

A Call to Action on Retirement Income

It's Time to Solve the Problem



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CHAPTER 1

Are We Paying Attention?

The headlines should capture your attention:

- Retirement Fears: Americans Are More Worried about Running Out of Money Than Dying¹
- 66% of Americans Are Worried They'll Run Out of Money in Retirement²
- My Husband Just Retired. I'm Scared to Death of Running Out of Money³
- World's Retirees Risk Running Out of Money a Decade before Death⁴
- New Retirees Face a Much Greater Risk of Running Out of Money⁵
- Scared to Spend: Overcoming the Retirement Cycle of Fear⁶
- The Downside to Living Longer: Running Out of Money⁷

The concern about running out of money has a perverse effect on those considering or experiencing retirement: they may feel better about the rest of their lives if they were to receive assurances that they won't live very long. That is an alarming and sad reality.

What instills greater retirement confidence in employees?



The recipe for greater retirement confidence includes four key ingredients: (1) greater savings, (2) access to vehicles designed to make that savings last for their lifetimes, (3) guarantees or other protections that allow an individual to believe and know the savings will indeed last, and (4) education to help individuals understand what they have. Improved plan design—including automatic enrollment, automatic escalation, and qualified default investment alternatives (QDIAs)—has done much of the heavy lifting on the first ingredient. This Call to Action is about the second and third ingredients (with a look ahead to the education needed under the fourth).

American workers need access to retirement income. They want and expect their employers to provide that access. They appreciate it when their employers meet that expectation. Yet a woefully small percentage of Americans have access to institutionally priced and high-quality retirement income (outside of any potential Social Security Administration benefits). This is a big problem. It is time to solve the problem.

CHAPTER 2

How Did We Get Here?

Congress adopted the Employee Retirement Income Security Act of 1974 (ERISA) for the primary purpose of protecting participants' and beneficiaries' interests in their retirement plans. As ERISA turns 50 this year, we have good cause to focus on its three middle names: Retirement, Income, and Security. We do not have to dig beyond ERISA's name to know that, even 50 years ago, Congress was concerned about the security of American workers' access to retirement income.

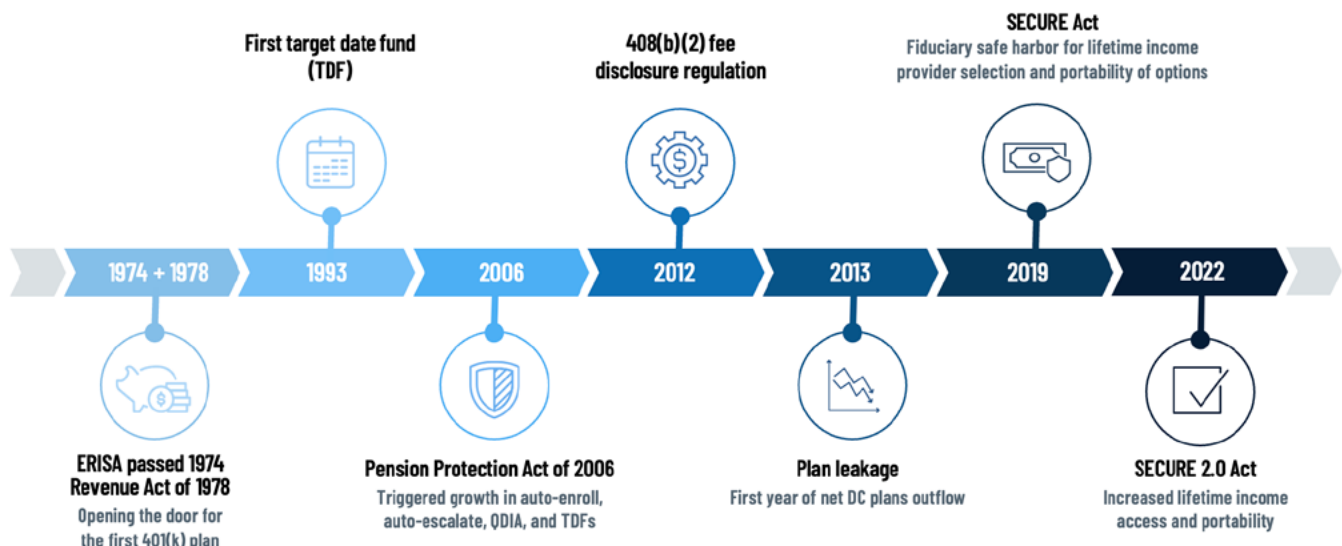
These concerns have only increased. For a variety of reasons, the retirement plan landscape has changed significantly since ERISA became law. The most dramatic change is reflected in the shift from employees' primary dependence on defined benefit plans to their reliance on defined contribution/individual account plans, such as 401(k) and 403(b) plans.⁸

In experiencing that shift, American workers slowly moved away from a plan design that made most of the tough decisions for them—whether to participate, the rate at which to participate, how to save enough, how to invest their retirement benefits, and how to make their retirement benefits last throughout their postretirement lifetime. At the same time, they moved toward a plan design that has caused them to become increasingly responsible for their own retirement savings and without access to distribution options intended to make that savings last.⁹ This has resulted in a double whammy: less retirement benefit value at the start and less certainty that it will last.

