

## **Retirement Income Guarantee Products Snapshot Survey March, 2010**

The Department of Labor and the Treasury Department have jointly issued a Request For Information (RFI) that would help them evaluate what steps, if any, they should take, by regulation or otherwise, to enhance the retirement security of participants in employer-sponsored retirement plans and IRAs by facilitating access to, and use of, lifetime income or other arrangements designed to provide a stream of lifetime income in retirement. PSCA is in the process of developing its response to the RFI.

As part of that process, PSCA conducted a snapshot survey of plan sponsors in March, 2010 to determine their views on retirement income products. We received 543 responses from plan sponsors of varying sizes and industries. For the purposes of the survey, a retirement income guarantee product was defined as a “product designed to provide lifetime income (an annuity) or other insured or guaranteed arrangement designed to provide a lifetime stream of income after retirement.”

Most plan sponsors are aware of these products (91.0 percent of respondents) with 5.6 percent currently offering one in their plan and 4.1 percent indicating that they have decided to add one to the plans. See table 1.

**Table 1: Awareness and Use of Retirement Income Guarantee Products**

	<b>Percentage of Respondents</b>
<b>Aware of Them</b>	91.0%
<b>Currently Offer</b>	5.6%
<b>Decided to Add</b>	4.1%
<b>Considering Adding</b>	22.2%

In the survey, sponsors were provided an opportunity to indicate why they have such an option or have decided to add one in their plans. I have loosely grouped the responses into three categories. For 19.0 percent of respondents, the option is there because it's always been there. Typical of this group was the response “part of the original plan from 1944.” The second group, 20.0 percent of respondents, wanted their employees to have the choice. An example from this group was “needed to round out distribution options.” The largest group, 61.0 percent, indicated they did so because they wanted to help their employees by “providing income security to participants.”

22.2 percent of survey respondents indicated that they are considering adding a retirement income guarantee product to their plan. They also are given an opportunity to indicate why they are considering these products. 37.0 percent indicated that they wanted their employees to have such a choice. 63.0 percent indicated that they were considering such an option “to provide secure retirement income.”

Since the purpose of the RFI is to identify why plans do not include such options, and even where such options exist but plan participants do not use them, PSCA asked sponsors to identify the concerns they have with such approaches. As can be seen in table 2, the most stated concern is high cost (62.0 percent of respondents). Fiduciary and risk exposure are the second most common concerns (about 55 percent of respondents each) followed by portability and operational hurdles (about 46 percent of respondents).

**Table 2: Concerns Plan Sponsors Have with Adding a Retirement Income Guarantee Product to their Plan**

Concern	Percentage of Respondents
Non-Portability	46.1%
High Cost	62.0%
Operational Hurdles	46.5%
Risk Exposure	54.5%
Fiduciary Exposure	55.0%
Participants are Not Interested	19.4%
Not the Role of the Employer	17.4%
Other*	17.4%

\*Other concerns include participant education and communication challenges, don't know enough about them yet or lack of available information on them, vendor doesn't provide them, offer a DB plan in addition to the DC plan so no need, and young workforce.

It is interesting that only 17.4 percent of respondents indicated that they were concerned about the employer having a role in this process. This indicates that most employers will stay engaged in the ongoing discussions about how to help participants translate their defined contribution plan accumulations into a financially successful retirement.