

DEFINED CONTRIBUTION RETIREMENT INCOME SOLUTIONS

A DECISION TREE FOR SPONSORS

An IRIC presentation

**Thanks for joining. The IRIC presentation on Retirement
Income will begin shortly**

PRESENTERS

Andrew Stumacher

Director, Customized Defined Contribution Solutions; AllianceBernstein



Andrew Stumacher is a Vice President and a Product Director for AB's customized defined contribution solutions. He is responsible for developing and implementing default target-date fund, model portfolio and retirement income strategies for the mega-size institutional plan market. He works in close collaboration with plan sponsors, intermediaries, and internal and external partners to develop innovative and flexible products and supporting infrastructures aimed at improving outcomes for defined contribution plans and participants. Previously, from 2011 to 2017, he managed the integration of AB's defined contribution products with recordkeepers, trustees, custodians, insurers and investment managers. He joined the firm in 2004, focusing on strategy and development for new institutional products.

Bob Melia

Executive Director, Institutional Retirement Income Council (IRIC)



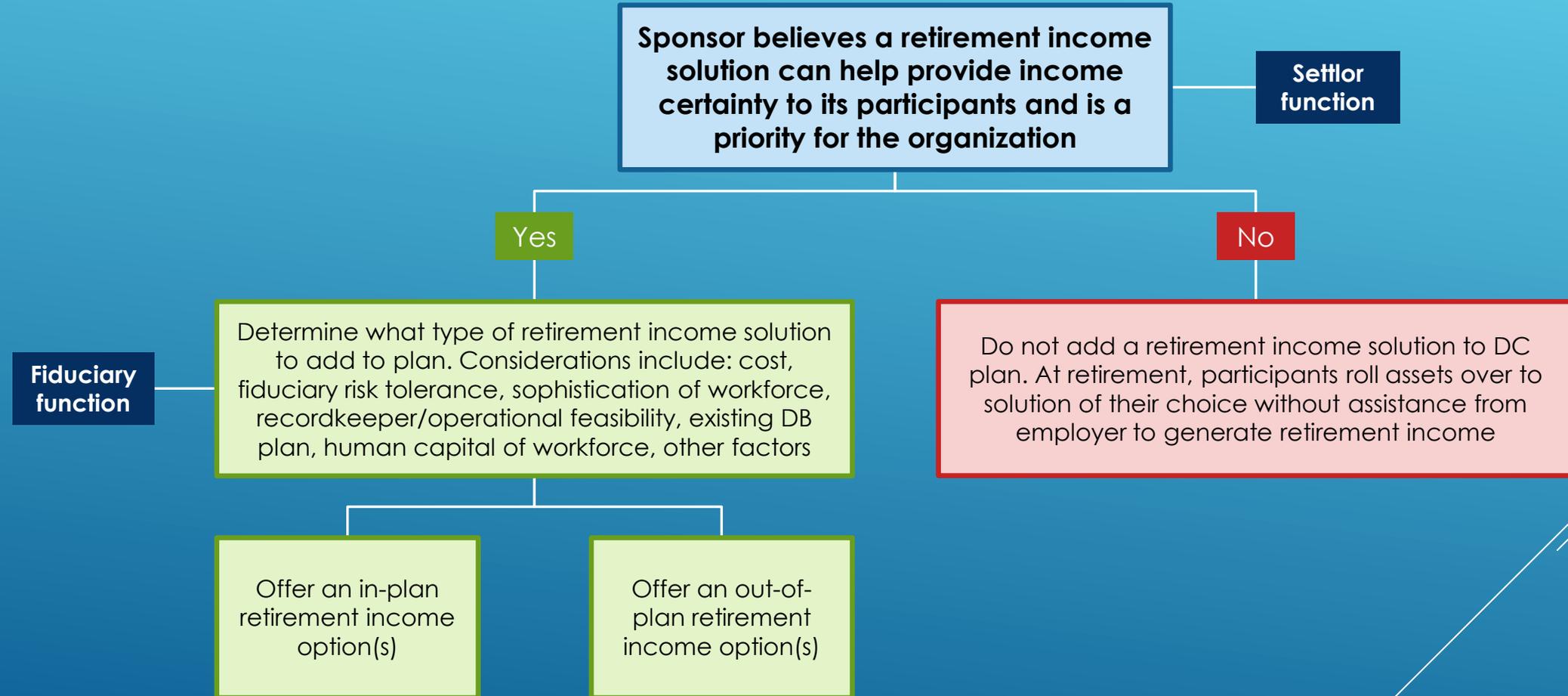
The Institutional Retirement Income Council (IRIC) is a not-for-profit organization whose mission is to facilitate the culture shift of defined contribution plans from supplemental savings programs to programs that provide retirement income through institutional income strategies and solutions within our defined contribution system.