Employers had many justifiable reasons to abandon defined benefit plans. For most employers, the switch to a defined contribution plan focus resulted from one or more of the following developments: financial statement volatility, less control over defined benefit plan cost, a workforce more likely to change jobs more often, less employee appreciation for defined benefit plans, and in some cases, pure cost. Each of those alone has some merit. Collectively, they support many employers' decisions.

It is important to note that employers did not shift away from defined benefit plans because they believed it was no longer important for employees to accrue retirement security. Employers—in an attempt to gain better control over their costs or to cater to shifting employee preferences—simply threw the baby out with the bathwater. The dissipation of ERISA's three middle names (Retirement Income Security) has become collateral damage.

The evolution of DC plans



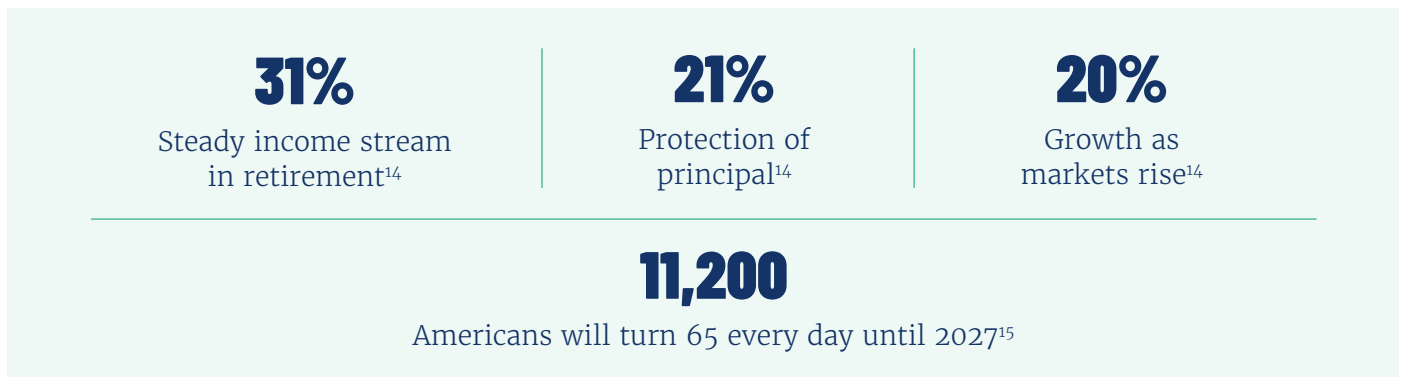
CHAPTER 3

Need, Demand, and Interest

There is a clear need to reverse the trend away from retirement income security. Until and unless American workers begin to regain access to retirement income from their employer-sponsored retirement plans, the price will become steeper with each passing year. Workers not only are concerned about running out of money (as the headlines on page 3 reflect) but also legitimately run the risk of outliving their retirement savings. Even as employers have made strides to solve for employees' accumulation needs, they are failing when it comes to the "decumulation" stage of employees' meager savings. More than half of individuals feel their retirement savings and sources of income will not last for their lifetime.¹⁰

Demand is also rising. Surveys reflect that plan participants expect access to in-plan retirement income. In one recent survey, 83% of plan participants said their employers should offer in-plan retirement income options.¹¹ In another survey, 89% of participants said having guaranteed retirement income would positively impact their current well-being, and 71% said they would save more if their plan offered them a guaranteed retirement income solution.¹² Yet another survey reflected participants' belief that a steady income stream in retirement is the most important factor when saving for retirement; the factor ranked ahead of protection of principal, growth as markets rise, and a diversified investment mix.¹³

What do employees think is most important when saving for retirement?



Naysayers may question the level of participant demand (and perhaps it should more genuinely be considered "interest" than "demand"), but they seem convinced that the need is real. Fortunately, fiduciaries' duty of loyalty more closely aligns with participants' and beneficiaries' needs than their demands.

Participants are depending on fiduciaries, plan sponsors, service providers, and even legal counsel to be mindful of their needs and to offer responsive solutions. Their mindfulness will become increasingly relevant as we enter a period of time when more than 4.1 million Americans will turn 65 each year through 2027.¹⁶

Participant needs trump demand

There are parallels with the manner in which plan sponsors reacted to the need for participants to participate and save at higher rates. Participants were not demanding automatic enrollment and automatic escalation when Congress developed a multipronged automatic enrollment structure in the Pension Protection Act of 2006. They were not demanding those automatic features when plan sponsors began to add them to plans across the country. Yet when participants are asked whether it's a good idea for them to participate and save in a retirement plan, they universally say yes. Plan sponsors were not responding to pound-my-fists-on-the-table demand for those features; they were responding to need and implementing solutions that align with participants' interests.

Similarly, there are parallels with the development and subsequent widespread utilization of target date funds, first as investment lineup options and later as the QDIA. Participants were not demanding an investment option that included a year in the name of the fund. Further, they were not demanding that such an option be used in the event they failed to make an investment election. Yet plan fiduciaries have responded to need and implemented solutions that align with participants' interests.

