

The New Realities: Independent Consultants Analyze DC Income Solutions

March 16, 2010



Innovation, Communication, Evaluation

www.ircouncil.org



Matthew Radgowski **Vice President**

Matthew Radgowski, a vice president with Wilshire Associates, is a member of Wilshire Funds Management's team. Matthew brings more than thirteen years of experience in the financial services industry with previous responsibilities for financial product management, development, and sales. He is responsible for the product management, marketing and sales within the business unit.

Matthew joined the firm in 2006. He earned his BS in Accountancy from the University of Illinois.



Martin Schmidt **Principal**

Martin Schmidt is a Principal with HS2 Solutions. His areas of concentration include retirement plan design, system design, fee benchmarking, and vendor selection. He brings over 25 years of experience working with both plan sponsors and providers on benefit related issues.

Martin is a former Principal with Buck Consultants where he managed the Midwest region of their retirement practice. His experience also includes managing 401(k) and defined benefit teams at Hewitt. He also was responsible for developing third party relationships with system providers along with leading the effort at Hewitt to develop the first 401(k) daily trading platform to trade and settle investments from separate managers. Through his knowledge and experience in the industry he has developed effective solutions for both plan sponsors and providers.

Martin holds a CPA certificate and is a frequent speaker at industry conferences. He has graduate degree in finance from Loyola University of Chicago and an accounting degree from Northern Illinois University.



Martha L. Tejera **Search Consultant**

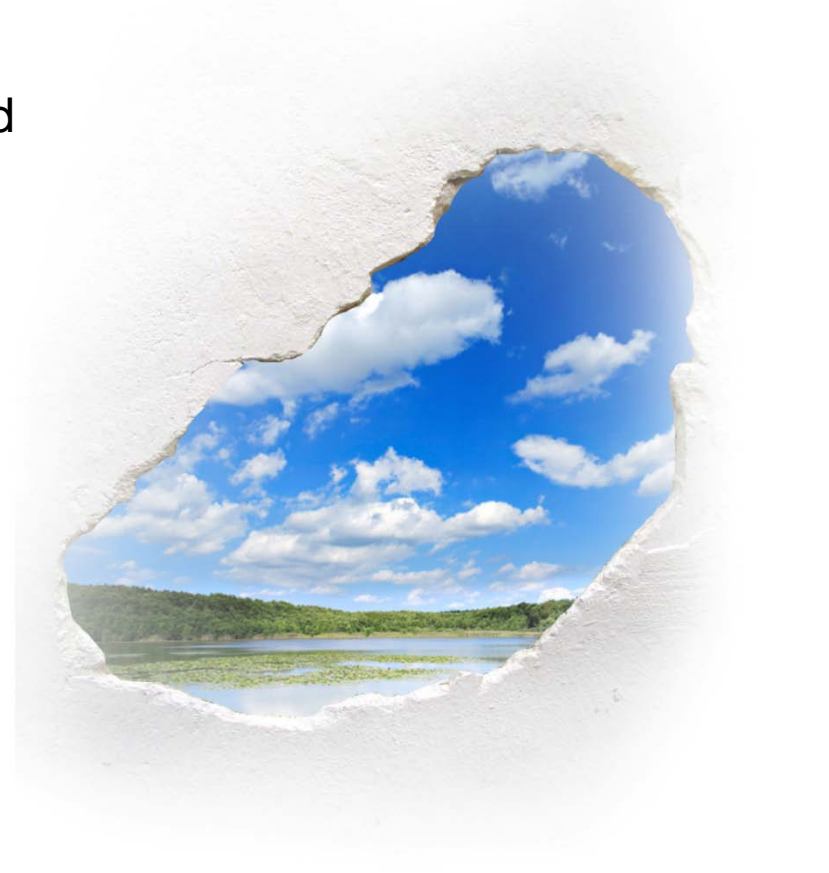
Tejera & Associates focuses on helping employers meet their fiduciary responsibility in selecting their retirement administration service providers and investment consultants. Martha's knowledge of retirement industry standards and best practices, retirement service providers and their distinguishing characteristics, and the nuances of plan design and administration is invaluable in helping plan sponsors select a provider and build a long-term, successful partnership.

Martha serves on the boards of several industry groups, including the Seattle chapter of Western Pension & Benefits Council and the Institutional Retirement Income Council. She is an Enrolled Actuary (R) under ERISA and earned her bachelors degree in Economics from the University of Washington.

