

NAGDCA ANNUAL

2021 Virtual Conference

September 13-16

The Long View – Decumulation Solutions

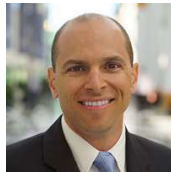
Monday, September 13 | 2:00-3:15 p.m. ET

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Meet the Panel



MODERATOR:
Jed Petty
Director of Defined Contribution
Wellington Management



PANELIST:
Matthew Condos
VP, Product Management
Lincoln Financial Group



PANELIST:
Laura Rooney
Director of Operations
*Commonwealth of
Massachusetts*



PANELIST:
Michael Sanders
Principal
CAPTRUST



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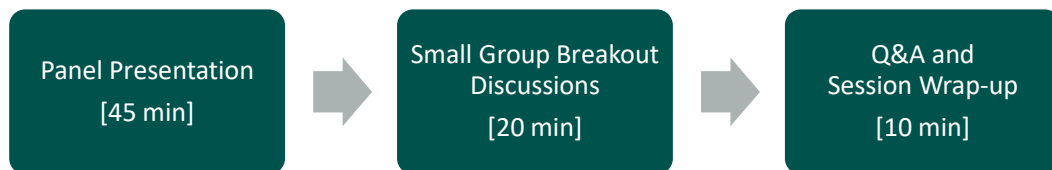
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Learning Lab Session Overview

Session Learning Objectives:

1. Learn about retirement income solutions and the services and tools offered by recordkeepers.
2. Explore the role of defined benefit plans.
3. Learn what public plan sponsors must consider when exploring guaranteed income solutions, advice and other decumulation strategies.

Session Agenda:



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Decumulation Solutions in the Marketplace

More plan sponsors are showing interest in solutions that will help fill the gap between the accumulation and decumulation phase.

In-Plan Solutions

- Implement a custom target date fund that incorporates a retirement income solution such as:
 - Guaranteed Lifetime Withdrawal Benefit
 - Fixed Annuity product

Key Considerations

- Most plans use the target date funds as the default option so participants are automatically on the path to generate retirement income
- Provides an easy hands-off approach for participants

Out-of-Plan Solutions

- Contract with a third-party provider to offer annuity solutions
- Use an annuity shopping service

Key Considerations

- Facilitates transfer of assets out of the employer's plan
- Requires participants to seek out solutions and take action

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Decumulation Solutions in the Marketplace

Key Factors to Consider for Plan Sponsors

- ❑ **Aligning the solution with your goals** – Is our goal to encourage utilization of the solution or to offer participants a variety of options/choices? What are our participants most concerned about when it comes to an income solution (i.e., liquidity, control, portability)?
- ❑ **Ease of Understandability and Use** – How complex is the product? Will it be easy to communicate and explain this to our participant base?
- ❑ **Fees** – Are the fees explicit or implicit? Does the value proposition outweigh the cost?
- ❑ **Flexibility** – How flexible is the product? What can be customized?
- ❑ **Portability** – Can this product be ported over to another recordkeeper? Which recordkeeping platforms is this product available? Are recordkeepers willing to implement the product?

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A Shifting Landscape

With plan sponsors taking a holistic view to help their participants to a healthy and sustainable retirement, the industry is evolving to focus not only on wealth accumulation, but decumulation solutions.



Where do we go from here?