Employer interest has also become clear. In one recent survey of plan sponsors, 98% said they feel responsible to help their employees generate and/or manage their income in retirement.¹⁷ As employers have begun to see the current and future implications of employees approaching their retirement years with an inadequate account balance in their defined contribution plan and without the promise of secure retirement income, they are searching for ways to provide employees a path toward retirement security. Employers seem to understand their interests are aligned with those of their participants'; employees want to retire when they are ready, and employers understand they pay higher salaries and incur higher health and benefit plan costs each extra year a late-career employee hangs around.¹⁸



CHAPTER 4

Overcoming Objections: It's Time to Be Able to Say Yes

Employers depend greatly on their advisors, consultants, and legal counsel, whom we'll collectively refer to as "gatekeepers." This dependence places those gatekeepers in positions of significant influence, with the ability to support an initiative that will benefit hundreds or thousands of employees, the power to deny those employees access to helpful tools or resources, and the intellectual freedom to operate anywhere between those extremes.

To date, many gatekeepers have demonstrated a strong risk-avoidant bias that leads them to first search for reasons *not* to do something. To a degree, that approach is understandable. Their clients likely have engaged them for the express purpose of protecting them—not protecting the participants, per se, but protecting the plan sponsor organization or its fiduciaries. This results in an atmosphere in which gatekeepers effectively treat safe fiduciaries and good fiduciaries as mutually exclusive categories.

In particular, these gatekeepers have found it easy to recommend that plan sponsors and other responsible plan fiduciaries not make lifetime income options available to defined contribution plan participants. When defined benefit plans were more prevalent, the human cost of that advice was not so severe. Employees could get their retirement income from a pension plan and use the 401(k) plan as a supplemental savings option, as it was originally intended.

But now—more than 15 years after the ironically named Pension Protection Act of 2006 accelerated employers' desire to move away from defined benefit plans—gatekeepers may collectively harm millions of workers when they simply look for reasons to say no.

Thankfully, stronger gatekeepers are attacking the need and demand for retirement income with a more optimistic perspective: *how to do* something. They recognize that the safest fiduciaries are the ones who prioritize being good fiduciaries, with clear intent to make decisions that meet participants' interests. They are comfortable when faced with the following common objections and armed with the information to overcome these objections and help fiduciaries become comfortable with their decisions.

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1. There's Too Much Risk.

THE OBJECTION

"It is too risky for plan fiduciaries to include annuities or other lifetime income options in a defined contribution plan."

THE SHORT RESPONSE

The US Department of Labor (DOL) spent more than a decade providing, promoting, and evolving a safe harbor. Through the Setting Every Community Up for Retirement Enhancement (SECURE) Act, Congress strengthened fiduciary protections in the form of a statutory safe harbor. There is a clear roadmap for navigating and managing the risk.

THE SUPPORT FOR THE RESPONSE

Policymakers are aware of advice-givers' inclination to be conservative when advising on in-plan retirement income offerings. The DOL has heard the pushback for years and undertaken great efforts to provide reassuring guidance for fiduciaries, including safe harbor protections:

| | |
|-------------|---|
| 2008 | The DOL finalized a regulation titled "Selection of Annuity Providers—Safe Harbor for Individual Account Plans." ¹⁹ |
| 2010 | The DOL and US Department of the Treasury jointly issued a request for information seeking suggestions for how they might facilitate broader defined contribution plan participant access to lifetime income. ²⁰ |
| 2014 | The DOL published an Information Letter from Phyllis Borzi of the DOL to Mark Iwry at Treasury, which confirmed the application of the 2008 safe harbor to a series of target date funds including unallocated deferred annuity contracts. ²¹ The information letter was a part of an orchestrated exchange of Internal Revenue Service and DOL guidance intended to reiterate fiduciary guidance already on the books, to increase employer interest in retirement income offerings, and to stimulate product development among insurers and money managers. Iwry and Borzi recognized that income product manufacturers desired demand before they invested in the supply intended to meet that demand. Their approach had a positive impact, but not at the desired widespread level. |
| 2015 | The DOL issued a Field Assistance Bulletin responding to the recurring feedback "that employers remain[ed] unclear about the scope of their fiduciary obligations with respect to annuity selection under defined contribution plans." ²² |
| 2019 | Congress took a more definitive step by providing a new lifetime income provider selection safe harbor in the SECURE Act. ²³ Legislative drafters listened to concerns about the 2008 intended safe harbor and provided a new safe harbor designed to make it easier for fiduciaries to say yes. In essence, the SECURE Act provided a "safer" safe harbor. The statutory "SECURE Act Safe Harbor" lays out a detailed roadmap for plan fiduciaries to conduct a lifetime income provider search, make a selection, and periodically review the selection. |

Congress, the DOL, and the Treasury have gone to great lengths to carve out a safe harbor specifically applicable to lifetime income solutions. In doing so, they have demonstrated their conviction of the importance of making secure retirement income available to defined contribution plan participants.

2. We Don't Know How to Evaluate or Compare These Options.

THE OBJECTION

“I’m an employee of the plan sponsor, an attorney, or a fee-based investment consultant or advisor. I don’t know how to conduct the due diligence and comparisons required under the SECURE Act Safe Harbor.”

THE SHORT RESPONSE

There are options available. Many investment firms have internal resources, such as insurance specialists, who have the background and tools necessary to compare options. In addition—or in the alternative—plan fiduciaries may rely on external service providers that have developed a specialty in evaluating and comparing lifetime income options.

