
IRIC offers guidance on selecting in-plan GMWB

By Editor Test Thu, Mar 24, 2011

ERISA experts Fred Reish and Bruce Ashton offer guidelines for fiduciaries who consider offering a guaranteed lifetime income option within employer-sponsored retirement plan.

In a [white paper](#) published by the Institutional Retirement Income Council, a trade group, ERISA attorneys Fred Reish and Bruce Ashton offer guidance for plan sponsors and their advisors who are thinking about adding an in-plan annuity option—specifically a variable annuity with a guaranteed minimum withdrawal benefit (such as Prudential’s IncomeFlex program or Great-West’s SecureFoundation)—to their plan’s investment options.

“The decision to offer an investment with a GMWB feature in a 401(k) plan is a fiduciary one. Not all GMWBs are the same. For this reason, before offering GMWBs, fiduciaries should engage in a prudent process to assess whether to offer such a feature and if so, which one to offer,” the attorneys write. “This paper discusses the legal standards governing a fiduciary’s decision to offer a GMWB, particularly in choosing the insurance carrier that offers the feature. It provides fiduciaries with a starting point for that process.”

Concluding that the choice of an in-plan annuity requires “a prudent decision-making process” on the part of a fiduciary, the attorneys describe the following considerations as the most relevant:

- The current financial strength of the insurance company offering the feature; that is, at the time the decision to offer the GMWB is made, is there a reasonable basis to believe that the insurance company will be financially able to make all future guaranteed payments if it is required to do so?
- The premium cost of the GMWB and the fees and expenses of the underlying investment option to which the feature is attached.
- The portability of the feature – that is, portability by a participant to a different 401(k) plan if he changes jobs, the ability to continue the feature if the participant’s benefit is rolled over to an IRA, and the continued availability of the feature if the plan sponsor changes providers
- The education provided by the insurance company so that participants can understand and decide whether it is appropriate for them – particularly with respect to the impact of withdrawals that exceed the guaranteed minimum.