- More plan sponsors are adding an income component or solution to a default investment option
- More portability as recordkeepers need to accommodate custom income solutions
- More holistic view of an individual's full financial picture into decumulation strategies – incorporate not just retirement assets but also consider costs in retirement (healthcare)

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Annuity Solutions: Constituent Benefits

In-plan
guaranteed
income
provides
unique
benefits across
the DC value
chain

Plan Sponsors

- Workforce Management & Recruiting
 - Defined Contribution (DC) Plan differentiation
 - Workforce management benefits
 - Valuable recruiting & retention tool
 - Supports keeping retirees in the DC plan
 - Fiduciary safe harbor protection

Participants

- Asset Accumulation and Protection
 - Benefits of market participation with downside protection
 - Provides insurance against outliving 'nest egg'
 - Institutional pricing
 - Increased portability
 - Bolsters confidence to remain invested for the long-term

Consultants

- Business Development Opportunity
 - Value add service for clients through product evaluation & monitoring
 - Ability to demonstrate better participant outcomes through illustrations & tools
 - May be able to capture additional rollovers, depending on service model

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Different annuity types provide different benefits


	Guaranteed Lifetime Withdrawal Benefit (GLWB)	Deferred Income Annuity (DIA)	Qualified Longevity Annuity Contract (QLAC)	Single Premium Immediate Annuity (SPIA)
Guaranteed Lifetime Income	✓	✓	✓	✓
Income Start	Immediate or deferred	Deferred	Deferred	Immediate
Retain Market Growth Potential	✓			
Full Liquidity (e.g., access to principal)	✓			
Investment Control	✓			
Beneficiary Protection	✓	✓	✓	✓
Fee Structure	Explicit	Implicit	Implicit	Implicit

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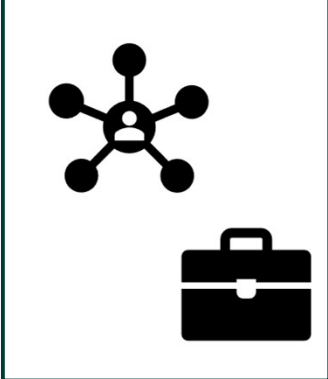
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Considerations when adding Annuities

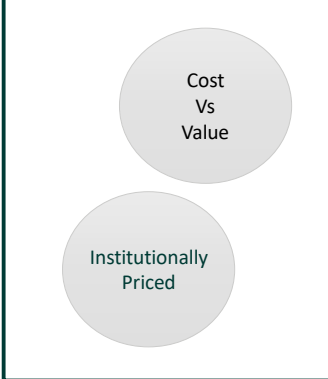
Fiduciary Selection & Oversight



Portability (Plan & Participant)



Fees



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Commonwealth of Massachusetts

Supporting Participants Through the Decumulation Phase

Laura Rooney, Director of Operations, Defined Contribution Plans
Office of the Massachusetts State Treasurer and Receiver General

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Roadmap

- Plan Overview
- Field and Retirement Solutions Group
- Managed Accounts Platform and Tools

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Plan Overview

- Plan Assets: \$12.7 billion*
- Participants: Over 111,000 full-time*
- Demographic Considerations:
 - Public service employees who do not contribute to social security
 - Strong defined benefit
- Multi-pronged approach to participant outreach



*At 6/30/21

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Field and Retirement Solutions Group

- Field team supports from the start
- Retirement Solutions Group
 - Targeted education and support
 - Walks through distribution options
 - Facilitates rolling money into Plan
- Distributions Options Guide
- “Stay” Campaign

DISTRIBUTION OPTIONS
Option 2:
Maximize your retirement income with the SMART Plan

Your second option is to request your SMART Plan savings through cash withdrawals! You've spent many years contributing and watching it grow so now you can use the money for its intended purpose — to fund your retirement!

Periodic payment options
Periodic payment of a certain amount
You designate the dollar amount that you wish to receive as a regular retirement benefit (monthly, quarterly, semiannually or annually). Payments will continue until your SMART Plan account balance is zero. The number of payments you receive will vary depending on the rate of return of your investment. When you reach your RMD beginning date, you must ensure that the periodic payment amount you receive satisfies the RMD rules. See page 6 for further details on RMD rules.

Periodic payment of a certain period
With this payment option, you will receive payments on a regular basis depending on the frequency you choose (monthly, quarterly, semiannually or annually). Payment amounts depend on the length of time you choose to receive payments, the frequency you choose and the rate of return of your investment options.