THE SUPPORT FOR THE RESPONSE

The SECURE Act Safe Harbor provides a viable roadmap for selecting and monitoring in-plan solutions. Understandably, though, even the most ambitious struggle with the key, practical question: “How do we perform the analyses and comparisons required by the SECURE Act Safe Harbor?” Proactive gatekeepers have embraced two potential sources for the answer to that question.

As a starting point, many retirement plan specialists are turning to colleagues who work within a different area of the same firm. Insurance and annuity experts abound. They spend significant portions of their weeks reviewing, comparing, differentiating, and working with different insurance and annuity products. They are well positioned to help a plan’s advisors or consultants better understand how various options stack up.



The emerging preference, though, appears to be reliance on a growing external market for organizations that have built out thoughtful, robust, and flexible comparison tools.²⁵ These tools—frequently offered under a fee-for-service arrangement—provide an unbiased and objective outlook that helps fiduciaries not only perform the necessary due diligence but also create a clear record of that investigation. As lifetime income product innovation continues, it is likely that more product comparison services will become available for plan fiduciaries.

These comparison tools assist fiduciaries in the satisfaction of their responsibilities, specifically the duties of prudence and loyalty. This Call to Action’s coauthors strongly recommend that gatekeepers be comfortable with Fred Reish’s practical and comprehensive “Practices for Providing Retirement Income to Participants in Defined Contribution Plans” white paper, published by the Retirement Income Consortium, which considers those fiduciary responsibilities and a set of 10 prudent practices.²⁶ In addition, the National Association of Plan Advisors (NAPA) has created the Retirement Income for 401(k) Plans (RI(k)TM) Certificate,²⁷ which helps advisors to better understand retirement income and how to prudently consider and compare options.

3. It's Too Expensive.

THE OBJECTION

“Insurance and annuities are too expensive. We don’t know what cost would be reasonable, but we just know these lifetime income solutions are too expensive.”

THE SHORT RESPONSE

The fulfillment of fiduciary responsibilities hinges upon the “reasonableness” of fees. Moreover, “too expensive” is an inherently relative term. One shouldn’t refer to a solution as too expensive before gaining an understanding of pricing within the marketplace, which requires consideration of the in-plan and out-of-plan (retail) landscape. In addition, the SECURE Act expressly confirms there’s no requirement that a plan use only the cheapest lifetime income solution.

THE SUPPORT FOR THE RESPONSE

Many times gatekeepers refer to a lifetime income solution as expensive without any benchmark for comparison. That is, they hear a price, consciously or subconsciously compare that price to their preconceived notion of what is reasonable, and jump to the conclusion that the number must be too high. However, one should not operate in a vacuum when considering whether a lifetime income solution is expensive; one must understand the marketplace and take into account the important notion of “value.”

Value is an inherently subjective term. Most S&P 500 index funds are quite cheap. They also don’t include any active management or retirement security protections; they merely track an index. A fixed annuity product likely costs more than an S&P 500 index fund.²⁸ It should; it includes income protections. A guaranteed lifetime withdrawal benefit (GLWB) or guaranteed minimum withdrawal benefit (GMWB) solution may cost more than a fixed annuity product (if the annuity product offered a transparent and accurate fee disclosure, which is a matter for further consideration).

It probably should; while the fixed annuity misses out on market upside and presents less liquidity, the GLWB or GMWB solutions provide access to market upside and greater liquidity. There are inherent trade-offs that require fiduciaries to understand solutions’ respective features and to consider the value of additional benefits corresponding to any costs.

Moreover, a knee-jerk presumption that an in-plan solution is too expensive inherently ignores the less competitive, less transparent, and less fiduciary-influenced retail annuity market. Employer-sponsored retirement plans of any size provide for economies of scale, which open up avenues for investment and account expense structures cheaper than those available in the retail market. For example, participants in plans of all sizes now receive access to cheaper—and preferably “institutional”—share classes. When plan fiduciaries examine the costs of in-plan retirement income options, they frequently discover that the plan’s buying power provides participants with access to cheaper options than they’d find in the retail market. This comparison is relevant in framing one’s perspective of what is—and what is not—expensive.

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OVERCOMING OBJECTIONS

The SECURE Act Safe Harbor reflects Congress’s acknowledgment that the risk environment leads many fiduciaries to place potentially undue weight on the cost of a solution. Congress demonstrated awareness that cheaper is not always better. The SECURE Act Safe Harbor includes the following strong statement:

Nothing in this subsection shall be construed to require a fiduciary to select the lowest cost contract. A fiduciary may consider the value of a contract, including features and benefits of the contract and attributes of the insurer (including, without limitation, the insurer’s financial strength) in conjunction with the cost of the contract.²⁹

Congress provided remarkably helpful language. It understood that cost would be a big issue. It recognized that many decision-makers would feel pressure to choose the cheapest option. It confirmed that fiduciaries are not required to do so. If Congress were to have bolded one sentence in the SECURE Act Safe Harbor, it would have been that lead-sentence: “Nothing in this subsection shall be construed to require a fiduciary to select the lowest cost contract.”

The cost of doing nothing is also expensive

The topic of retirement income frequently evokes questions about cost. Here is another cost-related question that belongs in the conversation: What is the most expensive aspect of lifetime income?

The answer may be: Doing nothing.

