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T.RowePrice 

 **TIAA**

PANEL DISCUSSION

MODERATOR: BILL RYAN

Identifying the Optimal Retirement Income Menu for Your Participants



W. COLBY CARTER
Tennessee Valley Authority
Retirement System



BRENDAN CURRAN
State Street Global Advisors



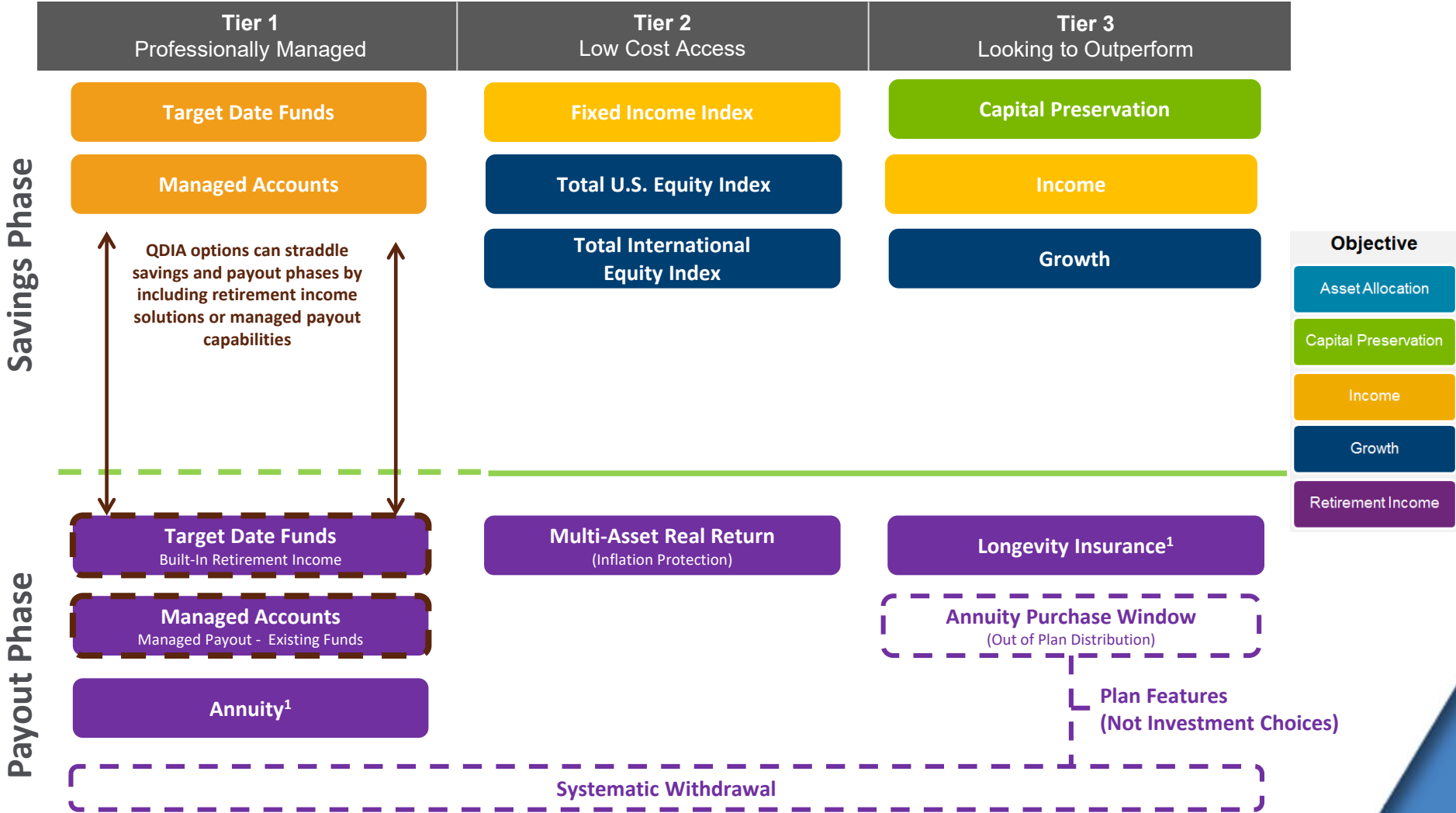
MICHAEL OLER
T. Rowe Price Associates



TIMOTHY WALSH
TIAA



Future Tiered DC Investment Menu



¹Solution can be offered either as in-plan or out-of-plan option





Identifying the Optimal Retirement Income Menu for your Participants

Speaker:

W. Colby Carter, Senior Counsel
Tennessee Valley Authority

TVA Savings and Deferral Retirement Plan

- \$2.7 billion 401(k) plan with 14,400 participants (current and former)
- Demographics:
 - Retirement benefits have quickly shifted from a DB to DC focus
 - More than 85% of current participants rely on 401(k) assets for most or all retirement benefits
- Current Investment Menu:
 - Target Retirement Portfolios
 - 5 passively managed funds
 - 8 actively managed funds
 - Self-directed brokerage
 - Managed accounts
- Structural Goals for Retirement Income:
 - Recreate an income/expense experience during retirement years similar to employment years
 - Address longevity and inflation risks



Retirement Income Design

Distribution:

(flexible options)

- Systematic withdrawals over lifetime
- Periodic withdrawals
- Lump-sum requests

Investment:

(possible options)

- Income fund
- Structured payout fund
- Balanced fund