Your payment amount is calculated by dividing your current account balance by the number of remaining payments.

Your payment is recalculated each time a payment is distributed. However, your payments will not be the same amount each time. The payment amount will depend on your SMART Plan account value. With this payment method, your balance will be zero by the end of the term you select. It is your responsibility to ensure that the payment time you select satisfies the RMD rules once you reach your RMD beginning date. See page 6 for additional details on RMD rules.

Partial lump-sum distribution
You may elect to receive part of your SMART Plan account balance now and defer the remaining balance of your account until after the year ending with the amount to the gross of applicable.

Lump-sum payment options
Partial lump-sum distribution
You may elect to receive part of your SMART Plan account balance now and defer the remaining balance of your account until after the year ending with the amount to the gross of applicable.

Partial lump-sum distribution
You may elect to receive part of your SMART Plan account balance now and defer the remaining balance of your account until after the year ending with the amount to the gross of applicable.

Full Lump
If you select this option, you will receive the entire value of your SMART Plan account balance as a lump sum payment at the time you reach your RMD beginning date. See page 6 for additional details on RMD rules.

Provisional benefits

- The benefits are similar to those of a partial lump-sum distribution.
- You control your cash flow from the SMART Plan, and you can change the amount or frequency of the payments.

Possible disadvantages

- You may need to budget your income from the SMART Plan to meet your long-term needs.
- You may need a long-term investment strategy for your remaining balance in order to at least meet the

Provisional

- You can elect
- You can elect
- You can elect
- You can elect

Funds can earnings be distributed of 20% of as applicable

- You can elect
- You can elect
- You can elect
- If you

smart
MASSACHUSETTS DEFERRED COMPENSATION SMART PLAN
PARTICIPATE

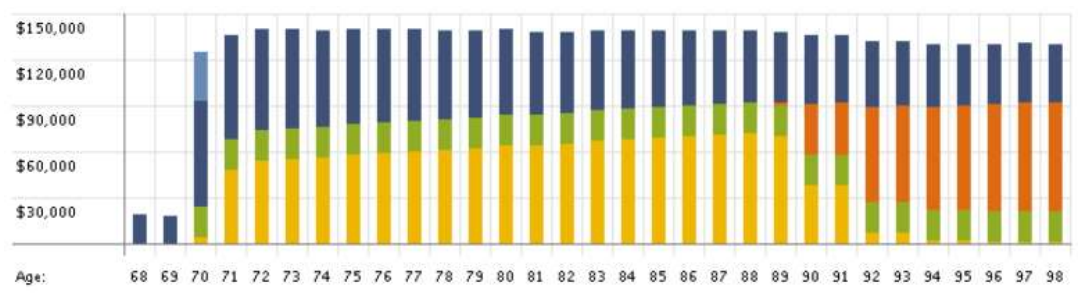
Distribution Options
Massachusetts Deferred Compensation SMART Plan

Office of the State Treasurer and Receiver General

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Managed Accounts Platform and Tools



- Tax efficient spend down advice
- Taxable >>> Pre-Tax >>> Roth
 - Informs investment allocation recommendations

- Massachusetts Deferred Compensation SMART
- Social Security (KATHERINE LOGUE)
- Roth IRA
- Pension (KATHERINE LOGUE)
- Outside Taxable Account

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Small Group Breakout Discussions

Discussion Questions:

1. What steps have the plan sponsors in the group taken with regard to retirement income? What steps are in queue for the coming year?
2. Given the various annuity structures available, what specific solution do you think will be most attractive to participants (in your plan or broadly)? Why?
3. It seems evident that regardless of the specific solution(s) implemented, communication to the participants will be crucial for success. What strategies have you used with other plan solutions that have been the most successful? Do you believe these can be adapted and utilized in the retirement income context?
4. With regard to retirement income, where do you think we will be as an industry in 5-10 years?

Q&A

Please submit questions in the chat.

CE Code: