

# TIAA Secure Income Account

## Product Fact Sheet



**Product Category:** Flexible Premium Group Fixed Deferred Annuity

**Product Category Defined:** Based on a time-tested design, the **TIAA Secure Income Account** is an institutionally priced, in-plan group fixed annuity issued by Teachers Insurance and Annuity Association of America (TIAA). It is designed for use on third party recordkeeping platforms and provides guaranteed interest while Defined Contribution (DC) plan participants save for retirement and the option, but not the obligation, to receive a competitive amount of lifetime income in retirement.<sup>1</sup>

Specifically designed for use as an allocation within managed accounts or custom target-date model portfolios (asset allocation programs), and ideally used as the plan's default, the distinctive features of the account can help improve the retirement preparedness of even the most unengaged participants. Lifetime income from the TIAA Secure Income Account can create a "paycheck in retirement" to help cover the gap between a retiree's basic recurring living expenses and the income they may receive from other guaranteed sources such as Social Security and pensions. Lifetime income can also be coupled with systematic withdrawals from other plan assets as a part of a holistic retirement income plan.

### Product Summary:

|  |              |   |          |
|--|--------------|---|----------|
| Equity participation   | No           | Annuitization required  | No       |
| Nature of guarantee structure (fixed income, % of benefit base, other) | Fixed income | Availability of account value (i.e. liquidity) (Accumulation (A), Distribution (D)) | A and D  |
| Form of guarantee (High Water (HW), Minimum Rate (MR))                 | MR           | Fees for guarantees (implicit or explicit)  | Implicit |
| Income guarantee applies during (Accumulation (A) Distribution (D))    | A, D         | Total fees  | N/A      |
| Payments guaranteed for life   | Yes          | Portability (IRA, QPDA)   | IRA      |
| COLA Option Available  | No           | Participation education with no additional fee                                      | Yes      |

### Product Description

By adding the **TIAA Secure Income Account (SIA)**, plan sponsors can build guaranteed growth and lifetime income into their plan default and help participants reduce both overall account volatility and exposure to interest rate risk. Based on TIAA's over 100 years of experience providing lifetime income solutions inside DC plans, this innovative fixed annuity protects principal and accumulated interest while providing full participant liquidity, competitive interest rates, and a

foundation of guaranteed lifetime income. It can also help stabilize an asset allocation program's returns in all market conditions. This is particularly critical for participants with shorter time horizons, such as those approaching or living in retirement.

In retirement, participants have the option to select a stream of guaranteed income that they can never outlive. Two distinctive and exclusive benefits not found in other fixed annuity solutions include:

1. **Potential for a loyalty bonus:**<sup>2</sup> Typically, the longer a

<sup>1</sup> All guarantees are based on TIAA's claims-paying ability. Past performance is no guarantee of future results.

<sup>2</sup> TIAA may provide a loyalty bonus that is only available when electing lifetime income. The amount of the bonus is discretionary and determined annually.

participant contributes to the account, the higher lifetime income they can receive per dollar annuitized. For example, for retirements over the last decade ending 7/1/2022, participants who made recurring monthly contributions (over periods ranging from 5 to 30 years) to a similar TIAA fixed annuity have received between 3% and 15% more lifetime income, on average, than participants annuitizing the same amount as a new money contribution.

- 2. Potential for escalating payment in retirement:** Although not a CPI-linked annuity nor a Cost of Living-based annuity, following annuitization, TIAA may periodically declare increases in annuity payment amounts. For example, TIAA has increased in-flight fixed annuity payments 17 times since 1995 at an average of almost 1% per increase, including a 5% increase in 2022. When declared, these increases can help offset some of the negative effects of inflation.

Founded as a retirement income company in 1918, these two distinctive benefits are made possible by TIAA's unique corporate structure and its "sharing the profits" approach.<sup>3</sup>

## Distribution Channel

### Types of plans Available

Defined contribution plans utilizing asset allocation programs such as managed accounts and model portfolios, that are recordkept on third-party recordkeeping platforms (i.e. DCIO)

## Investment Structure

The TIAA Secure Income Account is a general account-based flexible premium group deferred fixed annuity

issued by Teachers Insurance and Annuity Association of America (TIAA). Backed by TIAA's industry-leading capital position<sup>4</sup> and superior financial strength ratings, all guarantees are based on the claims-paying ability of TIAA.<sup>5</sup>

## Participant Investment Choices

Intended to comprise a portion of an asset allocation program such as managed accounts or custom model portfolios, the allocation to the TIAA Secure Income Account is determined by the fiduciary / glidepath manager.

## Fees and Expenses

A plan's recordkeeping fee class is chosen by the plan sponsor based on their revenue requirements with the recordkeeper. Currently TIAA offers 0 bps, 15 bps, and 25 bps deductions from the gross crediting rate. These amounts are paid to the plan's recordkeeper according to a pre-set frequency.

## Determination of Retirement Income

### Age Life Income Can Begin

Lifetime income may begin at any time subject to plan rules and applicable regulations. All common forms of single and joint-life annuity payments exist, including optional guarantee periods ranging from 10 to 30 years. Participants can elect multiple annuitizations at different ages if they wish and can even elect multiple payment frequencies (e.g. monthly, quarterly, semi-annual and annual).