Bob leads a group of retirement plan advisors, DC executives, DC service providers and investment firms that seek to deliver institutional retirement income products and income solutions through the DC system.

WHAT IS RETIREMENT INCOME?

Any product, solution or service **adopted by a plan sponsor** that simplifies or facilitates the process of generating income from a defined contribution plan during retirement

SHOULD A RETIREMENT INCOME SOLUTION BE A PART OF THE PLAN DESIGN?



PLAN SPONSOR REVIEW WHEN CONSIDERING A RETIREMENT INCOME SOLUTION

1. Retirement income solution can provide participants income certainty and security
2. Retirement income can increase workers' productivity and the probability that they will be able to retire at their desired age
3. Retirement income solutions can provide transparency to employees and allow them to save more or work longer if income projection is below target, for better retirement readiness
4. A retirement income solution can enhance the plan to help the company attract, retain and manage human resources
5. Offering a retirement income solution can help the company be perceived as an innovator and market leader
6. Company leadership believes the features of our plan benefits should reflect our organizational culture
7. The plan's investment committee is sophisticated and knowledgeable enough to make decisions on behalf of our employees regarding retirement income

CHECKLIST ON INITIAL AFFIRMATIVE DECISION

Sponsor believes a retirement income solution can help provide income certainty to its participants and it's a priority for the organization

Belief Statement	Score (1 to 5)
I believe that my employees will receive more income security through an institutional retirement income solution than they otherwise would in the retail marketplace using a financial planner or advisor.	
I believe that my benefit and labor costs can be more effectively managed and potentially decreased by increasing the retirement readiness of my near-retirees through the use of an institutional retirement income solution.	
I believe that many of my employees nearing (or beyond) our normal retirement date would prefer to retire or semi-retire, but cannot owing to a perception that they are not retirement ready and will not have the retirement income needed for a secure retirement.	
I believe that adding a retirement income solution to our DC plan aligns with employee retirement goals.	
I believe the following about the productivity of our workforce: (1) For certain positions (but not all positions), as our workforce ages beyond our normal retirement date, productivity can decline. (2) Our management training/development efforts are not living up to their potential. Younger management trainees/shooting stars have been inclined to leave our organization owing to a perception of a lack of opportunity, or lack of accelerated career pathing, resulting in lower productivity caused by turnover of the designated "A player" talent pool.	

CONTINUED ON NEXT PAGE

1—strongly disagree with statement; 2—disagree; 3—neither agree nor disagree; 4—agree; 5—strongly agree with statement

CHECKLIST ON INITIAL AFFIRMATIVE DECISION

Sponsor believes a retirement income solution can help provide income certainty to its participants and it's a priority for the organization

Belief Statement	Score (1 to 5)
I believe that the retirement plan is enhanced with an institutional retirement income solution, the plan will help our HR staff to attract, retain and manage our most precious resource—our human resources.	
I believe that my organization has a desired culture of innovative thinking, is a leader in our market space, is nimble in reacting to consumer demands and market changes, and produces effective product and service enhancements in reacting to our customers' desires.	
To promote these positive attributes, the retirement benefit plan enhancements need to be either <i>first to market</i> or <i>fast followers</i> to remain competitive in the market.	
I believe that my employees need additional help and education regarding retirement income, and that we can effectively increase their retirement income by adopting and promoting a retirement income solution in our plan.	
I believe that the fiduciaries of our plan (the investment committee and/or retirement plan board) are highly functioning and can make a good settlor function decision around retirement income as well as a prudent decision on the type of solution to add to our plan.	

