the smaller end of the market – the following intermediary / advisor attributions apply

Summary for advisors and consultants serving the smaller end of the market

In the smaller end of the market, product knowledge is essential for the engaged intermediary. Additionally, we find that in the smaller end of the market the DC specialist (Vs the light and medium DC advisor) generally is more open to Institutional products where DC advisors that do not specialize in DC plans generally are less open to introducing RI solutions to their clients.

Service Model – smaller market

Advisors that differentiate on higher level of retirement readiness often will introduce RI solutions to their sponsor clients due to the additional security offered by institutional products. Thus, DC specialist where a firm offers participant education and high level of retirement readiness find that Institutional RI solutions fit well into their value proposition.

Types of Plans serviced – smaller market

Advisors in the small end of the market that focus on governmental entities or 403(b) find that these participants and employers may be more likely to have (or had) a DB pension plan. As a result, these types of plans (and as a result the intermediary that services them) will be more likely to offer a RI solution within their DC plan.