Doing nothing costs money, in terms of lost productivity, additional costs related to employees who delay retirement, and difficulty in retaining talent that is needed. Employees who are financially stressed are twice as likely to look for new jobs somewhere else and nearly five times as likely to be distracted by personal finances at work.³⁰

42%

of plan sponsors have reported an increase in delayed retirements to give employees time to save more.³¹

\$26,000

The average cost employers pay per year per employee who delays retirement.³²

58%

of employees are stressed about preparing for retirement.³³



OVERCOMING OBJECTIONS

Comparing retirement income solutions

The reasonableness of fees depends on a careful consideration of many dimensions.³⁴

| | DIMENSION | DESCRIPTION |
|-------------------|---------------------------------------|--|
| Participant risks | Longevity risk | Could the participant outlive the income, or does the solution provide lifetime income? |
| | Mortality risk | Does the participant pay an up-front premium to the insurance company, and if so, what are the odds he or she will die before recouping the initial investment? |
| | Short-term market risk | Are the investment balance and/or income potential subject to short-term market risk and/or are they protected from market fluctuations? |
| | Market-timing risk | Is the income rate sensitive to prevailing market interest rates when the annuity is purchased, or is it guaranteed and known in advance? |
| | Buyer's regret risk | Is the purchase decision irrevocable, or could the participant change his or her mind and access the assets at any time without a penalty if so desired? |
| | Growth opportunity cost (growth risk) | Is the participant giving up access to potential market upside that can increase his or her future income base? |
| | Inflation risk | Does the investment provide a good hedge against future inflation in retirement? |
| | Sequence of returns risk | Is the participant's future income potential protected from downturns leading up to retirement, or is it fully exposed to market volatility in the transition phase? |
| Metrics | Income | Which solution delivers the highest potential income over time, in terms of both income rate and underlying income base producing the income? |
| | Liquidity/control | Does the participant have full ownership and control over the assets, or does he or she give up ownership? |
| | Simplicity | Is the solution simple for the participant to understand and for the plan sponsor to implement? |
| | Behavioral bias mitigation | Can the solution help the participant make better decisions by mitigating behavioral biases (e.g., inertia, loss aversion, confirmation bias)? |
| Cost | Transparency of insurance premium | Is there full transparency about the insurance premium being charged, or are the assets owned by the insurance company with no explicit fees chargeable/disclosed? |
| | Total cost | What is the overall trade-off between the insurance premium, participant risk mitigation, and future income potential? |

4. The Vehicles Are Too Complex and Difficult to Understand.

THE OBJECTION

“These are too complicated. Fiduciaries don’t understand them, so how are we supposed to evaluate them? Participants won’t understand them, so why should we make them available?”

THE SHORT RESPONSE

Some of the lifetime income options are indeed complicated—perhaps too complicated. However, it is possible to understand the options provided that one receives education and demonstrates an eagerness to learn. Ignoring a need because something is hard underestimates the magnitude of fiduciaries’ responsibilities.

THE SUPPORT FOR THE RESPONSE

The retail (out-of-plan) annuity market is complicated. It offers a seemingly unending number of iterations and a shockingly small amount of pricing transparency.

Fortunately, insurance companies, money managers, investment consultants, and other thought leaders have come together to construct an “in-plan marketplace” intended to offer solutions built for in-plan utilization. These in-plan solutions are not as simple as an S&P 500 index fund; in order to provide the necessary protections, they necessarily must be more complex. However, the in-plan solution manufacturers have demonstrated a greater appreciation of the need for simplicity; today’s solutions have been redesigned to address common challenges and be simpler.³⁵ The overly complicated solutions will likely drown under the weight of this objection; the simpler solutions will float to the top and gain greater acceptance among fiduciaries and utilization among participants.

In addition, plan fiduciaries should depend on their counselors to help them to navigate a number of key concepts:

- | | | | |
|----------|--|----------|---|
| 1 | Understanding the distinction between in-plan and retail offerings | 4 | Demanding a transparent cost structure |
| 2 | Differentiating between investment options and distribution options | 5 | Overcoming product designers’ inclination to use proprietary investment options within the solution |
| 3 | Fighting through the alphabet soup of product names (e.g., SPIA, GLWB, GMWB, GMIB) | 6 | Considering how to educate employees in a manner that simplifies complexity |

The last of those concepts is critical. Many plans will depend exclusively on an income option’s QDIA or non-QDIA status to measure success; it’ll be widely used if it’s the QDIA and barely used if it’s not. However, many of the participant-driven solution manufacturers and recordkeepers are investing time, energy, and care in the broader user experience.

They want employees to understand what they are using, in part because that’s just good business and in part because one primary benefit of lifetime income solutions is the peace of mind they provide participants. How can participants achieve that peace of mind when they don’t understand why they should experience it?

5. All the Solutions Are Proprietary Products.



THE OBJECTION

“The plan’s recordkeeping platform dictates the available options. The only options are the recordkeeper’s proprietary products.”

THE SHORT RESPONSE

The times they are a-changin’. In recent years, this objection has been a reasonable argument. Fortunately, though, many of the nation’s largest recordkeepers will offer multi-insured and/or fully nonproprietary solutions by the end of 2024. That trend is likely to continue into 2025 and beyond. One can’t be sure without asking.

