



Decumulation Product Landscape

Lori Lucas, CFA
Executive Vice President
Defined Contribution Practice Leader
Callan Associates

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Stepping Back: Types of Retirement Income Options for DC Plans

Types of Income in Retirement Alternatives

Out of Plan:

- Drawdown Solutions
- Annuity as a Voluntary Benefit

In Plan:

- Annuity as a Form of Payment
- In-Plan Guaranteed Income for Life Products



Drawdown Solutions: Income Replacement Funds

Income replacement funds

■ **What They Are**

- Funds designed to provide stable monthly income stream in retirement—NOT guaranteed

■ **Pros**

- Not necessarily tied to DC plans – Not fiduciary oversight item
- Full flexibility (to move in and out)
- Participants remain in full control of lump sum



Drawdown Solutions: Drawdown Technology

Drawdown technology

■ **What It Is:**

- Tools that calculate annual income needs for retirees, taking into account factors such as:
 - Inflation
 - Longevity
 - Market Risk
 - Health Care Costs
 - Spending
- Provides periodic “paychecks” from retirement account.

■ **Pros**

- Full flexibility (start and stop as desired).
- Flexibility with investment options.
- Participants remain in control of lump sum.



Drawdown Solutions: Retirement Counseling

Retirement education, communication, and advice

■ **What They Are:**

- Group pre-retirement seminars.
- Individualized pre-retirement support.
- One-on-one financial planning.

■ **Pros**

- Much-needed education and hand-holding for retirees.
- Limited fiduciary risk.



Drawdown Solutions: The Cons

Cons for All Drawdown Solutions:

- **No guarantees for longevity risk, etc.**
- **Reliant on retiree discipline.**
- **May require partial distributions from plan.**
- **May require ongoing relationship with participant—positive or negative?**



Annuity as a Voluntary Benefit

Income Solutions Approach

- **Offers group annuity pricing**
- **“Lending Tree.com” type of solution**
- **Typically offered outside the DC plan**
- **Many recordkeepers already offer this functionality**



Annuity as a Voluntary Benefit

- **Pros**

- Group pricing
- Easy access
- Wide availability
- Not a plan fiduciary oversight item
- Little cost to plan sponsor

- **Cons**

- Low utilization
- “Annuity stigma”
- Difficulty of partial annuitization
- Point in time risk



Annuity as a Form of Payment

- **Pros**

- Addresses longevity risk and market risk.
- No longer subject to “safest available annuity” requirement.

- **Cons**

- Low utilization by participants—palatability issues.
- Fiduciary risk.
- Point-in-time risk.



In-Plan Annuities

Types and Evolution:

- **Fixed Deferred Annuities – Insurance Companies**
- **Deferred Variable Annuities – Insurance Companies**
- **Guaranteed Minimum Benefit Payment Products – Investment Managers, Others**



Issues and Potential Solutions

Issue

- Insurer risk
- Opportunity risk
- Inappropriate for younger participants
- Costly
- Lack of portability
- Lack of participant interest/
difficulty communicating
- Plan sponsor fiduciary concerns
- Recordkeeper support

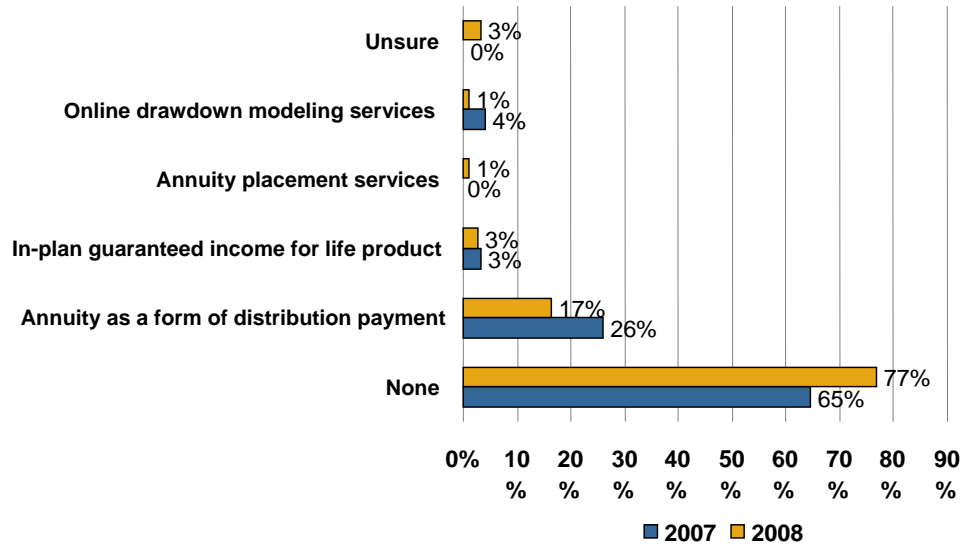
Potential Fix

- Multiple insurers
- Focus on preserving accumulation and
allowing for growth in retirement
- Gear toward age 50 and older
- Market pressure
- No surrender charges/IRAs
- Positioning as default
- PPA Protection/additional regulation
- Pressure from plan sponsors



Traction with Guaranteed Income For Life Solutions

Does your company offer an income for life product to employees?

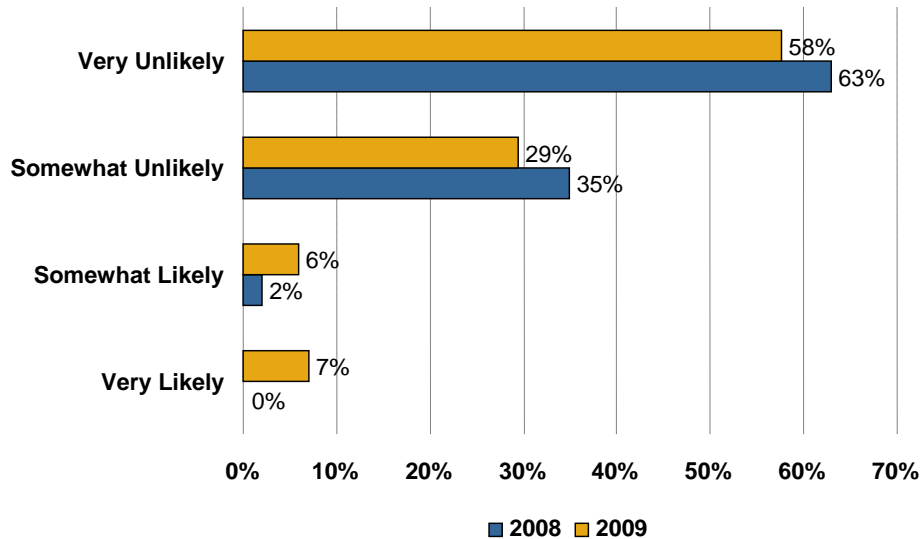


Source: 2009 Callan DC Survey.



It's Still Early—But More Interest Being Shown

How likely is it you will offer a guaranteed income for life solution in 2008?



Source: 2008–2009 Callan DC Survey.



Guaranteed Minimum Benefits Products: What's on the Horizon

Questions still left unanswered:

- **Plan sponsor interest**
- **Palatability to participants**
- **Recordkeeper support**