



Retirement Income Solutions: Recordkeeper Study

June 2024

BACKGROUND & SAMPLE

Background

In Q1 2024, the DCIIA RRC fielded two online surveys to better understand retirement income and distribution capabilities offered by major recordkeepers. These surveys examined multiple elements, including:

- Priorities in retirement income strategy
- Influences in solution development
- Technological challenges
- Annuity offerings
- Frequencies of distribution types
- Fee tiers

By analyzing the strategies and frameworks employed by major recordkeepers, we aim to provide an aggregated, clearer perspective on capabilities to support retirement income solutions. In turn, this assists industry practitioners in making well-informed decisions.

Sample Characteristics

18 recordkeepers were surveyed in total with the following characteristics:

Participants on Platform:

- Ranged from 210,000 to over 31 million participants
- Average of 6.8M participants

Recordkept Assets:

- Ranged from \$1.2B AUM to over \$300B AUM
- Average of \$19B AUM

Number of DC Recordkept Plans:

- Ranged from 225 plans to 400,000+ plans
- Average of 55,386 plans

SURVEY METHODOLOGY

The DCIIA RRC fielded two online surveys targeting 18 recordkeepers representing various sizes. One survey, focusing on business strategy, was fielded to the appropriate decision-makers, while a second survey was distributed to appropriate internal operations contacts.

The term, retirement income, in this study encompasses both *guaranteed and non-guaranteed* solutions.

To ensure the accuracy of the responses, recordkeepers were provided with the survey questions in advance to allow them to reference internal data and solution offerings to answer accordingly.

The survey was administered in a structured manner, where each solution was presented one at a time. For each solution, the recordkeepers were asked whether they offered it. If they confirmed offering the solution, a series of follow-up questions were posed to gather more insights into fee structures, investment directing capabilities, strategic considerations, and more.

This inaugural survey will be used as a foundation for ongoing benchmarking to track changes in solution offerings, fee bundling, and more. Additional information will be gathered in the future related to data captures, limited distributions, and more.

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EXECUTIVE SUMMARY



Plan sponsor demand is the primary driver of retirement income solution adoption.

86% of recordkeepers cited their strategic planning of new solution development was primarily contingent on this demand.

However, plan sponsors often consider new solutions in reaction to money leaving the plan through rollovers or withdrawals. This cycle continues to be reactionary rather than proactive.



Technology integration will be a linchpin in enabling new solutions with scalability.

While most recordkeepers are offering proprietary products, a substantial amount are leveraging external providers (53%) or using strategic partners (47%). 39% of recordkeepers are using both.

Providers of these technology solutions, including middleware firms, will be force-multipliers in shaping the future of retirement income solutions.



The participant experience is an implicit undercurrent in driving income solution development.

82% of recordkeepers prioritize it when deciding whether to include or exclude income solutions.

Across the board, practitioners aim for a streamlined, well – communicated, and simplified experience for participants. A well-rounded retirement income program provides resources and regular touchpoints to guide the final income activation decision.

Influential Factors in Solution Planning

OVERVIEW OF INFLUENTIAL FACTORS

A targeted strategy survey focused on business decision-making and influences on solution planning within individual firms.

- Respondents were asked about:
 - Firm's priority-level in 2024 for developing retirement income solutions
 - Stakeholders involved in solution development (partners, external vendors, etc.)
 - Industry influences that shaped their decision-making (legislation, demand, technology, innovation)
 - Technological constraints on their current systems

INFLUENCES ON DEVELOPMENT STRATEGY

56% of all recordkeepers

consider retirement income solutions a “**very important**” priority in 2024.



For those considering implementing new solutions, **three key influences** were cited as considerations in their strategic planning.

- 1 Demand: 86%** were waiting on increased plan sponsor demand.
- 2 Technology: 57%** were assessing new technology requirements needed to support solutions.
- 3 Evolution: 57%** were waiting to see how the various retirement income solutions offerings evolve.

