WRAP-UP REPORT

P&I CONFERENCES
Virtual Series

2021 RETIREMENT INCOME

VIRTUAL SERIES

While there are myriad factors that can contribute to a successful retirement—and a successful retirement plan—chief among them may be the security of a nest egg that can provide income for the rest of a participant's life. The coronavirus and the uncertainty it wrought on individual's health and financial situations only underscored the importance of considering retirement income, said plan sponsors, advisers, and asset managers at ***Pensions & Investment's*** **2021 Retirement Income Virtual Series.**

A focus on retirement income is of consequence for all plan participants, whether they're still a way off from retirement, have quit working according to their plan, or have involuntarily entered retirement due to a change in job status. While Boomers and Gen Xers are just entering retirement, Millennials continue to struggle with making decisions for their future retirement and Gen Zers are concentrating on starting on the right path. All the generations are doing so in a turbulent but recovering world, and under a new administration, panelists said.

They shared their thoughts on how plan sponsors can work with participants to determine how much they should save, how to determine an asset allocation, and when it might make sense to use a deferred annuity. Sessions delved into current strategies that plan sponsors might use to plan for a lifetime of guaranteed income during retirement, how the Biden administration might impact such strategies, and the role of cybersecurity in workplace retirement plans.

To access the recorded sessions, go to:

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FOCUSING ON PARTICIPANT NEEDS

While many plan sponsors began looking more closely at incorporating annuities and other income solutions into their plans following the passage of the Setting Every Community up for Retirement Enhancement (SECURE Act) in 2019, such efforts largely got put on the backburner when Covid hit in 2020. This year, however, plan sponsors are renewing their interest, and providers—from large recordkeepers to small startups—are introducing an array of products to help them, including annuities and managed payout solutions.

While plan sponsors might ultimately implement a full-scale retirement tier within their plans, panelists said that they can also change their plan design over time, introducing one product or solution at a time as it makes sense. To achieve better retirement security, plan sponsors should focus first on the needs of their participants and then select the most appropriate solutions.

The most appropriate retirement income solution for a given plan will depend on several factors, including the goals of the plan sponsors, the demographics of the participants, and their level of engagement with the plan. While annuities may someday become as common a default option as target-date funds, panelists said they expect such offerings to largely take the form of opt-in features while plan sponsors focus on educating participants on how the complicated products work.

Hear the session: Transforming Plan Design
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MAKING IT EASY

When Oregon Saves, the Beaver State's state-run retirement plan launched in 2015, it aimed to offer retirement plans as easy as possible for employers and as low-touch and smooth as possible for participants. Six years later, the initiative has achieved those goals attracting more than $130 million in assets from 115,000 workers in the state, Oregon Treasurer Tobias Read said during a fireside chat.

The program mandates that any employer in the state that does not offer a retirement plan must facilitate participation in Oregon Saves. Participants default into a 5% contribution (with annual escalation to 10%) to a target-date fund, though they can opt out of the plan, change their contribution level, or switch to a money-market or S&P 500 index fund.

Following the success of Oregon's program, the first in the nation, Illinois and California have started their own state retirement plans and Read said he gets regular queries from other states interested in following suit.

"I really try to make the point to them that this is not as scary as it might seem," he said. "It really is doable. We're proving that."

Looking ahead, Read said that Oregon is looking at ways to potentially expand the program, including by introducing a sidecar emergency savings vehicle and looking at decumulation products for participants once they've entered retirement.

Hear the session: Oregon Saves
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AN INDIVIDUALIZED APPROACH

As more plan sponsors look for ways to build out a suite of "retirement tier" solutions for employees at or near retirement, there's a growing recognition that the needs of such employees may vary substantially. In addition to having different levels of income and savings, retirement-age workers also have various levels of financial literacy, outside retirement accounts, family financial obligations, and goals for their retirement, panelists said.

That heterogeneity, combined with the challenges of low savings levels and increased longevity, mean that plan sponsors today need to have a range of retirement solutions to best serve as many of their employees as possible. Helping employees and in-plan retirees successfully navigate such solutions requires extensive education as well as access to tools and even financial advisers that can help them determine the best path for them as individuals. Meanwhile, a growing number of plan sponsors now want their employees to remain in the plan after they've retired and are looking for ways to make their plan retiree friendly.

Hear the session: Preparing and Serving Pre and Post Retirees
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A FIRST STEP

This all-plan sponsor panel agreed that the new Lifetime Income Disclosure Rule, under which plan administrators must provide each defined contribution plan participant with an annual estimate of their retirement savings expressed in terms of income, is a good first step. However, they also agreed that in its current form the rule has several limitations that will make it less effective than regulators hope.

Those limitations include the lack of a mechanism to account for future growth, making the estimate less useful for younger participants, and an inability to factor in outside investments, making it less useful for more sophisticated investors. Still plan sponsors said they view the rule as an opportunity for engagement and education with employees, many of whom they expect will have questions about how to understand the estimate.

The Department of Labor has said that plan sponsors can deliver the estimate electronically or post it online for participants to access. Panelists said that they expect to rely heavily on their recordkeepers for help with implementing the new requirement.

Hear the session: ERISA Disclosures: A New Path Forward
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AUDIENCE POLL: Do you think that these mandatory disclosures will change employee behavior?

