
Most plan sponsors shun income options: Callan

By Kerry Pechter *Wed, Feb 12, 2014*

The most common reason among plan sponsors for not offering retirement income options was concern about fiduciary implications

Annuity options lost considerable ground in the race for retirement income assets in defined contribution plans, as plan sponsors looked elsewhere, according to a new study by Callan Investments Institute.

Indeed, annuity options fell out of favor last year as a form of distribution payment in DC plans, while managed accounts and income drawdown solutions gained territory, Callan said in its new 2014 Defined Contribution Trends report.

The percentage of plan sponsors offering annuities as a distribution option dropped to 9% in 2013 from 22.1% in 2012. But the number of sponsors offering managed accounts and income drawdown services like Financial Engines rose to 6.4% in 2013 from 3.9% in 2012.

Additionally, annuity placement services (like Hueler Income Solutions) were offered by 5.1% of plans last year, a drop from 6.5% a year earlier. Prevalence of in-plan GLWB (guaranteed lifetime withdrawal products) fell to 2.6% of plans from 6.5%.

This trend is expected to persist. When asked if they would offer an annuity as a distribution payment option in 2014, 59.3% of surveyed sponsors said it was “very unlikely.” Currently, 74.4% of plan sponsors do not offer retirement income solutions at all. Nineteen percent of sponsors said they were “somewhat likely” to offer a GLWB option, but only 4.8% said they were “very likely” to do so.

The most common reason among plan sponsors for not offering retirement income options was concern about fiduciary implications. Sponsors also cited the administrative complexity of income options, a lack of need or urgency for them, concerns about insurer solvency and lack of participant demand.

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