UNDERSTANDING PLAN SPONSOR DEMAND

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Demand: 86% were waiting on increased plan sponsor demand

Plan sponsor demand is influenced by a combination of factors.

Plan sponsors are tasked with balancing fiduciary concerns, regulatory requirements (SECURE 2.0), and gauging demand from their workforce. In general, participant demand for solutions is limited. Plan sponsors often consider new solutions in reaction to money leaving the plan through rollovers or withdrawals.

While recordkeepers wait for plan sponsor demand to guide their solution development, plan sponsors are often hesitant to be the 'first' to adopt a new solution. This fluctuating balance leads to two key questions in 2024:

Will more announcements of plan sponsor solution adoption drive recordkeepers to accelerate development of new solutions? Will other plan sponsors increase adoption?

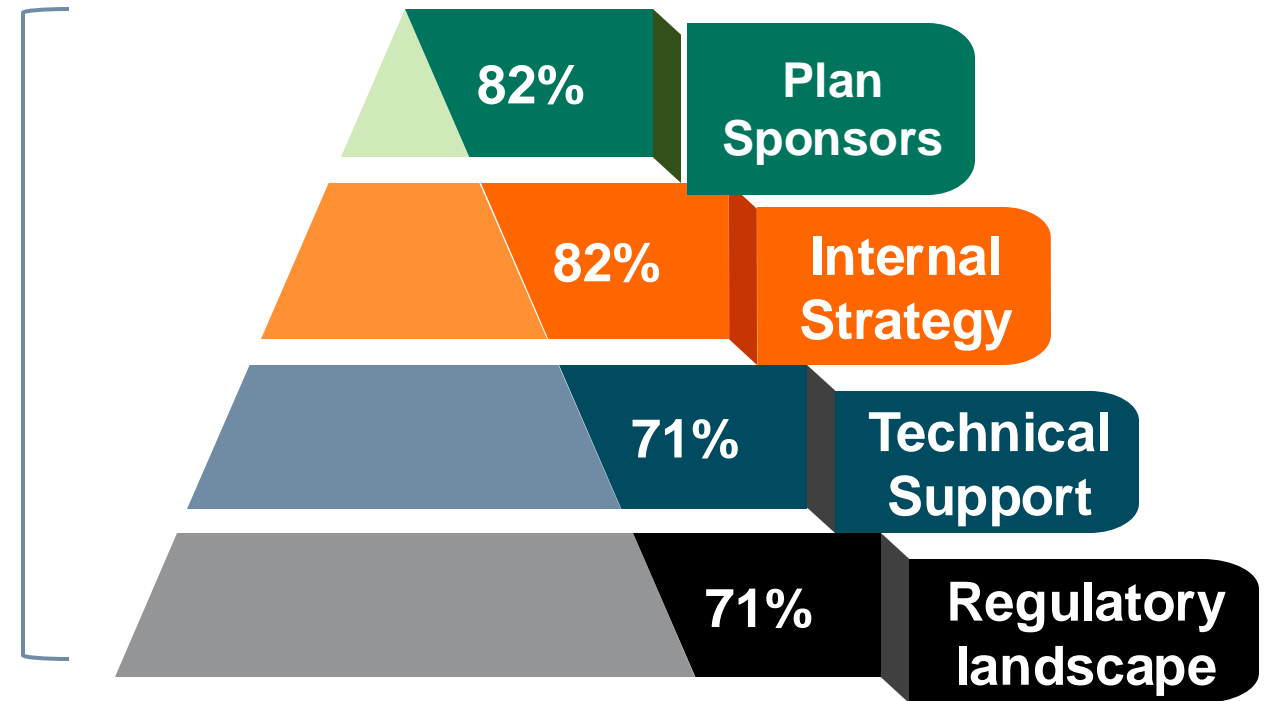
And if so, will this industry tipping point influence consultant approaches in recommending retirement income solutions?

INDUSTRY STAKEHOLDER INFLUENCE ON DEVELOPMENT

When deciding the prioritization of offering specific retirement income solutions within your firm, **how important are the following influences?**

Top Influences

Plan sponsor demand was a **very important influencer** for smaller recordkeepers (<\$99B AUM).