Yes, participants will be more confused	32%
Yes, participants will think about their savings in terms of income instead of an account balance	26%
No, participants won't even read the disclosure	23%
Yes, participants will save more	18%
No, participants won't do anything differently	9%
Yes, participants will more commonly leave their savings in an employer plan in retirement	5%

AUDIENCE POLL: As a plan sponsor, based on the new, required disclosures, are you more likely to consider:

38%	Offering new/different solutions focused on income
23%	Allowing/encouraging retirees to remain in plan
8%	Increasing availability of guaranteed income/annuities
38%	None of the above, status quo

INTRODUCING LIFETIME INCOME

After years of discussing the need for lifetime income, plan sponsors are beginning to take action, discussing with their advisers and providers ways to incorporate such products into their defined contribution plans. In a panel titled "A Time & Place for Annuities" speakers agreed with the host that the time is "now" and the place is "in plans."

Panelists attributed the increased interest to the 2019 passage of the SECURE Act, which eased the way for in-plan annuities, as well as a recognition among plan sponsors that many participants don't have the desire or the financial acumen to navigate the decumulation phase of retirement saving on their own.

As plan sponsors look at annuity solutions, panelists stressed the importance of looking for streamlined, simple-to-understand products and reminding participants that annuitization does not have to be an all-or-nothing approach. Instead, annuitizing a portion of one's nest egg could allow them to achieve a level of longevity protection without sacrificing all of their liquidity in the short term.

Hear the session: A Time and Place for Annuities
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AUDIENCE POLL: As a plan sponsor, are you closer to considering annuity options (in-plan or out-of-plan) than you were two years ago?

- Maybe, but still on the fence........29%
- We already offer an annuity option........24%
- Yes, hearing about this topic and other plans taking action has been encouraging........19%
- Yes, the SECURE Act increased our interest in this area........14%
- No, we're not seriously considering annuities........14%

MINIMIZING CYBER RISK

As the risk of a cyber breach continues to grow, plan sponsors and their service providers are more focused on the ways that they can increase cyber security for both their plan and their participants. Panelists agreed that plan sponsors have a fiduciary responsibility to vet their vendors for cyber security best practices, and that minimizing risk must be a shared effort between plan sponsors, recordkeepers, and participants.

They discussed the recent Department of Labor guidance on cyber security, which laid out various cybersecurity best practices for plan sponsors, fiduciaries, plan participants, and beneficiaries. That guidance included tips for hiring a security provider and cybersecurity program best practices, as well as cyber security tips for plan participants.

An ERISA lawyer on the panel said that the DOL is already beginning to conduct investigations related to this guidance, providing even more impetus for plan sponsors to make sure that they're taking as many precautions around cybersecurity as possible. A plan sponsor on the panel said that her organization devoted significant resources to this issue even before the DOL guidance, in an effort to both protect their participants and their own brand reputation from the impact of a breach.

Hear the session: Cybersecurity and Protecting Participant Accounts
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PROMOTING WELLNESS

The key to successful financial wellness programs is making sure that there is programming aimed at meeting the various needs of participants throughout their career with a company. Plan sponsors said that often means initiatives tied to life-stage inflection points, well before they've made it to their retirement. So younger employees might receive educational programming around budgeting and paying down debt, while mid-career participants might benefit from programming focused on saving for college or how to shop for a mortgage.

Regardless of their age or life stage, all plan participants can benefit from education on the investment menu itself, including the best way to use target-date funds, panelists said. Plan sponsors should also take time to highlight the resources offered through their plan, since some participants may not even know about all the options available to them.

Finally, regularly interacting with employees through focus groups, surveys, and even one-on-one conversations can help plan sponsors better tailor their financial wellness programs to the needs of their plan participants.

Hear the session: Financial Wellness: Highlighting New Programs and Ideas
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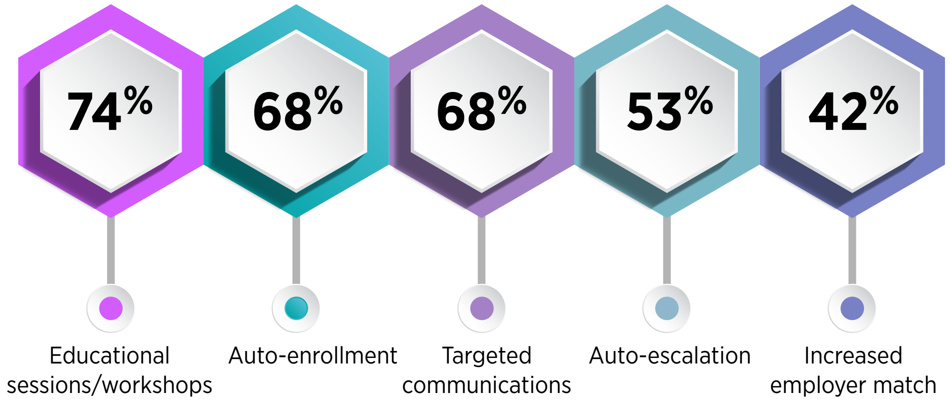
AUDIENCE POLL: What initiatives have you put in place in the last five years to encourage savings?



INTRODUCING LIFETIME INCOME

While the SECURE Act focused primarily on improving macro-level structural issues within the retirement planning industry, the current proposals for the SECURE Act 2.0 delve deeper into the micro-level changes. Panelists noted that passing additional retirement reforms is one of few policy areas in which there's broad, bipartisan support.

The proposals remain in draft form and will likely change significantly before potentially passing in the first half of 2022. The final legislation is likely to include a range of provisions that build on the first SECURE Act and aim to further its efforts to increase savings and promote additional lifetime income solutions, panelists said.

Proposals up for consideration include increasing the age for required minimum distributions to age 75 and eliminating RMDs entirely for those who have less than $100,000 in retirement savings; directing all catch-up contributions into a Roth (making them a revenue raiser) and allowing employees to choose to receive their matching funds in a Roth; and eliminating penalties for partial annuitization.

Hear the session: Exploring the New World of Retirement
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ACKNOWLEDGEMENTS

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