THE SUPPORT FOR THE RESPONSE

This objection triggers yet another need for gatekeepers to seek updated information and to check that against preconceived notions. The SECURE Act Safe Harbor and growing need and demand for retirement income have stimulated the development of new solutions. The in-plan marketplace reflects the collaboration of parties to build new solutions. It also reflects recordkeepers’ acknowledgment that they will need to offer more solutions in order to gain and retain business.

This is also a reminder that a recordkeeper’s proprietary offerings are not inherently evil. A recordkeeper may indeed offer one or more fully or partially proprietary solutions that, for one reason or another, are the optimal solution for a particular plan. Thankfully, the maturing marketplace features competition and access to comparative data that will allow a plan’s fiduciaries to determine and memorialize whether it has prudently selected a preferred solution—without regard to whether it is a proprietary one.

The SECURE Act Safe Harbor and growing need and demand for retirement income have stimulated the development of new solutions.

6. There's No Portability.

THE OBJECTION

“If the plan offers a lifetime income option, the plan will become tied to the current recordkeeper forever. The available solutions are not portable.”

THE SHORT RESPONSE

Again, times are changing. The SECURE Act added new portability protections for participants' lifetime income options. In addition, newer solutions integrate with a “middleware” provider that offers the connectivity and recordkeeping necessary to allow a plan's lifetime income solution to be portable in the event of a recordkeeper transition.

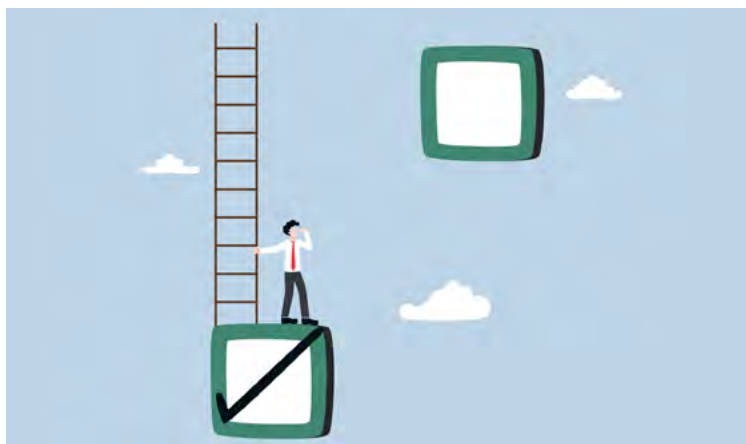
THE SUPPORT FOR THE RESPONSE

It is important to consider portability concerns at two distinct levels: (1) the “participant level”, which provides an individual with portability when the individual experiences a distributable event and/or the plan moves to a recordkeeping platform that no longer supports the in-plan retirement income option in place; and (2) the “plan level”, which reflects plan fiduciaries' ability to select a new recordkeeping platform and to bring the in-place option to the new platform.

Congress was well aware of concerns at the participant level around portability when it adopted the SECURE Act. It sought to address those concerns by adding new Internal Revenue Code language permitting a defined contribution plan to include language extending portability to lifetime income investments when they cease to become available under a plan.³⁶ These portability protections provide options for participants, including in-service trustee-to-trustee transfers to other plans or IRAs.

While the SECURE Act sets out the requirement for portability of an income guarantee, it is the new solutions' integration of middleware that makes portability a reality. At its simplest form, a lifetime income solution including middleware technology may be moved from recordkeeper to recordkeeper, without the plan sponsor or other responsible plan fiduciary fearing that participants will lose any historic value attributable to holding that solution. Participants who move to another employer offering the same lifetime income solution—either at the same recordkeeper or on a different recordkeeping platform—are also able to preserve their accumulated income guarantee benefit thanks to the middleware technology.

As gatekeepers become more familiar with the current marketplace and more comfortable overcoming objections relating to proprietary or portability concerns, it is quite possible that due diligence exercises will afford some degree of preference to solutions that include middleware technology.



New solutions' integration of middleware makes it possible to achieve both participant- and plan-level portability of lifetime income benefits.

7. Participants Don't Really Want This.

THE OBJECTION

"Participants aren't asking for this. There is no demand."

THE SHORT RESPONSE

Yes, they are. Yes, there is. And even if any part of the objection were correct, is participant demand the correct standard? If one—particularly a fiduciary tasked with being led by participants' interests—recognizes a significant participant need, one should explore solutions to address that need.

THE SUPPORT FOR THE RESPONSE

We addressed this above. Employees have demonstrated by an overwhelming majority that they want access to secure retirement income, they expect their employers to provide that access, and they appreciate when their employers do so. In one recent survey, 83% of plan participants said their employers should offer in-plan retirement income options.³⁷ In another survey, 89% of participants said having guaranteed retirement income would positively impact their current well-being, and 71% said they would save more if their plan offered them a guaranteed retirement income solution.³⁸ Yet another survey reflected participants' belief that a steady income stream in retirement is the most important factor when saving for retirement, ranking ahead of protection of principal, growth as markets rise, and a diversified investment mix.³⁹