Participants (65%) and Consultants (59%) still has significant influence, but **Solution Manufacturers (18%)** had the **least** influence.

As ranked by "Very Important"

CURRENT FEE CHARGES & EXEMPTION POSSIBILITIES

As fees continue to be a key topic of discussion, senior leaders in recordkeeping organizations were asked:

Are fee(s) charged to participants for the following types of distributions or withdrawals from their *non-guaranteed investments* within their retirement plan account?

Would you consider exempting any distribution fees (*non-guaranteed investments*) if they were initiated by the participant through a packaged retirement income solution?

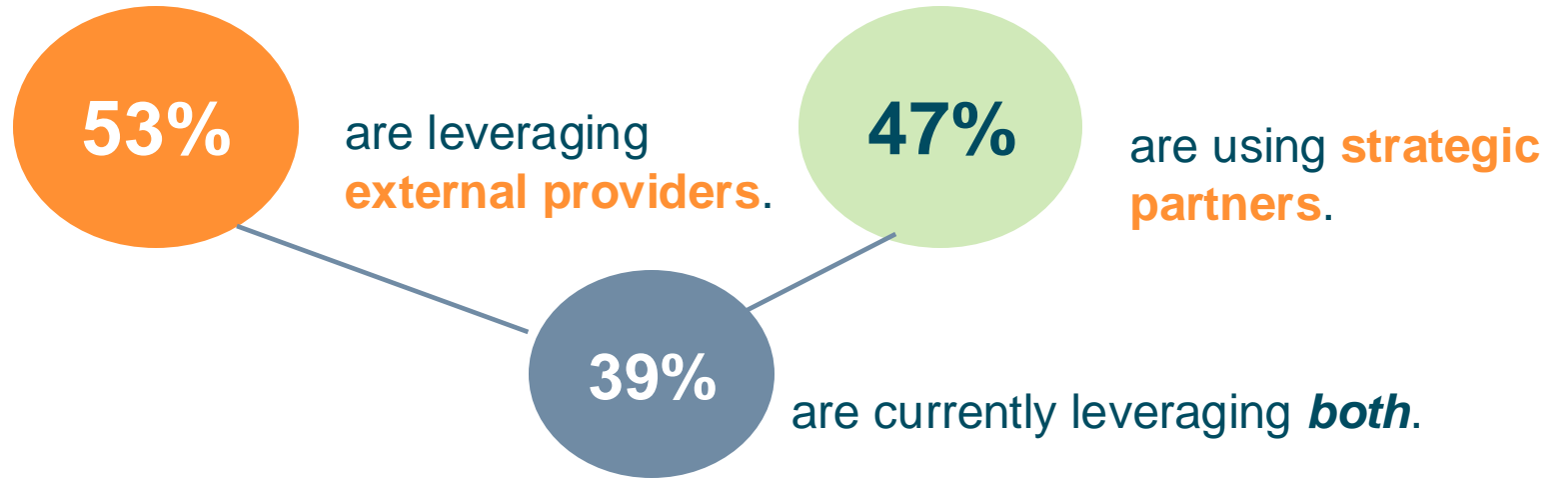
% of Firms Currently Charging Distribution & Withdrawal Fees	
Partial or Ad-hoc withdrawals	73%
Required minimum withdrawals (RMD)	57%
Installment payment or Systematic Withdrawal	47%
Fixed Time Period	46%

61% would consider exempting fees if participant-initiated within a packaged solution.

% of Firms Willing to Exempt Fees in a Packaged Solution (by AUM)	
< \$99B AUM	57%
\$100B - \$299B AUM	100%
> \$300B AUM	50%

TYPES OF SOLUTIONS UNDER DEVELOPMENT

65% of recordkeepers are implementing **proprietary solutions** that can be used by **multiple clients**.



Custom solutions for specific clients are limited.

