

# DC Plans Evolving as Retirement Income Programs

Strategies emerge to bridge the gap between savings and sustainable income.

Reported by [EMILY BOYLE](#) | Art by ALEX EBEN MEYER

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In its “[2025 Enduring Retirement Model Study](#),” MetLife Inc. said plan sponsors are now “repositioning [defined contribution] plans as retirement income programs.”

“With the shift from [defined benefit] to DC plans, plan sponsors have been shifting retirement decision making onto their participants,” the report stated.

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But with the power of decisionmaking comes a demand for options.

The most important choice plan sponsors (80%) believe they can make to help DC plan participants protect their retirement savings is to offer retirement income solutions that provide guaranteed income for life, the firm found. Meanwhile, 93% of plan sponsors recognize that retirees need a source of guaranteed income—that they cannot outlive.

Kevin Crain, executive director of the Institutional Retirement Income Council, says that until seven or eight years ago, DC plan designs were focused on the accumulation of savings.

“But, [American workers] have a really important stage of life, arguably harder than savings and investing,” Crain explains, referring to what he calls an “emotional” transition into retirement. “What do they do with that money [they accumulated]? And how do they convert it into income?”

Kelli Send, co-founder and senior vice president of financial wellness services at Francis answers Crain’s query, saying “I don’t think the industry has come up with the ideal solution.” She says it’s something the industry is “talking about,” but not something it has solved.

Yet today, 35% of companies say their DC plan currently has an option that enables participants to convert some or all their money into guaranteed lifetime income in retirement, up from 17% who said so in 2019, according to MetLife. And among those companies without a guaranteed lifetime income option in their DC plan, 68% reported that they plan to offer one in the future. More than half (51%) reported that their company plans to do so in the next five years.

“The days of 401(k) plans being purely retirement savings plans are in the rearview mirror,” says Brendan McCarthy, head of retirement investing at Nuveen. “[The generation] retiring now is the first generation in modern America that is predominantly without any form of guaranteed income other than their Social Security—and we know that’s not enough.”

## Teeing up the Shift

“Not all DC plans are created equal,” says Tim Pitney, head of lifetime income distribution at TIAA. “The idea of in-plan guaranteed and variable income has historically always been part of the 403(b) space.”

He elaborates that 403(b) plans primarily used annuities for decades until the Employee Retirement Income Security Act of 1974 allowed participants to also invest in mutual funds, as well.

“With the advent of target-date funds, the calculus changed a bit for 403(b)s ... so the annuities were not being used as much,” he says. “I think things are coming back around because there’s recognition ... of how we [can use] the target-date space to potentially deliver that guaranteed income.”

McCarthy, who works primarily with 401(k) plan sponsors, says that recordkeepers have built the infrastructure to deliver to private corporations the same income solutions that recordkeepers in the 403(b) space have been able to for years.

IRIC’s Crain uses a baseball analogy to describe the status of in-plan retirement income.

“The later innings of the game is the product manufacturing,” Crain says. Recordkeepers are “in the early- to somewhat-middle innings..., because before the [plan] sponsor ever takes this [product] and uses it, they need their recordkeeper to be able to support it.”

Continuing the analogy, Crain says the industry might be worried about who is not on the field—or even outside of the stadium, riding around in the parking lot. The group on the outside includes plan sponsors, plan advisers and consultants, he says.

“It’s not a bad thing” because the group off the field needs to know what products exist before they can evaluate and select them, he says.

“That’s what’s going on now. Plan sponsors, advisers [and] consultants are saying, ‘okay, let me understand the inventory, let me understand my recordkeepers. Let me build fiduciary review processes,’” Crain says. “They’re entering the dugout, and now we’re waiting for them to come on to the field.”

## **Solutions Gaining Traction**

From Roberta Rafaloff’s perspective, as the head of institutional income annuities at MetLife, it is best to keep things simple.

“Participant behavior ... has shown that complexity—such as too many choices and features—really does lead to inertia,” Rafaloff says. “It leads to participants saying, ‘You know what? I don’t understand this. It’s too complicated. There are too many decisions for me to make. I’m not going to make this decision at all. I’m not going to do anything.’”

She says MetLife offers only two institutional income annuity products in the DC marketplace: a fixed income annuity, for people who want their income to start within 12 months of retirement; and a longevity income annuity contract, for participants who do not want their income to begin right away.

And Crain says that annuities have historically had reputational challenges, but a hybrid solution could help plan participants see past the challenges.

“I think the hybrid target-date [funds] and hybrid managed accounts have a pretty significant leg up on the other solutions,” says Crain.

McCarthy elaborates on the dual meaning of “hybrid.”

“One [use of the term] is at the plan level,” explains McCarthy. “[A hybrid solution at the plan level] incorporates pension-like income without the heavy burden of having to offer a traditional pension plan.”

The second use refers to “hybrid funds,” he says. Legacy target-date funds—which hold one-half of a trillion dollars in the DC asset market—are starting to shift to annuity target-date funds, known as “hybrid target-date funds.”

Crain says that even if participants are uncomfortable locking into an annuity, they can use systematic withdrawals—an arrangement in which a participant schedules or makes withdrawals at regularly-scheduled intervals, which offers flexibility in accessing retirement funds.

“I could see systematic withdrawals being coupled with target-dates [and] managed accounts—or even [standing] on their own,” Crain explains.

## The Work That Remains

IRIC's Crain says there is room for both a plan design and education evolution, on the part of both plan sponsors and recordkeepers.

He advocates for plan sponsors to provide the same emphasis on retirement income education for pre-retirees—ages 50 to 55—as they do on emergency savings and student debt repayment programs.

“Financial wellness programs are now a staple in many American workplaces, assisting employees in managing debt, saving more and building financial confidence,” wrote Crain in an [IRIC article published in July 2023](#), “However, there remains a significant blind spot: pre-retirees.”

Crain wrote that “top-tier” pre-retiree planning programs should incorporate retirement income planning, including strategies for generating income from 401(k) assets, annuities and other sources; claiming strategies for Social Security; and withdrawal sequencing and longevity protection. Understanding and utilizing retirement income solutions, including education regarding insured, non-insured and hybrid income products and distribution strategies, top Crain's list as well.

“Failing to prepare pre-retirees causes: delayed retirement decisions[;] increased benefit costs[;] and reduced productivity and workforce mobility,” Crain wrote. “Prepared employees, by contrast, exit the workforce with dignity, clarity and confidence.”

MetLife's Rafaloff agrees.

“It sounds great to get handed this bag of cash in retirement, but how are you going to manage the withdrawals, the takedown of the lump sum?” Rafaloff asks. “Educate participants early and often. Developing a foundational retirement income education program is an action that plan sponsors can take right now.”

MetLife's employer survey, included as part of its 2025 study was conducted online from September 4 through 25, 2024, among 255 plan sponsors who work for a company with 1,000 employees or more, and who serve as a decisionmaker, or had considerable influence on the selection of retirement benefits, at their company, and whose company offers a defined contribution or defined benefit plan.

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