## Guaranteed Income Benefit Calculation:

the highest rating available to U.S. insurers from three of the four leading insurance company rating agencies: A.M. Best (A++ as of 7/22), Fitch (AAA as of 11/21) and Standard & Poor's (AA+ as of 9/22), and the second highest possible rating from Moody's Investors Service (Aa1 as of 6/22). There is no guarantee that current ratings will be maintained. The financial strength ratings represent a company's ability to meet policyholders' obligations and do not apply to variable annuities or any other product or service not fully backed by TIAA's claims-paying ability. The ratings also do not apply to the safety or the performance of the variable accounts, which will fluctuate in value.

<sup>3</sup> TIAA may share profits with TIAA fixed annuity account holders through declared additional amounts of interest during accumulation, higher initial annuity income, and / or through further increases in annuity income benefits during retirement. These additional amounts are not guaranteed beyond the period for which they were declared

<sup>4</sup> As of 9/30/22, TIAA's general account held \$297 billion in invested assets, including almost \$52 billion in total statutory capital.

<sup>5</sup> For its stability, claims-paying ability and overall financial strength, Teachers Insurance and Annuity Association of America (TIAA) is a member of one of only three insurance groups in the United States to currently hold

The contract guarantees a minimum amount of lifetime income for every dollar contributed. TIAA may pay additional amounts when declared by TIAA's Board of Trustees. TIAA has paid more lifetime income than the guaranteed minimum each year since 1949.

### Characteristics of Account Balance During Accumulation

Principal and interest are guaranteed to earn at least a minimum rate (between 1% and 3%) with the potential for additional amounts when declared by TIAA's Board of Trustees. TIAA has credited interest above the minimum on one or more fixed annuity contracts every year since 1948.

The account is available for inflows, in whatever allocation is directed by the fiduciary overseeing the asset allocation program, as long as participants remain subscribed to the program.

Participants may transfer out of the account subject to an industry standard 90-day equity wash if competing funds exist on the plan. Full or partial withdrawals are also available in lieu of annuitizing.

### Surviving Spouse

#### Timing of Spousal Income Benefit Election

The desired form of lifetime income form (including providing for a spouse or partner's survivor benefits, if applicable) is chosen at the time the participant elects to begin income payments.

#### Effects of Spousal Income Benefit Election

In general, providing for a spousal benefit will reduce the amount of annuity income payments versus a single life annuity.

### Portability

#### Participant Leaves the Plan

Participants have a variety of options at retirement

(subject to plan rules). They can select full or partial lump-sum withdrawals, convert some or all of their accumulation to guaranteed lifetime income, or use both systematic withdrawals and lifetime income to tailor their retirement income strategy to meet their needs.

#### Plan Sponsor removes the account from the menu

If the plan has been amended to consider this a distributable event, then eligible active and terminated employees have the ability to port their balance to a similar TIAA fixed annuity within TIAA's IRA program where benefits will be retained.

#### Plan Sponsor moves recordkeepers

TIAA can work with the new recordkeeper to build the integration and experience in order to maintain the Secure Income Account on the new platform.

#### Contractholder withdrawals

The institutional contractholder has the right to request a withdrawal of the entire TIAA Secure Income Account accumulation (contract discontinuance). In this case, six book value installments will be paid to the Contractholder over five years with interest continuing to be earned (and no rate haircut) during the installment period.

Alternatively, an accelerated lump sum at the lesser of contract (book) value and "market value-adjusted" value may be available.

### Insurance Companies Offering Product

TIAA

### Participant Experience

#### Education and Training for participants

TIAA provides various resources to plan recordkeepers to enhance the participant experience including web-based tools, collateral, participant communication samples, lifetime income projections, and fact sheets. In addition, a dedicated phone number is available for recordkeeper call center representatives to conference in a TIAA Lifetime

Income Consultant to counsel on lifetime income options, perform lifetime income illustrations, and begining the process of electing lifetime income.

### Contact Information (Insurer)

TIAA Corporate Retirement Solutions team:

- Email: [TIAA DCIO Support@tiaa.org](mailto:TIAA_DCIO_Support@tiaa.org).
- B2B Website: [www.tiaa.org/secure-income](http://www.tiaa.org/secure-income)
- [TIAA Safe Harbor Attestation Letter](#)
- TIAA Distribution contact: Bill Horvath – [billhorvath@tiaa.org](mailto:billhorvath@tiaa.org) (215) 587-8512
- TIAA Product contact: Phil Maffei – [pmaffei@tiaa.org](mailto:pmaffei@tiaa.org) (704) 988-1643.

This report is for informational purposes only and does not constitute a solicitation or an offer to buy or sell any securities mentioned herein. Information contained in this report has been obtained from a representative from each company. Institutional Retirement Income Council (IRIC) makes no representation as to its accuracy or completeness. Any opinions expressed herein reflect our judgment as of the date of the materials and are subject to change without notice. The securities discussed in this report may not be suitable for all investors and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. Investors must make their own investment decisions based on their financial situations and investment objectives.