

Retirement income will be “the biggest trend”: MetLife

By Editor Test Thu, Jun 7, 2012

Ten of 12 recordkeepers surveyed and one in three plan sponsors predict an increasing focus on retirement income for the next three-to-five years, according to the MetLife Retirement Income Practices Study.

MetLife has released its [Retirement Income Practices Study: Perspectives of Plan Sponsors and Recordkeepers for Qualified Plans](#) report, which examines the dynamics of the plan sponsor-recordkeeper relationship with regard to the provision of lifetime income options in qualified plans.

The study assesses whether, and to what extent, plan sponsors of defined benefit (DB) and defined contribution (DC) plans, and recordkeepers are collaborating to educate participants about retirement income strategies and solutions for their participants. The study found that:

- Ten of the 12 recordkeepers and one in three plan sponsors predict an increasing focus on retirement income for the next three-to-five years.
- Tools that will project the amount of monthly income a participant might receive during retirement are not automatically shown to participants when they view their account balances online, nor are they routinely provided to plan participants on statements. Instead, plan sponsors appear to favor a self-service approach.
- The “do-it-yourself” model is not taking hold among participants. The majority of recordkeepers surveyed estimated that 25% of plan participants or fewer have made the effort to project their retirement income.
- 44% of plan sponsors said that most DC plan participants would prefer to “receive at least part of their retirement savings as monthly income for as long as they live rather than receiving all of it in a lump sum that they would invest themselves.”
- 68% of plan sponsors said they believe the majority of their DC plan participants favor “guarantees that offer stable but somewhat lower returns” over a “higher degree of risk because the returns could be greater.”
- Only 16% of plan sponsors surveyed offer any form of in-plan retirement systematic income option. Among those, the most widely offered option is an in-plan deferred annuity (27%).
- 56% of plan sponsors who offer an in-plan retirement income option don’t know specifically what type of product is being offered.
- Most recordkeepers do not make institutional income annuities and other retirement income products available at the point of retirement nor do they have the ability to administer in-plan accumulation annuity options on their platform.
- Four of the 12 recordkeepers surveyed currently offer in-plan retirement income options. Of the other eight, four said they are very likely to build the infrastructure required for in-plan retirement income options to be available on their platforms in the next 18 months. The remaining four cited low demand from sponsors and participants as a reason for not exploring this infrastructure.
- Eight in 10 plan sponsors (79%) say that fiduciary liability concerns are discouraging them from more widespread offering of income annuities within their DC plan. More than half of plan sponsors (56%) also believe these concerns are dissuading their recordkeepers from more widely offering these products on their platforms. Most plan sponsors believe that their company (62%) is more

concerned about annuity-related fiduciary liability issues than their recordkeeper.

The MetLife *Retirement Income Practices Study* was conducted in two phases between October 2011 and January 2012. In Phase I, the qualitative phase, MetLife commissioned RG Wuelfing & Associates, Inc. to conduct phone interviews with 12 defined contribution plan recordkeepers that service primarily FORTUNE 500® Companies. The interviews were conducted from mid-October to mid-November 2011.

In Phase II, the quantitative phase, MetLife commissioned the research firm MMR to conduct an on-line survey with plan sponsors of retirement plans in cooperation with Asset International. A total of 215 plan sponsors participated in the survey, including 113 from FORTUNE 1000 companies. Phase II of the study was conducted between December 14, 2011 and January 30, 2012.

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