



# New Outlook on Retirement Income

## AN EVALUATION FRAMEWORK FOR GROUP RETIREMENT SAVINGS PLANS



### **An Intentional and Iterative Process**

We believe the process of evaluating and adding retirement income solutions to a plan should first identify the intended objectives of a plan and its participants and only then determine which solutions best address those needs.

It is important to recognize that a solution or suite of solutions doesn't need to be constructed all at once. In fact, an iterative and intentionally staggered process—focused on short-term, intermediate-term, and long-term goals—enhances the flexibility of a tier-based approach. In many cases, plans already offer some of the building blocks that would make up an effective retirement tier.

Phasing in additional solutions to fill gaps can power the construction of the retirement tier, step by step.

# Evaluation Framework

This process is designed to help sponsors identify retirement income solutions that merit further exploration and rule out less suitable approaches. By bringing focus to resources that are already provided or available to the plan, you can more easily evaluate the merits of new investment solutions for retirement income.

We suggest the following process:



## **STEP 1: Establish Baseline of Committee Views and Objectives, Participant Income Needs and Preferences, and Possible Limitations**

### **Consider plan resources beyond investment solutions**

- Tools, education, and investment guidance



## **STEP 2: Complete the Income Evaluation Framework**

### **Evaluate retirement income investment solutions**

- Single-asset options
- Multi-asset options
- Annuity-based options

### **Complete a high-level check**

- Sufficient breadth?
- Unintentional redundancy?



## **STEP 3: Further Exploration to Consider**

# Establish Baseline Objectives, Preferences, and Limitations

## Committee Views and Objectives

**What is the strategic purpose of your plan?**  
 Savings plan                       Retirement plan

**What do you prefer participants do with their plan balances when they retire?**  
 Stay in sponsored group plan                       Remove assets from sponsored group plan

**When considering adding to or reinforcing your plan's retirement income capabilities, would you prefer a single solution to serve all participants or a range of solutions to address a variety of participant needs?**  
 Prefer single solution                       Prefer range of solutions (i.e., tier)

Is your goal to offer a plan that focuses on asset accumulation, or are you focused on supporting transition into and through retirement? Your answers don't necessarily lead to adding retirement income solutions to your plan, but it's helpful context.

A single retirement income solution may offer simplicity for participants, but a suite of solutions may offer more flexibility to address a range of participants' needs.

## Participant Income Needs and Preferences

Careful consideration of desired income characteristics can help you assess the suitability of different retirement income solutions for your plan. Although income amount, duration (how long income will last), and income volatility (how much income may vary during periods of poor market performance) often get the most attention, other income characteristics may be just as important—or even essential—to retiring participants.

### INCOME ADEQUACY

How much will my periodic income be?



### INCOME DURATION

How long will my income last?



### INCOME VOLATILITY

How much will my income vary each month?



### ASSET GROWTH

Can my assets continue to grow?



### ASSET LIQUIDITY

Will I have access to my assets beyond my income payment?



### CONTROL AND CHOICE

Can I change my mind if my needs or circumstances shift?



# Evaluating Solutions



Now, equipped with better insight on objectives and priorities, the next step is to assess categories of potential income services and solutions based on the following evaluation hierarchy.

## Alignment With Participant Preferences

How well does a specific solution address identified needs and desired income characteristics?

## Compatibility With Committee Views and Objectives

Does the service or solution align with the committee's fiduciary views, level of acceptable complexity, and openness to innovation?

## Practical Factors Unique to Your Plan's Circumstances

A third crucial item is how (and if) a retirement income solution can be ultimately deployed to participants, including recordkeeping feasibility or willingness to expand capabilities.

## INCOME EVALUATION FRAMEWORK

# Plan Resources Beyond Investments

Use this table to evaluate the tools and resources currently in place and those under consideration. Guidance and education can apply to general planning considerations, investments, plan elections, and more. Consider the needs of your particular workforce and their comfort with various options. When thinking about alignment, consider segmenting your participants by age/stage to ensure that you are covering all differentiated groups (e.g., ages 20 to 35, ages 35 to 50, 50 to retirement, and postretirement.)

