
TIAA-CREF Institute elicits “best practices” for DC plans

By Editor Test *Wed, Sep 7, 2011*

The research arm of the non-profit retirement plan for educators has just published the results of a forum it hosted last December on best practices and potential improvements in the design of defined contribution plans.

Acknowledging that many defined contribution participants are not on-track to save enough for a secure retirement, TIAA-CREF Institute, the research arm of the non-profit retirement plan for educators, hosted a forum last December to ponder best practices or potential improvements in the design of 401(k) and similar plans.

In the August issue of its [Trends and Issues](#) publication, the TIAA-CREF published the results of its surveys of the participants in that forum and of subsequent surveys conducted among retirement experts.

The surveys revealed a rough consensus in such areas as plan participation, plan contributions, investment offerings, payout options, and education and advice. In the area of payout options, the TIAA-CREF Institute found that:

- Most survey respondents considered it appropriate for participants to have the opportunity to annuitize through a primary DC plan.
- Most did not feel that participants should be *required* to annuitize any of their assets.
- It is appropriate for a primary DC plan to offer a payout annuity distribution option, most experts agreed.
- An immediate fixed annuity was viewed as appropriate by 63% of respondents.
- An immediate graded annuity was viewed as appropriate by 75%.
- An annuity with payments beginning at a later age was viewed as appropriate by 75%. Lump-sum distributions were considered appropriate by 59%.
- Only 21% thought it appropriate to require annuitization of employer contributions.
- 31% considered it appropriate to require a minimum level of annuitization in a primary DC plan.
- 48% thought that such a requirement would be effective in promoting retirement income security.

In the area of investment offerings, “87% thought that an appropriately diversified investment portfolio for the typical participant could be constructed from five options or less,” not including a target date fund or balanced fund. Those five were: a diversified global equity fund, an inflation-linked bond fund, a money market fund, a diversified domestic equity fund, and a deferred annuity.

If allowed to offer 10 investment options, the experts said, they would add a diversified international equity fund, a global bond fund, a domestic corporate bond fund, a real estate fund and an emerging markets fund to the five core funds listed above.