83%

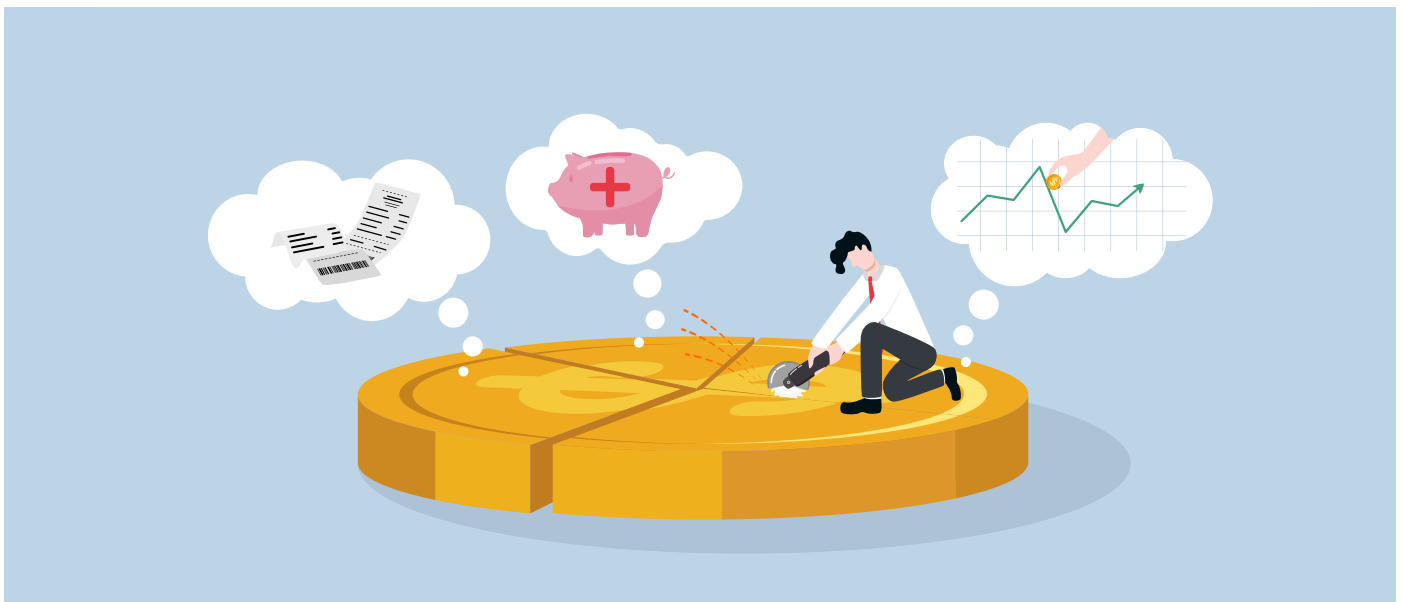
of plan participants said their employers should offer in-plan retirement income options.³⁷

89%

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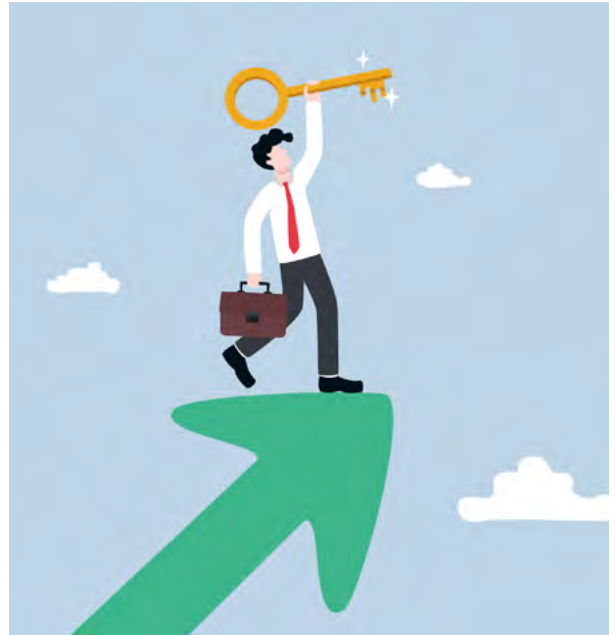


CHAPTER 5

With Responsibility Comes Opportunity

Retirement plan fiduciaries bear significant responsibility. Their duties are the “highest known to law.”⁴⁰ When one focuses too narrowly on a fiduciary’s responsibilities and related risks, it is easy to forget about the other party to the relationship: the participant or beneficiary. Millions of Americans depend on fiduciaries to make decisions that will impact their futures. That responsibility may be daunting. However, the corresponding opportunity is awesome.

We are at a turning point. Baby boomers continue to retire. The 2023 calendar year experienced retiree numbers well in excess of expectations.⁴¹ Recent retirees have been less likely to have access to retirement income from their employer-sponsored plans than at any time in at least the last 50 years. This trend will only get worse in 2024 and beyond unless plan fiduciaries and gatekeepers demonstrate the capability, confidence, and courage to do something about it.