Current State of the Institutional Income Marketplace



- Sustainable Lifetime Income = **“Through”** versus **“To”** retirement
- Innovative product solutions have emerged
- Product providers are vocal but others are watching and waiting
- Marketplace will not develop without engagement of Consultants and Advisors
- Goal = Gain traction by identifying and addressing barriers to acceptance



Gap IRIC Fills in the Market



- Institutional Income not widely understood
- Plan Sponsors are skeptical
- Plan Sponsors need unbiased source
- IRIC fills the gap
 - www.ircouncil.org



Who is the IRIC? Our Mission and Vision



- Independent think tank of 15+ Consultants, Advisors, Attorneys, and Guest Academics. We Focus on Institutional Retirement Income Solutions

Mission

Help Facilitate shift of DC plans from Supplemental Savings Plans to Vehicles Providing Retirement Security

Vision

Recognized as a Thought Leader by Plan Sponsors, Intermediaries, Recordkeepers, Product Providers and Distributors

Key Considerations for Plan Sponsors



- **What problem(s) are we trying to solve?**
 - Transitioning from a DB plan (enhancing the value of the DC plan)
 - Retaining assets in the plan (in-plan solutions)
 - Declining productivity
 - Large portion of workforce nearing retirement age
 - Improve employees' financial security

- **What level of commitment do we have?**
 - Simply make it available
 - Actively encourage
 - Achieve meaningful results (high utilization)

Key Considerations for Plan Sponsors



- **How much are we willing to take on?**
 - Administration
 - Communication
 - Costs
 - Fiduciary liability

- **Approach for adding a retirement income solution:**
 - **When** – Does it make sense to offer to participants?
 - **What** – Fixed or variable solution? Should it be in-plan or out-of-plan?
 - **How** – What product offering is appropriate?

Key Considerations for Plan Sponsors



- **Sample Product Specific Questions:**
 - In-Plan or Out-of-Plan
 - Income Guarantees and Structure
 - User Experience
 - Fee Structure
 - Equity Participation
 - Equity Upside/Downside Protection
 - Claims Paying Ability of Insurer/Single versus Multi Insurer
 - Portability

Market Overview – Current Generation



- Status of product offerings
 - New products have entered the market
 - Other product offerings have been pulled from the market
 - Development of multi insurance and hybrid solutions

- Market volatility has caused a re-design of the variable annuity products

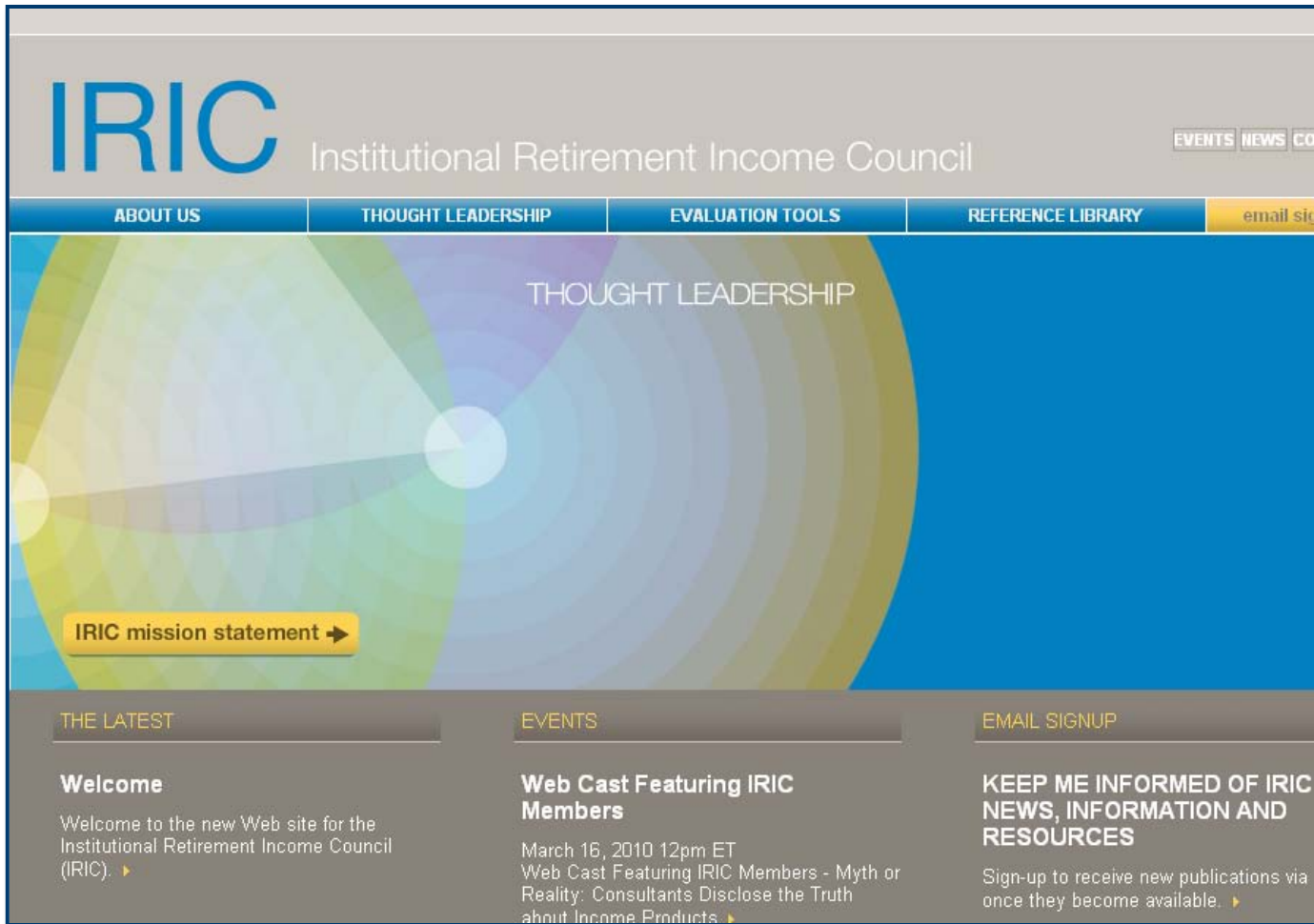
- Open architecture investment management solutions

