IRIC

INSTITUTIONAL RETIREMENT INCOME COUNCIL

For Immediate Release

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Institutional Retirement Income Council Announces Retirement Industry Trends to Watch in 2019

Iselin, NJ, December 12, 2018 – The Institutional Retirement Income Council (IRIC), a non-profit think tank for the retirement income planning community, today announced its annual list of top retirement industry trends for plan sponsors, providers and advisors to watch in 2019. IRIC says it expects a growing number of plan sponsors and industry stakeholders to evaluate retirement income solutions and de-accumulation strategies for their defined contribution plans as the drive to help workers with their financial well-being and retirement readiness intensifies in the coming year.

"The continued decline of defined benefit plans along with the Social Security trustees again projecting that both Social Security and Medicare face long-term financing shortfalls under currently scheduled benefits and financing will put more pressure on define contribution (DC) plans to become income generators for future retirees," said Bob Melia, executive director of IRIC. "DC plans are well positioned to significantly add to America's security by adopting retirement income solutions that are currently available in the market today. The DOL fiduciary rule, the pending SEC best interest rule as well as the fact that over $1 billion leaves DC trusts every day for IRA custodial accounts and annuities has re-focused the DC industry to enable income generators from DC plans directly instead of rolling assets over to an IRA in order to create a financial plan for participants."

IRIC identifies the following retirement industry trends to watch in 2019:

Retirement Legislation: IRIC expects to see some provisions in the Retirement Enhancement Savings Act, the Family Savings Act and the Automatic Retirement Plan Act to gain additional attention in the 2019 legislative agenda. The enactment of legislation could usher in greater interest and adoption of guaranteed income options for 401(k) and other DC retirement plans.

Industry Consolidation: As baby boomers continue to withdraw assets from their DC accounts, record-keepers will be under increasing pressure – especially those record-keepers whose revenues strongly depend on assets under management. Fee compressions in all areas of the marketplace and continued net flows out of the DC system along with a market correction could cause continued consolidation and re-doubling of efforts to keep assets in DC plans. Such record-keepers could improve their revenues and increase the security of its participants by offering institutional income solutions as part of defined contribution recordkeeping services.

Comprehensive view of retirement security and further integration of HSAs and 401(k) plans: IRIC believes HSAs will continue to maintain its spotlight on retirement security as high deductible plans become more popular. DC record-keepers that integrate with HSAs will have an advantage as the definition of “retirement security” broadens to include health care cost late in life. Additionally, the further integration will reinforce the trend of open enrollment including 401(k) plans, giving participants better tools for deciding how to invest HSAs assets while encouraging accumulation of HSA savings for retirement. Ultimately the broader and comprehensive view of retirement security can also help DC providers to consolidate retirement assets in the participant’s DC plan and offer drawdown strategies that increase the security of the participants who take advantage of such services.

Market Conditions and Correction: As the market continues to seek direction after 10+ years of a bull market, participants could face difficult investment decisions if a market correction occurs. A more challenging stock market along with steadily rising interest rates would cause even well-diversified portfolios to decline in value. How participants react could drive greater proliferation of, and demand for, products offering downside protection, stable value contracts, insurance products such as deferred annuities and guaranteed income benefits, alternative funds and real asset funds.

Additional observations from IRIC advisors:

Martha Tejera, Tejera Associates:

All eyes will be on Washington and the new Congress next year as any retirement legislation could drive plan sponsor interest in offering guaranteed income options to their 401(k) plan participants. The bills that have been introduced signal bipartisan support for plan sponsors to adopt retirement income strategies.

Also, plan sponsors have been taking a more pro-active role in offering employees financial wellness tools, which are philosophically aligned with the intent of retirement income solutions.

Dana Hildebrandt, Willis Towers Watson:

The increased attention to lifetime income definitely presents opportunities. In terms of products, specialized non-guaranteed (investment-only) lifetime income options emerging in the DC landscape represent a simple, straightforward compliment to annuities and guaranteed products as income options. In terms of flexibility, amending plan documents to allow for periodic payments and systematic installments may allow recordkeepers to retain assets under management while providing participants with institutionally priced funds as they draw down their nest egg. This could benefit participants immensely as keeping assets institutionally invested through the draw down phase will allow them to receive the benefits of that pricing.

Steve Vernon, Stanford Center on Longevity:

“Decisions during the *retirement opportunity zone* – those decisions made by participants between ages 62 and 70 – regarding working; spending and retirement have a significant influence on the amount of retirement income they will eventually receive. The retirement shortfall that exists today can be; in no small measure, partially solved for by wise decisions during the ‘retirement opportunity zone’. Participants need to optimize their decision regarding social security and use their DC assets to ensure social security optimization. By adopting retirement income solutions as part of a DC plan, and educating participants to use DC assets to delay and optimize social security, employers can help participants greatly increase their retirement income.

About the Institutional Retirement Income Council

The Institutional Retirement Income Council (IRIC) is a non-profit, membership-based organization of industry advisors who are dedicated to sharing best practices, informing about legislative and regulatory issues, and facilitating solutions for plan sponsors and their participants. IRIC's mission is to facilitate the culture shift of defined contribution plans from supplemental savings programs to programs that provide retirement security. By providing a forum for insightful, solutions-oriented thought leadership on institutional retirement income, IRIC is promoting the need for retirement income adequacy for defined contribution plan participants. For more information, visit www.iricouncil.org