People turning age 65⁴²

| 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 3,980,000 | 4,070,000 | 4,030,000 | 4,100,000 | 4,180,000 | 4,120,000 | 4,120,000 | 4,090,000 | 4,070,000 | 3,880,000 |

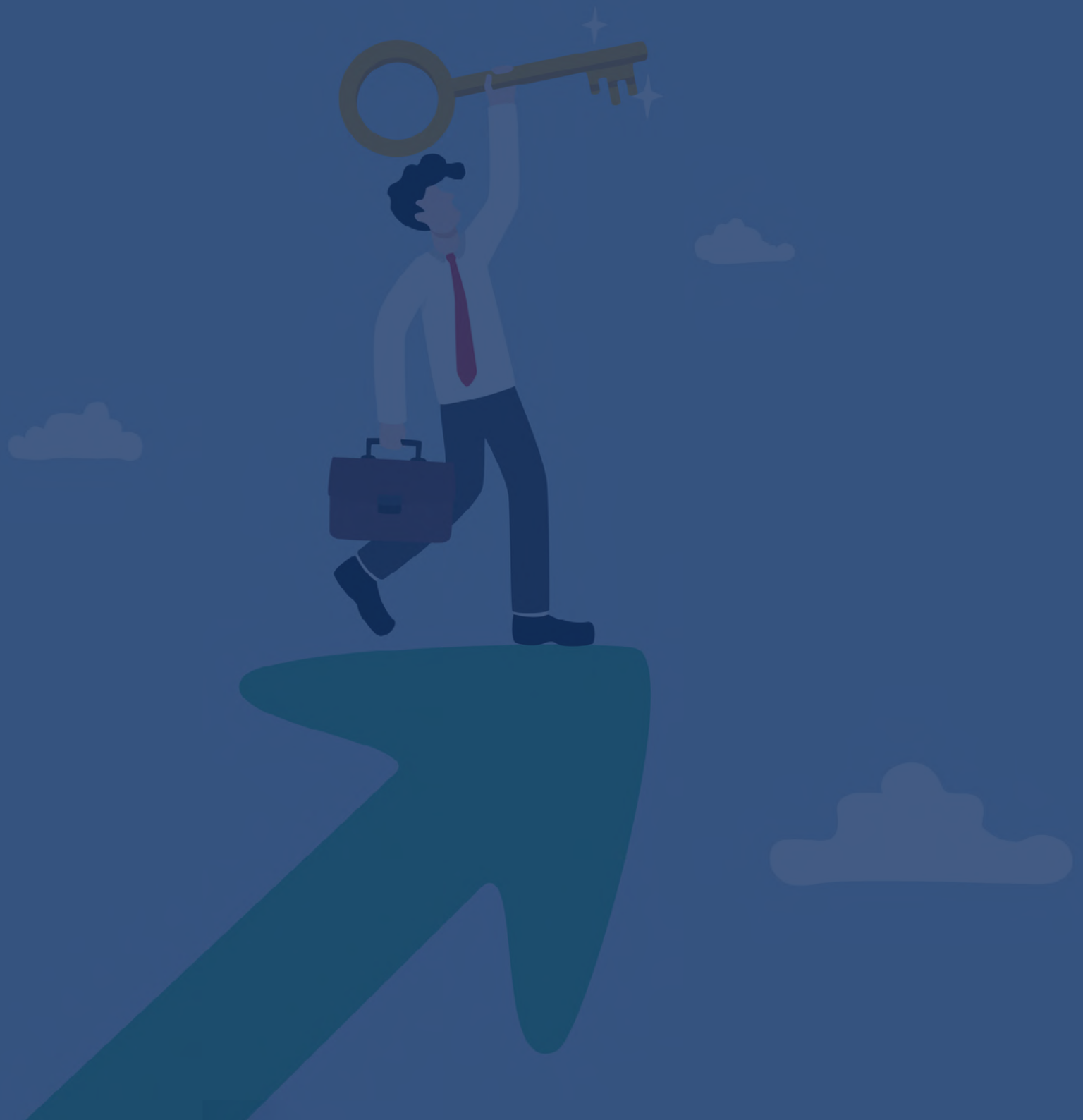
Fiduciaries are writing their legacies in real time. They have the chance to seize the opportunity that attaches to their responsibilities. Do they want to simply be safe fiduciaries? Or do they want to prioritize being good fiduciaries? Why not be both? The safest fiduciaries are the good ones. It’s time to rise up and take pride in being a good fiduciary.

The SECURE Act Committee Report summarized Congress’s chief goal behind the Safe Harbor: “Removing ambiguity about the applicable fiduciary standard eliminates a roadblock to offering lifetime income benefit options under a defined contribution plan.”⁴³ Congress removed that roadblock in 2019. At that time, there were not enough vehicles to take advantage of the clear road ahead.

Now, however, the roadblock is removed, the vehicles exist, more are coming, employees want access to *retirement* income from their *retirement* plans, and they need access more with each passing year. Plan sponsors have begun to lean on their trusted advisors to help them to respond to that demand. Why continue to say no, when it is so important to be in a position to say yes?

SOURCES

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21. Information Letter from Phyllis C. Borzi, US Department of Labor, to J. Mark Iwry, US Department of the Treasury, October 23, 2014.
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23. SECURE Act 204.
24. Id.
25. Although this is not intended to be an exclusive list, one could explore tools provided by [American Century Investments](#), [Broadridge](#), [Nestimate](#), and the [Retirement Income Institute](#) for examples of how those services may be helpful.
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27. More information on NAPA’s RI(k) certificate is available at [naparik.org](#).
28. This sentence assumes that the fixed annuity provider will state its fee in a transparent manner. That may be a faulty assumption. Gatekeepers should be aware of any solutions that do not feature an explicit fee and be prepared to ask the solution provider to peel back the onion.
29. ERISA 404(e)(3) (as added by SECURE Act 204).
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