To meet demand in offering multiple solutions, 47% of recordkeepers are focusing on “coopetition” to bring in strategic partners. 53% are leveraging external providers, which may be fintechs or dedicated technology firms. Diving deeper, nearly 75% of recordkeepers with \$100B-\$400B AUM are leveraging external providers. Custom solutions are only available from recordkeepers with >\$300B AUM. Even then, availability is limited.

These partnerships aid cost-effective outsourcing and shared resources amid an environment of limited bandwidth and fee pressures.

These collaborations also indicate areas of focus:

How seamless can we collaboratively make the participant experience?

How central are middleware providers in solving for key technology challenges?

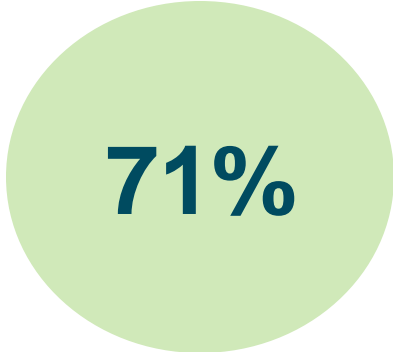
Technology's Role in Shaping Solution Development

UNDERSTANDING TECHNOLOGICAL LIMITS

Middleware providers can be a bridge to integrating new solutions.

Recordkeepers are challenged with introducing new retirement income solutions due to high technological development needs to support each solution. Any given retirement income solution may come with a very different set of solution rules and regulations.

In turn, this requires recordkeepers to develop and code high amounts of new software to provide each solution. This is a significant bandwidth burden, particularly if multiple solutions are slated to be offered.



71%

of recordkeepers rank technical support requirements as a **top consideration** when implementing new solutions.

Middleware and other partners build **'open architecture' infrastructure** that allow a given solution to be supported across multiple channels. This eases the burden of each recordkeeper having to code new connectivity modules to exchange data within the systems of the solution provider.

In simpler terms, a recordkeeper only has to build a one-time bridge to a middleware in order to be able to offer multiple solutions. Middleware allows recordkeepers to focus on business strategy and solution communications rather than technology burdens, which is particularly helpful if recordkeeper resources are lean.

VISUALIZING MIDDLEWARE TECHNOLOGY

Shared Pathways

Ecosystem path to share demographic and transactional data with other service providers (managed accounts, insurers, asset managers).

Ease of Entry

Recordkeepers are relieved of the burden of coding new connectivity modules and creating multiple new pathways for delivery.

Middleware Provider

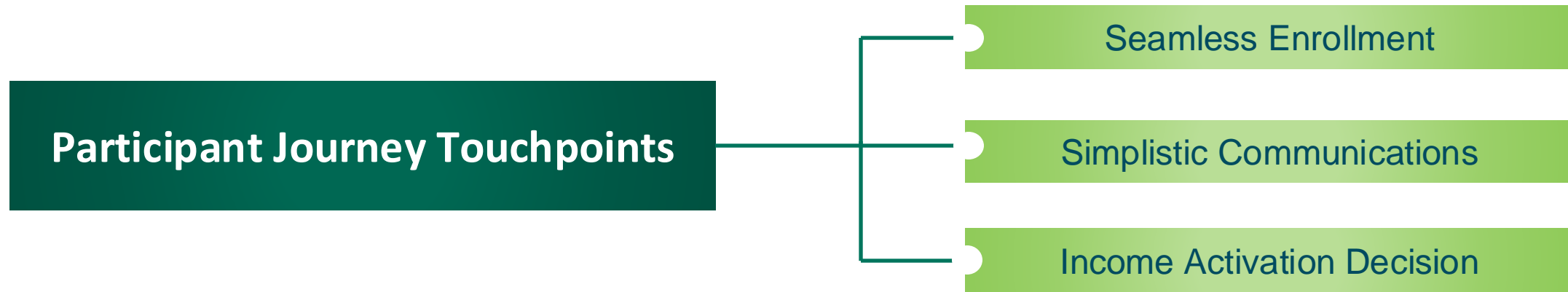
Development Amplifier

Can increase time-to-market of new solutions while simplifying delivery paths.