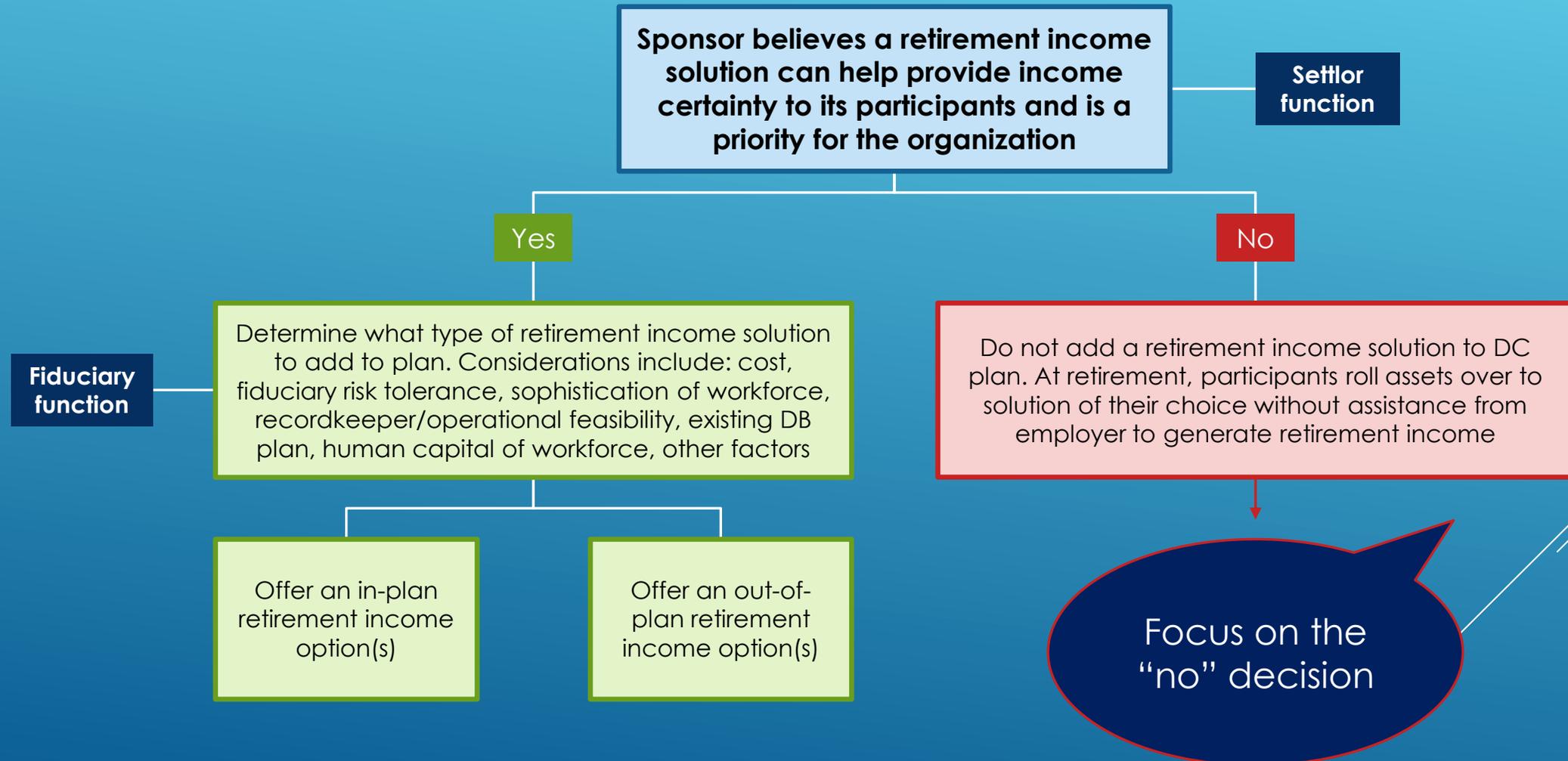
Average **1.0 to 2.5** = Adding retirement income solution will not meet the desires/goals of the organization.

Average **2.5 to 3.5** = Adding retirement income solution may not help the organization meet its desired objectives and should not be a high priority for the organization.

Average **3.5 to 4.0** = Adding retirement income solutions would assist in meeting the objectives of the organization.

Average **4.0 to 5.0** = Adding retirement income solution will align the plan with organizational goals and should be a priority for the plan's investment committee.

IF YOU THINK A RETIREMENT INCOME SOLUTION SHOULD NOT BE A PART OF THE PLAN DESIGN



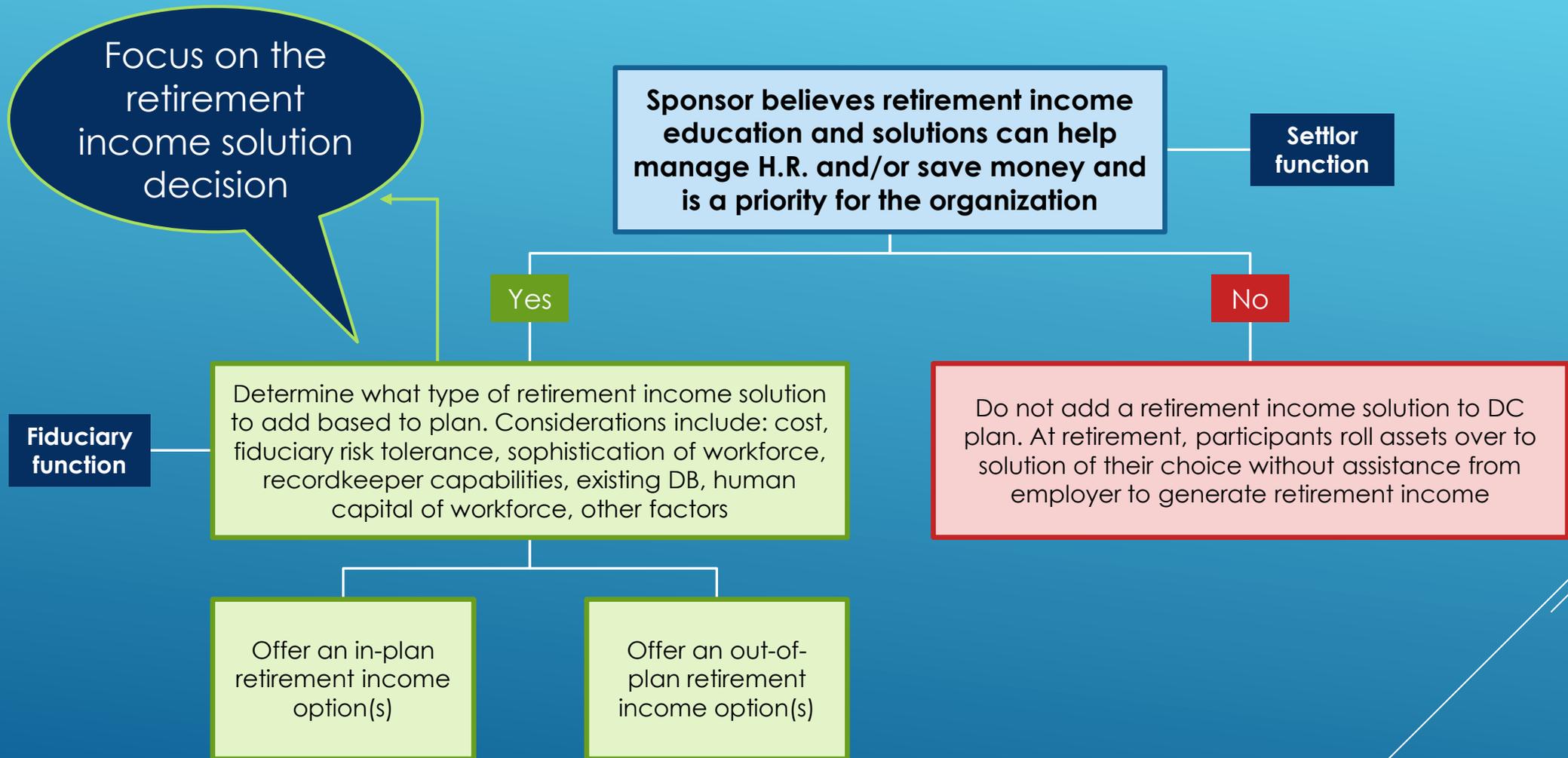
MOVING FORWARD WITH THE “NO” DECISION

Do not add a retirement income solution to DC plan. At retirement, participants roll assets over to a solution of their choice without assistance from employer to generate retirement income.

Clients that decide NOT to add a retirement income solution to plan can validate that decision by agreeing with all or most of the statements below.

Belief Statement	I agree with this statement
I believe that retirement income is the participant's responsibility. There is little or no advantage for the employer to assist in this process. We agree that upon termination or retirement, the employer-employee relationship ends.	✓
I believe that each participant has unique needs related to the retirement income solutions available. As a DC plan sponsor, we cannot make a determination as to which retirement income solutions are appropriate for all of our employees. We look to wealth advisors and the retail market to assist our plan participants to meet their unique circumstances as they retire or terminate from service.	✓
I believe that any increase in income or retirement security generated by offering an institutionally priced retirement income solution is not significant and provides little commensurate benefit to the employer.	✓
I want to minimize complexity for our plan. We do not seek innovation and we are not a “fast follower” of plan design innovations being accepted in the marketplace. We begin to consider benefit changes when at least 50% of our competitors have adopted the change.	✓
I have relationships with retail financial advisors that solicit business from our departing employees for a commission. These financial advisors offer help, financial products and wealth management services to our participants. We are happy with the wealth management services and products they offer.	✓

MOVING FORWARD WITH THE “YES” DECISION



CHECKLIST ON IN-PLAN VS. OUT-OF-PLAN INCOME SOLUTION

Sponsor believes a retirement income solution can help provide income certainty to its participants and is a priority for the organization

