



NEWS RELEASE

T. ROWE PRICE DEVELOPS NEW FRAMEWORK FOR DEFINED CONTRIBUTION PLAN SPONSORS TO EVALUATE RETIREMENT INCOME SOLUTIONS

Goal is to help plan sponsors assess the possibilities in a more strategic and informed way

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T. Rowe Price (NASDAQ-GS: TROW) has developed a new framework to help plan sponsors of defined contribution (DC) plans assess retirement income solutions for participants to address the evolving needs of retirees. The evaluation framework aims to enable plan sponsors to adapt their DC plans to account for the full retirement lifecycle – including those participants who are already in retirement.

T. Rowe Price research shows that retirement income is at the top of the list for plan sponsors when discussing recovery from the “pandemic pause” of 2020. Conversely, there is relatively slow progress in bringing retirement income solutions to DC plans. In November 2020—nearly a year after the passage of the SECURE Act—61% of plan sponsors reported that the Act failed to motivate them to consider retirement income solutions. Still, plan sponsors recognize the need to help their participants as they move into retirement, which is the primary motivator (59.4%)¹ to develop retirement income solutions cited by sponsors in a recent T. Rowe study.

“The retirement income pursuit is a complex issue for plan sponsors and participants, and our objective is to help with progress,” says Lorie Latham, Senior Defined Contribution Strategist. “To date, the retirement industry has tended to lead with launching retirement income products and with an aim to “sell” into plans. We hope to see a pivot toward greater emphasis on the fundamental needs of retirees and plan objectives. You need to gain a clear understanding of what you are hoping to address before looking at the end solution.”

Providing retirees with a suite of income solutions, or “retirement tier” is widely agreed to be the preferred solution to addressing the range of retiree needs. T. Rowe Price research shows 94% of DC consultants agreed that a suite of income solutions is preferred to a single retirement income offering. However, DC consultants also report that only 13% of their plan sponsor clients currently provide, or are planning to provide, a retirement tier². T. Rowe Price’s new framework aims to bridge this gap by offering plan sponsors a strategic and informed evaluation process.

The framework is designed to help the assessment process and narrow to solutions that are fit for purpose. Sponsors who establish foundational principles to shape this framework and narrow to a subset of solutions that committees can examine further, and ultimately implement, will be in a better position to make progress, Ms. Latham believes. Without doing this work, the number and types of solutions in the market are overwhelming and have proven challenging to wade through for most sponsors.

“In our view, plan sponsors will benefit from revisiting specific inputs that drive the retirement income pursuit” says Ms. Latham. “We’ve looked closely at retiree needs, spending patterns, and how income

¹ Source: T. Rowe Price Retirement Income Plan Sponsor Survey, 2020.

² T. Rowe Price, 2020 Defined Contribution Consultant Study. Conducted in partnership with Schaus Group. Survey population includes 20 defined contribution consulting firms responding to a total of 41 questions from 1/7/2020 - 2/13/2020 and 4/8/2020 - 4/21/2020.



needs evolve over time. Studying this data is informative and will also help sponsors in assessing and establishing the various solutions that meet their unique plan needs.”

Further, it’s important to encourage sponsors to take participants on the journey toward retirement through timely, relevant, and actionable participant engagement. Helping participants understand the way the plan can be leveraged is a key factor in successful implementation and adoption. Working with participants in the pre-retirement phase might also encourage them to remain in the plan at retirement.

“By using the framework to focus committees on understanding what retirement income needs they are solving for, plan sponsors can clear the path for progress in the retirement income pursuit and provide much needed solutions to their retiring participants.” said Ms. Latham.

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