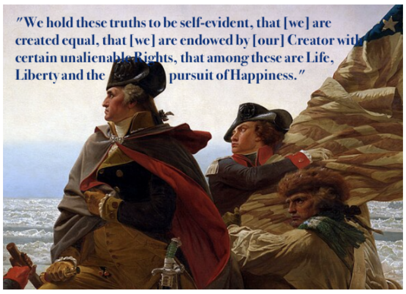
Pacific Life and Principal Add Payout Options to 401(k)s

By Kerry Pechter *Wed, Jul 1, 2026*

The three 401(k) annuities described here differ in their pre-retirement crediting mechanisms, their flexibility for the owners, and in the scope of their guarantees. (This article includes current map of 401(k) income option universe, from DCIIA.)



Retirement plan sponsors, *if* they decide to bundle an annuity-linked income distribution tool into their default investment offerings (usually target-date funds or trusts), must also decide what *type* of annuity they want to offer plan participants. With the SECURE Acts, Congress encouraged deferred annuities in 401(k) plans without championing any particular make or model.

There are a growing number of them on the market. While all of the proposed annuities help participants convert part of their accumulated savings into a monthly incoming at some point during retirement, and they all (by law) allow participants to liquidate their annuities if they leave their plans, they differ in their pre-retirement crediting mechanisms, their flexibility for the owners, and in the scope of their guarantees.

Two major retirement plan providers just announced new or refreshed income options. Pacific Life has a deferred income annuity purchased incrementally in advance of retirement. Principal Financial offers either a choice between a group annuity that wraps a lifetime withdrawal benefit wrapper around participant accounts and a fixed indexed annuity with an aspirational payout rate.

- Principal LifeTime Income Builder Index, a QDIA-eligible option with a growth-oriented, passively invested TDF portfolio. The portfolio begins allocating to a fixed indexed annuity (FIA) about age 47 and automatically transitions to distributing 6% income at around age 65.
- Principal is also adding third-party retirement income TDF series through new strategic partnerships with TIAA/Nuveen, the LifeCycle Income Index (The trustee for the NLI CIT series is SEI Trust Company) and Income America 5forLife.

[Pacific Life's and Principal's 401(k) annuities can be located on this "401(k) Lifetime Income Solutions Map." It's available at the Defined Contribution Institutional Investment Association's **Resource Library**.]

The six percent payout is the targeted but not guaranteed percentage for a single life payout. Three-fourths (4.5%) of the six percent is designed to come from the FIA and the rest from the fund's other assets until those assets are exhausted, a Principal release said. Participants who save in Income America's 5forLife can receive a guaranteed minimum annual withdrawal benefit (GMWB) of 5% of the value of their savings at age 65 for the rest of their lives, even if their own money runs out. As with all GMWB riders, retirees can dip into their savings but would see a reduction in monthly income.

Principal's retirement business serves more than 13 million participants at more than 46,000 plans.

Income Horizon from Pacific Life

Pacific Life has launched Income Horizon, a collective investment trust (CIT) series with an embedded deferred income annuity "designed to help defined contribution (DC) plan participants accumulate guaranteed lifetime income" before retirement, according to a release.

A subsidiary of Broadridge Financial Solutions, Matrix Trust Company, will serve as the discretionary trustee and provide CIT governance, fiduciary oversight, and operational infrastructure, the release said.

"Unlike approaches that rely on estimates of future income, Income Horizon uses clearly defined income units that represent a specific amount of guaranteed lifetime income," the release said. "These units help provide participants with greater clarity around their accumulated income, empowering individuals to plan for retirement with enhanced precision."

Income Horizon is a Group Annuity Contract issued to an Income Horizon Collective Investment Trust (CIT) by Pacific Life Insurance Company, which is licensed to issue insurance products in all states except New York.

According to Pacific Life's website, "Income Horizon is an in-plan deferred income solution delivered through a Collective Investment Trust (CIT) structure. Beginning at age 50, a portion of participant deferrals may be automatically allocated to build guaranteed lifetime income directly within the plan." Participants gradually accumulate units of lifetime income, worth $1 of income per unit assuming a single-life payout starting at age 70. The cost per unit would apparently fluctuate over time, depending on such variables as current interest rates and the participant's age.

The Income Horizon CIT series is available through the National Securities Clearing Corporation (NSCC). Pacific Life and Broadridge Financial Solutions are not affiliated.