Scale from 1 to 5
1—strongly disagree with statement; 2—disagree;
3—neither agree nor disagree; 4—agree; 5—strongly agree

Belief Statement	Score (1 to 5)
I believe the plan can attain scale by keeping assets in-plan.	
I believe the benefits of a retirement income solution outweighs the additional oversight and fiduciary costs.	
I believe the plan sponsor has the power to push the recordkeeper to support an in-plan solution.	
I would be willing to consider changing recordkeepers to get a specific in-plan solution or solutions not offered by the current recordkeeper.	
I believe communication to the participant from the plan is more effective at increasing adoption than access to customized communication from a financial advisor.	
I believe usage of a retirement income solution is significantly lower if participants are given the choice between taking their lump sum to roll over and leaving it in the plan.	
I am not concerned with increased fiduciary responsibility, provided the retirement income option meets qualified default investment alternative (QDIA) terms.	

Average **1.0 to 2.0** = It is strongly indicated that an out-of-plan solution would be best for the goals of the organization.
 Average **2.0 to 2.5** = It is likely that an out-of-plan solution is best.

Average **3.5 to 4.0** = An in-plan solution may meet most of the needs/beliefs of the employer.
 Average **4.0 to 5.0** = It is strongly indicated that an in-plan solution would be best for the goals of the organization.

CHECKLIST ON AUTOMATIC OR AFFIRMATIVE ELECTION

Sponsor believes a retirement income solution can help provide income certainty to its participants and is a priority for the organization

Scale from 1 to 5
1—strongly disagree with statement; 2—disagree;
3—neither agree nor disagree; 4—agree; 5—strongly agree

Belief Statement	Score (1 to 5)
I am a proponent of automatic features, including auto-enroll, auto-escalate and auto-invest.	
I believe the plan committee, along with the plan advisor/consultant, can effectively work with the provider to integrate the solution into the plan's TDF glide path or other QDIA/investment options.	
I believe that "auto income" (with ability to opt out) with an in-plan solution will better provide most participants with retirement security than the retail alternatives.	
I believe that a retirement plan benefit is both an accumulation and a decumulation vehicle, and that participants who default part of their balance to an auto retirement income feature can be more productive and more retirement ready with less financial stress in the workplace.	
My company formerly offered a defined benefit plan and/or I believe that DC plans can become "pension-like" plans for our employees.	
I believe that employers ought to automate/default to income solutions (with ability to opt out), since automation has proven to substantially increase savings rates and retirement security. I likewise believe that defaulting to institutional income solutions will increase my participants' overall retirement security.	

Average **1.0 to 2.0** = It is strongly indicated that affirmative election would be best for the goals and beliefs of the organization.
 Average **2.0 to 2.5** = It is likely that affirmative election would meet the sponsor's needs and would be consistent with the sponsor's culture and goals for the plan.

Average **3.5 to 4.0** = An auto feature that is part of the plan's QDIA/glide path may meet most of the needs/beliefs of the employer.
 Average **4.0 to 5.0** = It is strongly indicated that an auto solution would be best for the goals of the organization.

WHICH RETIREMENT INCOME SOLUTION SHOULD I CONSIDER?



NEXT WEBCAST – ONE WEEK FROM TODAY

STEVE VERNON (WITH BOB IN SUPPORT)
TO DESCRIBE DIFFERENT TYPES OF
RETIREMENT INCOME, COMPARE,
CONTRAST, ADVANTAGES,
DISADVANTAGES - AND THEN FOCUS
ON OUTCOMES.

SEE [WWW.IRICOUNCIL.ORG](http://www.ircouncil.org) FOR ALL THE TOOLS AVAILABLE TO SPONSORS AND ADVISORS INCLUDING REPLAY OF THIS WEB CAST, TWO COMPANION WEBCASTS, AND TOOLS TO GUIDE PLAN SPONSORS THROUGH THE RETIREMENT INCOME DECISION. FOR A COPY OF THE PLAN SPONSOR RETIREMENT INCOME EVALUATION TOOL THAT IS A COMPANION PIECE TO THIS PRESENTATION, GO TO [WWW.IRICOUNCIL.ORG](http://www.ircouncil.org) UNDER THE EVALUATION TOOLS OR CUT AND PAST THE BELOW URL

[HTTP://IRICOUNCIL.ORG/EVALUATION-TOOLS/#1520343505902-CBEA665F-ED64](http://www.ircouncil.org/evaluation-tools/#1520343505902-CBEA665F-ED64)