
Fidelity's Plan Sponsors Can Now Offer Annuities

By Kerry Pechter Tue, Feb 6, 2024

Income products issued by MetLife, Pacific Life, Prudential Financial and Western & Southern Financial Group are available on the Fidelity platform, with additional insurers to be added in the future, Fidelity said in its release.

Fidelity Investments, which provides qualified retirement plans to some 24,000 U.S. businesses, is making it possible for plan sponsors to offer group annuity contracts to participants in those plans, according to a January 25 Fidelity announcement. The new program is called Guaranteed Income Direct.

After Fidelity's announcement, Prudential announced its SimplyIncome program, which will offer single-premium immediate annuities (SPIAs) within Fidelity's employer-based savings plans.

A Fidelity release said, "Guaranteed Income Direct allows employees to set up pension-like payments by purchasing an immediate income annuity through an insurer selected by an employer. The solution offers access to lifetime income for employees at all savings levels, with the flexibility to convert all or a portion of one's retirement plan savings - regardless of where their money is saved - into monthly income based on their personal needs. In addition, savings not converted can remain in the workplace savings plan."

Income products issued by MetLife, Pacific Life, Prudential Financial and Western & Southern Financial Group are available on the Fidelity platform, with additional insurers to be added in the future, Fidelity said in its release. Employers can choose insurers to include in their Guaranteed Income Direct benefit.

Fidelity has long offered annuities on its website for retail investors. It currently offers fixed immediate income annuities from The Guardian, MassMutual, New York Life, USAA, and Western & Southern.

The retail site also offers deferred income annuities, deferred variable annuities and deferred fixed rate annuities, including a Fidelity deferred variable annuity, two New York Life deferred (fixed and variable) annuities with flexible income benefits (guaranteed lifetime withdrawal benefits, or GLWBs), and deferred variable annuities with GLWBs from Nationwide and Pacific Life.

Toronto-based middleware provider Micruity, Inc., created a web-based hub for connecting

plan participants and annuity providers. [Micruity](#) was the subject of a 2020 article in *Retirement Income Journal*.

RIJ sent five questions to Fidelity about the new service and received these answers:

RIJ: Why will employers choose which annuities to make available to their participants?

Fidelity: We have found that employers understand the needs of their employees the best and therefore determine the best plan options for them. The insurers for Guaranteed Income Direct are leading insurers who offered a group annuity structure for an immediate fixed income annuity. The Guaranteed Income Direct platform also allows for flexibility and choice, so plan sponsors can select up to five insurers which gives the participant optionality when selecting which insurer they want to purchase from. As a result of the SECURE Act, it is now easier for plan sponsors to offer annuities to their participants, as [SECURE] includes a safe harbor intended to clarify plan sponsor requirements for evaluating the annuity providers.

RIJ: Will participants get better-than-retail prices when buying annuities through Fidelity?

Fidelity: Through the insurer selection process, each insurer considered will underwrite annuity rates for the plan based on unisex tables per regulations. Our goal is to create an offering that has competitive rates but these will vary from insurer to insurer and employer to employer, based on a number of factors. The goal in offering an annuity option through a workplace retirement savings plan is to provide the consumer with a range of options when it comes to financing retirement, as there is no one-size-fits-all approach to retirement.

RIJ: Is this an “in-plan” purchase, or will it be executed through a rollover to a Fidelity IRA?

Fidelity: With Guaranteed Income Direct, participants can purchase a guaranteed income annuity directly through a plan benefit from their workplace retirement plan. Guaranteed Income Direct allows the employee to access assets from their 401(k), 403(b) or 457(b) plans to make a purchase directly with the third-party insurer selected by their employer. The assets do leave the plan and go to the insurer for purchase, with monthly cash flow views available on NetBenefits [a web portal for Fidelity plan participants]. The assets not used to purchase an annuity will remain in the plan. This process benefits the participant by avoiding any possible portability issues.

RIJ: Will a Fidelity insurance-licensed adviser will guide participants through all this?

Fidelity: We provide both a digital experience and, when needed, access to licensed representatives for support and guidance in navigating the retirement planning process and how guaranteed income may play a role for their income needs.

RIJ: Does Micruity give employer-sponsors the flexibility to switch annuity providers if they wish?

Fidelity: Our platform was built to allow for flexibility and choice. At any point, a plan sponsor has the ability to elect to change insurers, based on the needs of their participants. We have started this offering with four insurers but the plan sponsor can also work with any other insurer as long as they offer a group annuity contract. Micruity is a middleware provider that assists with the digital experience of the platform.

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