### Tools, Calculators, and Education

Alignment With Participant Preferences	Compatibility With Committee Views and Objectives	Practical Factors Unique to Your Plan's Circumstances
<ul style="list-style-type: none"> <li>How much of an impact do you think education can make?</li> <li>Is there need for improvement of your current content or tools?</li> <li>To what extent do you think human and/or automated financial guidance are necessary components for an effective retirement income solution for your plan?</li> </ul>	<ul style="list-style-type: none"> <li>Does your fiduciary committee have specific boundaries regarding what tools, calculators, and information you would consider?</li> <li>Are there certain retirement projection approaches or educational insights that you believe are best suited to your workforce?</li> </ul>	<ul style="list-style-type: none"> <li>Are you making use of all educational resources made available through your current recordkeeper?</li> <li>If considering additional tools, calculators, and information from a third party, how would that content be deployed?</li> </ul>

### Financial Advisors and Financial Planners

Alignment With Participant Preferences	Compatibility With Committee Views and Objectives	Practical Factors Unique to Your Plan's Circumstances
<ul style="list-style-type: none"> <li>To what extent do you think human financial advisors or planners are necessary components to an effective retirement income solution for your plan?</li> <li>If you currently make advisors or planners available, do they provide high-quality advice?</li> </ul>	<ul style="list-style-type: none"> <li>Do the advisors or planners align to your committee's philosophical views (e.g., keeping assets in plan, cost awareness)?</li> </ul>	<ul style="list-style-type: none"> <li>Are you familiar with, and making use of, the financial advice services and capabilities your recordkeeper offers?</li> </ul>

# Retirement Income Investment Solutions

Use the tables to evaluate each income solution in terms of alignment to participant preferences, compatibility with committee views and objectives and practical factors unique to your plan’s circumstances.

## Consider Existing or New Investment Solutions as Part of a Retirement Income Tier

Alignment With Participant Preferences	Compatibility with Committee Views and Objectives	Practical Factors Unique to Your Plan’s Circumstances
<p><b>Can the solution suitably address or resolve:</b></p> <ul style="list-style-type: none"> <li>Retirement income needs or concerns identified as important to your committee?</li> <li>A range of needs and concerns, or is it a solution that is targeted to a specific situation?</li> </ul>	<p><b>Is the solution compatible with your committee’s:</b></p> <ul style="list-style-type: none"> <li>Fiduciary views?</li> <li>Preferred level of operational and administrative complexity?</li> <li>Comfort level or openness to innovation?</li> </ul>	<p><b>Can the solution be implemented or delivered:</b></p> <ul style="list-style-type: none"> <li>With your recordkeeper’s current (or future) capabilities?</li> <li>Within the desired timeline?</li> <li>Such that your participants can understand and will use the solution?</li> </ul>
<b>Money market strategies</b>		
<b>Core bond and total return bond strategies</b>		
<b>Core plus bond and multi-sector bond strategies</b>		
<b>Corporate bond strategies (investment grade)</b>		
<b>High-income bond strategies (below investment grade)</b>		
<b>Low duration bond strategies</b>		
<b>International and global bond strategies</b>		
<b>Other:</b> <input data-bbox="227 1638 633 1669" type="text"/>		

## Evaluate Multi-Asset Retirement Income Solutions

Alignment With Participant Preferences	Compatibility With Committee Views and Objectives	Practical Factors Unique to Your Plan's Circumstances
<p><b>Can the solution suitably address or resolve:</b></p> <ul style="list-style-type: none"> <li>Retirement income needs or concerns identified as important to your committee?</li> <li>A range of needs and concerns, or is it a solution that is targeted to a specific situation?</li> </ul>	<p><b>Is the solution compatible with your committee's:</b></p> <ul style="list-style-type: none"> <li>Fiduciary views?</li> <li>Preferred level of operational and administrative complexity?</li> <li>Comfort level or openness to innovation?</li> </ul>	<p><b>Can the solution be implemented or delivered:</b></p> <ul style="list-style-type: none"> <li>With your recordkeeper's current (or future) capabilities?</li> <li>Within the desired timeline?</li> <li>Such that your participants can understand and will use the solution?</li> </ul>
<b>Managed payout strategies</b>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Target date with managed payout (non-guaranteed income)</b>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Target date with guaranteed income</b>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Managed account (with income planning)</b>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Other:</b> <input type="text"/>		
<input type="text"/>	<input type="text"/>	<input type="text"/>

