

What Recordkeepers Think about 401(k) Annuities

By Kerry Pechter Fri, Jun 28, 2024

The Defined Contribution Institutional Investment Association (DCIIA), a Washington, DC-based trade group, recently conducted a survey of recordkeepers to measure their progress toward facilitating income options in 401(k) plans.



When we talk or write about embedding payout options in 401(k) plans—annuities, systematic withdrawal processes, etc.—the role of recordkeepers doesn’t always get as much attention as the roles of plan sponsors, plan advisers, life/annuity companies, asset managers or participants.

There are a couple of reasons for that. Plan recordkeeping is a back-office or middle-office service, ideally as invisible as America’s electrical grid or its interstate pipeline system. Some recordkeepers are also full-service plan providers; keeping track of data is only part of what they do.

But the savings-to-income revolution in the 401(k) industry that the SECURE Acts of 2019 and 2022 prodded forward, and for which many financial and fintech companies have geared up, depends in part on the ability of the recordkeepers to support it.

The Retirement Research Center of the Defined Contribution Institutional Investment Association (DCIIA), a Washington, DC-based trade group, recently conducted a [survey](#) of recordkeepers to measure their progress toward facilitating income options in 401(k) plans.

The results of the recently-published survey showed that:

- 61% of recordkeepers offer at least one annuity
- 33% offer only one type of annuity
- 28% offer two or more annuities
- 39% do not offer any annuities
- GLWB (guaranteed lifetime withdrawal benefit) is the most frequently offered, especially among recordkeepers offering only one annuity option.

Regarding recordkeepers’ future plans to accommodate “in-plan guaranteed solutions” (i.e., annuities to which participants contribute while working), the survey showed that:

- 61% of recordkeepers are considering a process for offering a deferred annuity with a

GLWB; of those, 80% expect to implement it within the next six to 18 months.

- 50% of recordkeepers are considering a process for offering income annuities (single premium immediate annuity, deferred income annuity or qualified lifetime annuity contract); of those, 89% expect to implement it in six to 18 months.
- 28% are considering a process for offering a fixed deferred annuity; of those, 64% expect to implement it in six to 18 months.

With respect to non-guaranteed income solutions, such as systematic or ad hoc withdrawal plans, the survey showed that:

- 94% of recordkeepers currently offer fixed-dollar withdrawals
- 76% currently offer fixed-percentage withdrawals
- 65% offer withdrawals based on life expectancy
- 18% offer withdrawals of interest and/or dividends
- 73% charge an additional fee for partial or ad hoc distributions

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