Annuity:

(possible options)

- In-Plan: Target Retirement Portfolios
 - Considerations – simple, understandable, optional, portable, low-cost with minimum overhead/premium
- Out-of-Plan: Institutionally priced
- In-System: Fixed or variable annuity

----- Engagement --- Education --- Assistance --- Advice?-----



Identifying the Optimal Retirement Income Menu for your Participants

Speaker:

Brendan Curran, Managing Director and Head of
U.S. Investment Strategy, DC
State Street Global Advisors

Challenging Conventional Wisdom

1998

- Do not get into a stranger's car
- Do not meet people from the internet

2019

- Summon strangers from the internet so that you can get into their car



Case Study: University of California

Drivers of Change

- Increase in mid/late career hires
- Evolving retirement benefits program
- Paternalistic culture
- Embrace innovation

Key Principles of Solution

- ✓ Build retirement income in the default and simplify decision-making
- ✓ Align education and decision making with peak intelligence and experience
- ✓ Offer flexibility near & into retirement
- ✓ Provide stability, predictability and guaranteed income in late-retirement





Identifying the Optimal Retirement Income Menu for your Participants

Speaker:

Michael Oler, Vice President, Retirement Income Product Manager, **T. Rowe Price Associates**

Retirement Income & Each Participant's Unique DNA

INCOME YIELD

How much will my periodic income be?

INCOME DURATION

How long will my income last?