Participant Resources

Middleware can often supplement educational tools, resources, calculators, and participant touchpoints to help increase confidence before payout phase decisions.

PRIORITIZING THE PARTICIPANT EXPERIENCE



82% of recordkeepers consider the **participant experience** as an influence in deciding whether to include or exclude income solutions.



This sentiment is greater in firms with <\$99B AUM (89%) compared to others.

Recordkeeping platforms (71%) play the primary role in building the digital participant experience with close collaboration from middleware providers (47%).

The retirement income decision at retirement is complex and is not automated. Participants must receive communications and education throughout their accumulation journey to understand and feel confident in their final income election decision at the end of their working tenure, which is sometimes irrevocable.

In-Plan Guaranteed Solutions

OVERVIEW OF IN-PLAN GUARANTEED SOLUTIONS

A capabilities survey was fielded to understand current in-plan solutions offerings across recordkeepers of varying sizes. Solutions were defined as in-plan solutions that are specifically geared toward generating **income** for participants through retirement and include a feature or annuitization process to facilitate **guaranteed income** at retirement.

Respondents were asked about:

- Availability of Fixed Annuity (FA), Income Annuities (SPIA, DIA, QLAC), and any annuity with a guaranteed lifetime withdrawal benefit (GLWB).
- Vehicle the annuity is offered through (TDF, stand-alone option, managed account, model portfolio)
- Which annuities are currently being considered for future implementation (6-18 months)

IN-PLAN GUARANTEED DEFINITIONS

The following definitions were provided for each in-plan guaranteed solution:

Fixed Annuity (FA):

- Offers a guaranteed fixed interest rate on the money paid into it (over a period of time) AND facilitates conversion into lifetime income – this does not include annuities used solely as stable value funds.

Income Annuity:

- A contract that exchanges an irrevocable payment for guaranteed income for the rest of one's life. The income may start immediately (SPIA) or at some future date (DIA and QLAC).

Guaranteed Lifetime Withdrawal Benefit (GLWB):

- A GLWB provides guaranteed lifetime income through systematic withdrawals from the account and preserves some liquidity rather than the exchange of a lump sum for guaranteed lifetime income. It may be associated with any type of annuity.

AVAILABILITY OF IN-PLAN GUARANTEED SOLUTIONS

In-Plan Guaranteed Solutions	
	% of RK Currently Offering
Annuity with guaranteed lifetime withdrawal benefit (GLWB)	39%
Income Annuity (SPIA, DIA, or QLAC)	33%
Fixed Annuity	22%

Overall Offering:

- 61% of recordkeepers offer at least one annuity
 - 33% offer only 1 type of annuity
 - 28% offer 2+ annuities
- 39% do not offer any annuities
- GLWB is the most frequently offered, especially among recordkeepers offering only one annuity option.
- No clear trend on annuity offerings based on organizational size

VEHICLES OF SOLUTION AVAILABILITY

Current In-Plan Guaranteed Solutions	
	How Is It Currently Offered?
Annuity with guaranteed lifetime withdrawal benefit (GLWB)	Equally offered across all vehicle options
Income Annuity (SPIA, DIA, or QLAC)	Standalone option
Fixed Annuity	Standalone option

Vehicle options for solutions included:

- Stand-alone option
- Part of a TDF
- Part of a managed account, or
- Part of a model portfolio

Future Implementation of In-Plan Guaranteed Solutions		
	% of RK Considering	Timeline of Implementation
Annuity with guaranteed lifetime withdrawal benefit (GLWB)	61%	80%* within 6-18 months
Income Annuity (SPIA, DIA, or QLAC)	50%	89%* within 6-18 months
Fixed Annuity	28%	64%* within 6-18 months

- 100% of future **Fixed Annuities** cited to be part of a managed account
- 78% of **Income Annuities** and 73% of **GLWBs** will be part of a TDF

*Percentage based on those who are actively considering solution

Non-Guaranteed Solutions

NON-GUARANTEED SOLUTIONS OVERVIEW

A capabilities survey was fielded to understand current non-guaranteed retirement plan investments.