## Evaluate Annuity-Based Retirement Income Solutions

Alignment With Participant Preferences	Compatibility with Committee Views and Objectives	Practical Factors Unique to Your Plan's Circumstances
<p><b>Can the solution suitably address or resolve:</b></p> <ul style="list-style-type: none"> <li>Retirement income needs or concerns identified as important to your committee?</li> <li>A range of needs and concerns, or is it a solution that is targeted to a specific situation?</li> </ul>	<p><b>Is the solution compatible with your committee's:</b></p> <ul style="list-style-type: none"> <li>Fiduciary views?</li> <li>Preferred level of operational and administrative complexity?</li> <li>Comfort level or openness to innovation?</li> </ul>	<p><b>Can the solution be implemented or delivered:</b></p> <ul style="list-style-type: none"> <li>With your recordkeeper's current (or future) capabilities?</li> <li>Within the desired timeline?</li> <li>Such that your participants can understand and will use the solution?</li> </ul>
<b>Annuity, single provider</b>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Annuity, platform</b>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Other:</b> <input type="text"/>		
<input type="text"/>	<input type="text"/>	<input type="text"/>

# INCOME EVALUATION FRAMEWORK

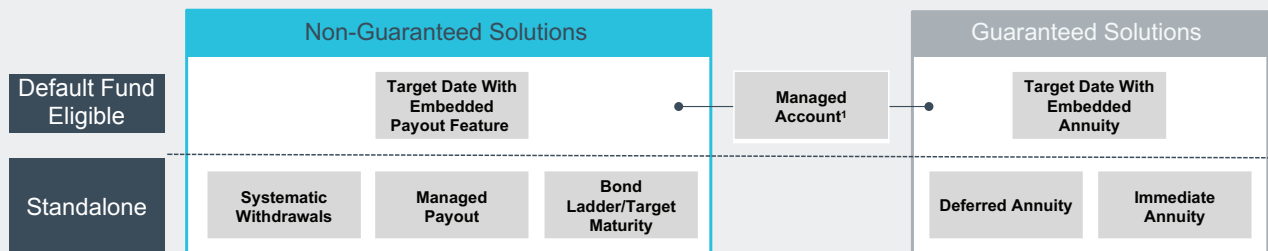
## High-level Check

Up to this point, we've asked you to evaluate specific retirement income solutions by their own merits. However, when considering multiple solutions to address the wide variety of participant needs and considering overall compatibility with your plan lineup, it's also important to consider the set of solutions as a whole. How does the narrowed list of services and solutions look in aggregate?

Sufficient Breadth of Solutions?	Unintentional Redundancy?
When considered together, do the solutions selected for further evaluation <b>meet an array of retirement income needs consistent with what your committee is trying to achieve?</b>	When considered together, do the solutions selected for further evaluation <b>avoid unintended duplication of capabilities or features that could confuse participants?</b>

### Solution Building Blocks

While there are various ways to think about income in retirement, we've arranged retirement income solutions according to whether they are standalone or expected to integrate into the plan's default fund, and by whether income streams would include a full or partial guarantee.



<sup>1</sup> Traditionally, managed accounts do not include a guaranteed income feature although they may, depending on the construction and management of the service.  
 Illustrative purposes only. Not inclusive of all retirement income solutions available.



# Final Thoughts

By completing this phase of the evaluation process, you will be able to focus your time and attention on specific retirement income services and solutions for your plan and your participants. But these are only the first steps. The next step will be to apply due diligence to each of the services and solutions you have identified for further exploration. This will continue to narrow and solidify solutions that are appropriate for formal selection and implementation.

The following list provides a few areas you should review:

- Evaluating your standard offer of tools, calculators, and measurements, as well as considering when to look beyond what your recordkeeper provides
- Assessing the impact of systematic withdrawals, partial distributions, and governing documents
- Bridging the gap to more strategic timing for Old Age Security and Canada Pension Plan
- Addressing the need for advice (e.g., managed accounts, financial advisors)
- Reorienting or adding investment options suitable for a suite of retirement income offerings
- Considering income guarantees and how best to implement them (e.g., part of multi-asset solution, standalone annuity, annuity platform)
- Investigating custom strategies (e.g., target yield, target risk)
- Considering which retirement income options may require more education for your participants
- Developing the plan to reassess and monitor new features and options as part of the regular overall plan review process

And remember, we can help.



**Please reach out to your T. Rowe Price relationship manager so we may support you as you evaluate retirement income solutions for your plan. Our team has developed foundational considerations to support the next phase of assessing each solution one by one.**



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