INCOME VOLATILITY

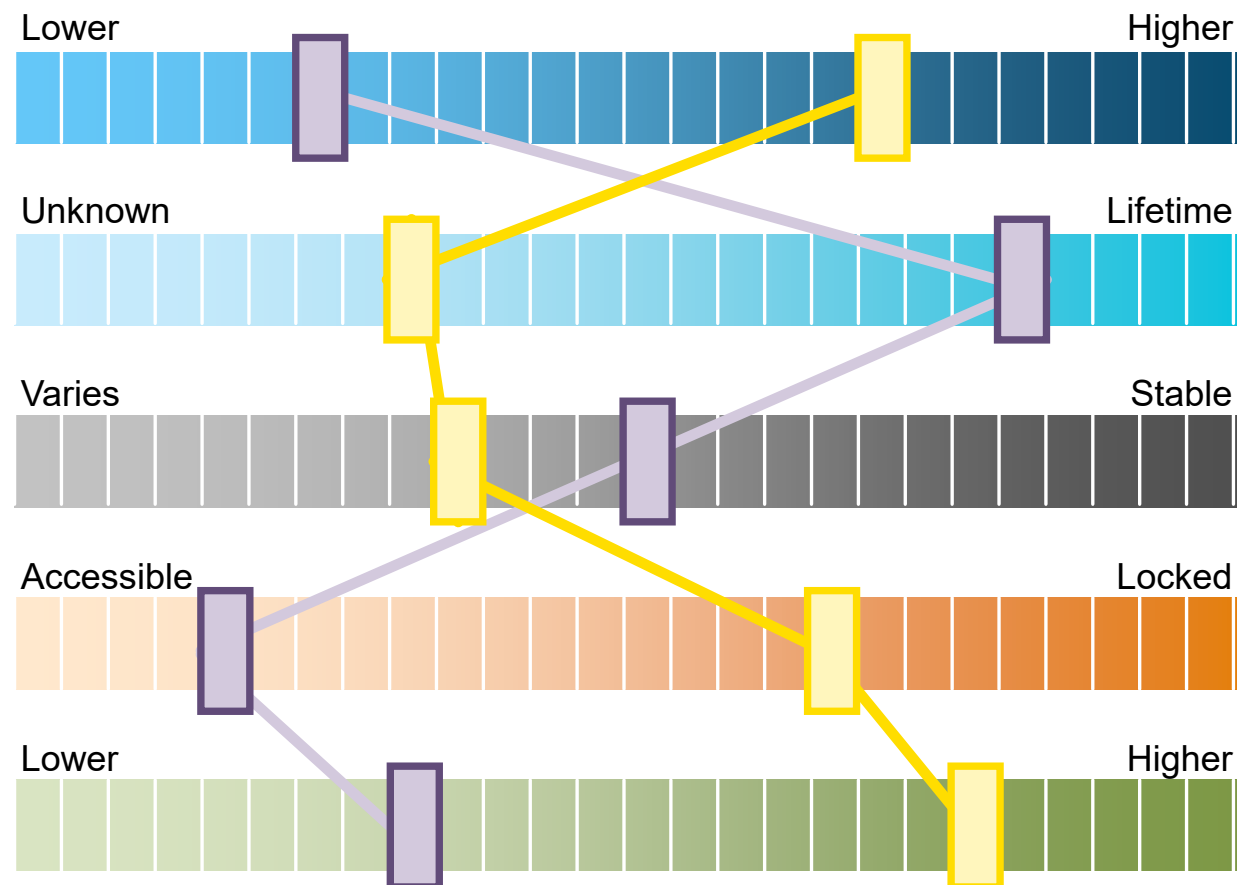
How much will my income vary?

ASSET LIQUIDITY

Will I have access to my assets?

ASSET PRESERVATION

Will there be money left when I die?



— Hypothetical preferences for Person A — Hypothetical preferences for Person B

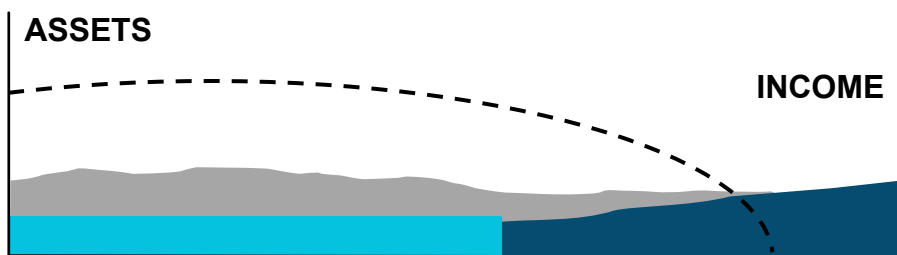
Retirement Income & Each Participant's Unique DNA

HYPOTHETICAL CASE STUDY 1: MEET ROSE



NAME
Rose

AGE
67

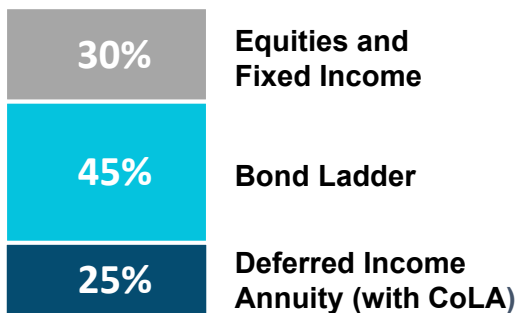


PREFERENCES



- Income Duration
- Asset Liquidity
- Income Yield

POTENTIAL ASSET ALLOCATION

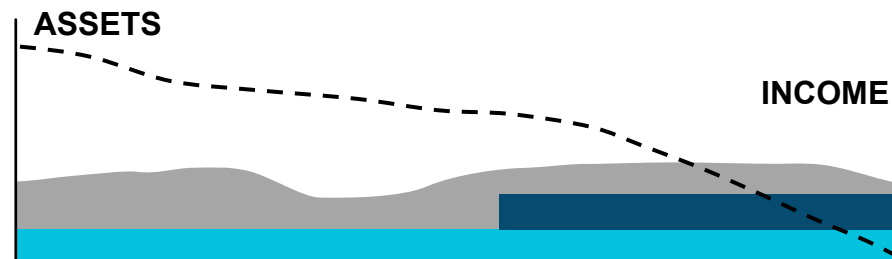


HYPOTHETICAL CASE STUDY 2: MEET DAN



NAME
Dan

AGE
62

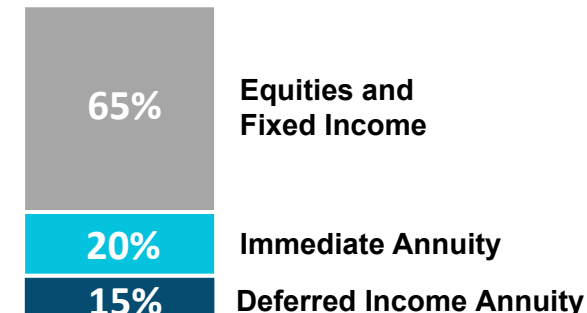


PREFERENCES



- Asset Liquidity
- Income Duration
- Asset Preservation

POTENTIAL ASSET ALLOCATION



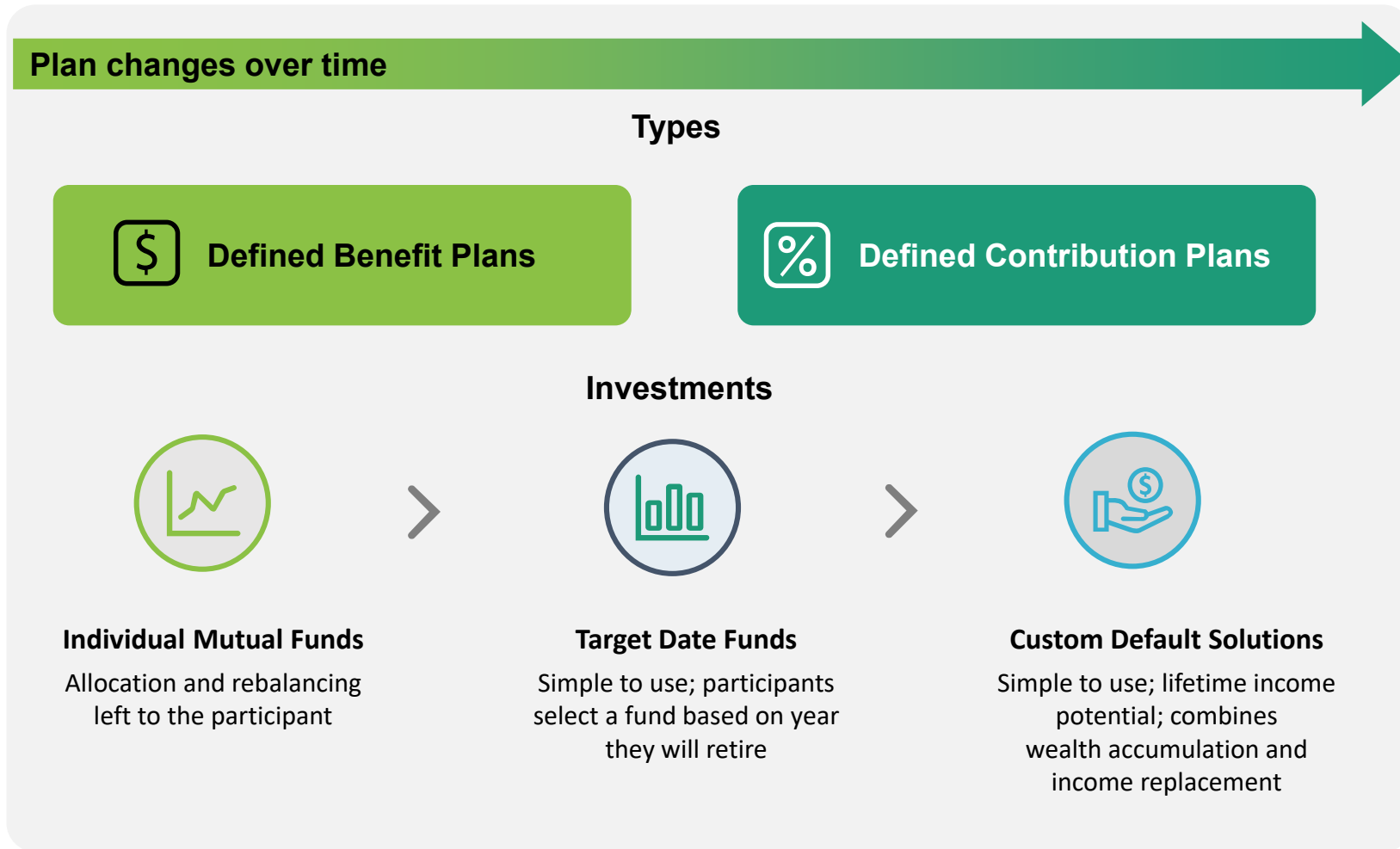


Identifying the Optimal Retirement Income Menu for your Participants

Speaker:

Timothy Walsh, Senior Managing Director
TIAA

Evolution of retirement plans and investments



In-plan institutionally priced annuities offer lifetime income and can help enrich the plan



67% of Americans want the certainty of income in retirement.¹ Adding a DB-style payout offers the ability to personalize a managed account with the security of principal protection and guaranteed income without the expense or complexity.



Eight in 10 plan sponsors agree that participants would benefit from a target date fund with a feature that generates guaranteed retirement income.² In fact, 63% of participants believe that their TDFs provide lifetime income.³



Only 32% of participants say their retirement plan includes access to products that provide monthly income in retirement⁴.



Helps attract and retain diverse talent with a more robust benefits program. 60% of employers find it somewhat or very challenging to attract and retain top employees.⁵

1. TIAA 2017 Lifetime Income Survey October 2017
2. BlackRock DC Pulse Survey 2019
3. TIAA 2017 Lifetime Income Survey October 2017
4. TIAA 2017 Lifetime Income Survey October 2017
5. 2018 TIAA Plan Sponsor Survey in partnership with KRC research



The importance of lifetime income in retirement

Let's think beyond accumulation ...



Accumulate savings
for retirement



Manage those
savings *in* retirement



Lifetime income that
lasts *throughout* retirement

How do employers close the lifetime income gap?

- Key investment vehicles for guaranteeing income in retirement

- Largely missing from the U.S. private retirement system



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