Respondents were asked about:

- Availability of Fixed Dollar Amount, Fixed Percentage Amount, Life Expectancy, Interest or Dividend Income-Only
- Ability for specific participant-directed distribution types (CUSIP, tax classification, pro rata only) when requesting withdrawals
- Partial and ah-hoc withdrawal capabilities
- Required Minimum Withdrawals and other solution types available

NON-GUARANTEED DEFINITIONS

The following definitions were provided for each non-guaranteed solution:

Fixed Dollar Amount:

- Participant specifies a specific dollar amount to be distributed in each transaction.

Fixed Percentage Amount

- Participant specifies a percentage of assets to be distributed in each transaction.

Life Expectancy

- Participant requests that distributions be calculated based on their life expectancy.

Interest or Dividend Income Only

- Participant requests that only interest or dividend income be distributed.

NON-GUARANTEED SOLUTIONS OVERVIEW

	% of RK Currently Offering
Fixed Dollar	94%
Fixed Percentage	76%
Life Expectancy	65%
Interest/Dividend	18%

- **Life Expectancy** solutions (33%) are the most considered feature for the future indicating a trend towards creating a pension-like income distribution stream.
 - Few recordkeepers are considering offering any of these other distributions, if they don't currently offer them.

Key Finding:

- 71% of those not currently offering **Interest/Dividend Only** distributions will **not** consider them in the future.
 - **Interest/Dividend Only** distributions are difficult to redirect funds due to complex technical requirements for recordkeepers.

NON-GUARANTEED INVESTMENT AND TAX DIRECTION CAPABILITIES

	Ability to Direct by Investment Holding (CUSIP)	Ability to Direct by Tax Classification	Withdrawal Ability by Time Period: % < 10yrs; % > 10 yrs.
Fixed Dollar	44%	38%	76% < 10yrs 82% > 10 yrs
Fixed Percentage	54%	46%	76% < 10yrs 82% > 10 yrs
Life Expectancy	55%	55%	
Interest/Dividend	67%	33%	
Required Minimum Distributions (RMDs)	53%	47%	

- **All firms > \$100B** offer withdrawals for either < or > 10 years
- A minimal amount of those offering **fixed time period** distributions are considering **changing the allowable duration** of those distributions
- **All recordkeepers >\$300B offer pro rata only** for fixed amount, fixed %, and life expectancy withdrawals

UNPACKING PRO RATA OFFERINGS

**All recordkeepers
>\$300B offer pro rata only** for
fixed amount, fixed %, and life
expectancy withdrawals

When analyzed further, offering pro rata distributions for non-guaranteed investments is the industry norm, but there are exceptions. Pro rata distributions aid in simplifying administration processes with cost effective transaction costs. These benefits offer scalability to improve efficient management of high-volume transactions.

However, many larger recordkeepers offer alternatives that are not systematic. For example, a participant may be able to call-in and request a different distribution type, but this would be a one-time request rather than an automated change.

Furthermore, redirection may only be possible for partial or ad-hoc withdrawals, as these require manual intervention on a case-by-case basis. Since partial or ad-hoc withdrawals are not part of a recurring process, it is easier to manage the complexities associated with directing withdrawals by CUSIP or tax classification on a one-time basis.

PARTIAL OR AD HOC DISTRIBUTIONS

	RK Currently Offering	Considering?	Can Choose by Investment Holding (CUSIP)	Can Choose by Tax Classification
Limited #	41%	6%	71%	71%
Unlimited #	88%	6%	60%	60%

All firms >\$100B offer an **unlimited number** of ad hoc withdrawals.

Key Finding:

- Less than half of recordkeepers (41%) offer a limited number of distributions; more recordkeepers lean into offering unlimited distributions (88%) for partial or ad-hoc distributions.
 - When asked about future plans, 53% of recordkeepers said they would not be implementing a program that only allowed for a limited number of distributions.
- Partial or ad hoc distributions are often charged an additional fee (73%).

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