- Retirement Income solutions are being considered for use as a QDIA

Market Overview – Future Direction



- Continued enhancement of product design
- Consolidation of product offerings in the marketplace
- Enhanced non-insurance products to provide retirement income
- Integration of products with other plan offerings (managed accounts)



IRIC Institutional Retirement Income Council

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[IRIC mission statement →](#)

THE LATEST

Welcome

Welcome to the new Web site for the Institutional Retirement Income Council (IRIC). ▶

EVENTS

Web Cast Featuring IRIC Members

March 16, 2010 12pm ET
Web Cast Featuring IRIC Members - Myth or Reality: Consultants Disclose the Truth about Income Products. ▶

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IRIC Tools and Outputs



Comparison of Product Features

CRITERIA	DEFERRED PROVIDERS	GMB PROVIDERS	FIXED ANNUITY PROVIDERS	INVESTMENT ONLY
Product Type	In-Plan Guaranteed Minimum Withdrawal Benefit (GMWB)	In-Plan Guaranteed Minimum Income Benefit (GMIB)	In-Plan Group Deferred Fixed Annuity Contract	
In-Plan Offering (yes/no)				
Lifetime Income				
Portion of income guaranteed (yes/no)				
Eligibility Criteria				
Age requirements for investing in the product type (if applicable)				
Investment Structure				
Stand alone or embedded with another product (e.g. target maturity, balanced fund)				
Distribution Channel				
Offered by:				
<input type="checkbox"/> Third-party reinsurers				
<input type="checkbox"/> Investment managers				
Type of plans marketed towards:				
<input type="checkbox"/> DC plan				
<input type="checkbox"/> 401a plans				
<input type="checkbox"/> 401k plans				
<input type="checkbox"/> 457 plans				
<input type="checkbox"/> Non-qualified plans				
Characteristics of Fee Structure				
Explicit or implicit				
Guarantee fee, if explicit				
Investment management fee, if explicit				
Total fee, if explicit				

Type of Institutional Retirement Income Products

Number	Product Category	High-Level Description	Nature of Income Generated	Fee Structure	Product Distributor	Product Issuer
1	In-Plan Deferred Fixed Income Annuity	<ul style="list-style-type: none"> Each contribution purchase guarantees future income Contributions are typically invested into insurance company general account Fixed "R10" DC" 	<ul style="list-style-type: none"> Maximum initial income at time of investment (no upside potential) Participant must accrue account to receive income benefit 	<ul style="list-style-type: none"> Fees are embedded in the premium rate and impact future income amount Incorporates investment management, longevity administration, and risk charges 	<ul style="list-style-type: none"> MetLife (Lifetime Income) MetLife Lynch (Personal Pension Builder) Banking Capital Investor (SponsorMatch) 	<ul style="list-style-type: none"> MetLife Insurance MetLife Future MultiPensions
2	In-Plan Guaranteed Minimum Income Benefit (GMIB)	<ul style="list-style-type: none"> Each contribution purchases a minimum future income Contributions are typically invested into company general account 				
3	In-Plan Guaranteed Minimum Withdrawal Benefit (GMWB)	<ul style="list-style-type: none"> Each contribution purchases a benefit based on future withdrawal rate Open income reported as a withdrawal to benefit base Participant waives right of account balance Contributions invested into company general account 				

Institutional Retirement Income Council Glossary

Term	Definition
Account Value	The market value of the fund
Accumulation Phase	The period of time when the annuitant is making contributions to the annuity and building up the value of his/her annuity account.
Accumulation Unit	A measurement of the value invested in the account during the accumulation period of the contract.
Accumulation Unit Value	The value of a particular accumulation unit at a particular time.
Adjusted Contract Value	The contract value as of the annuity date, adjusted for any market value adjustment, less any applicable premium tax charge.
Anniversary Value	Market value or guaranteed values as measured at a point in time each year.
Annuitant	A person who receives the benefits of an annuity or pension.
Annuitization	The process of converting an annuity investment into a series of periodic income payments. Annuities may be annuitized regularly over a long or short time period, or, in some cases, in one single payment.
Annuity	A financial product sold by a life insurance company that is designed to accept and grow funds from an individual and then, upon annuitization, pay out a stream of payments to the individual at a later point in time. Annuities are primarily used as a means of securing a steady cash flow for an individual during their retirement years.
Annuity Date	A date selected by the contract for annuity income payments to begin. The date can be as late as the first day of the calendar month on or after the contract anniversary that falls on or after the oldest owner's 55th birthday.
Annuity Payment	Series of payments made on either a fixed dollar annuity basis or variable dollar annuity basis.
Appreciation	An increase in the value of an asset over time. The increase can occur for a number of reasons including increased demand or weakening supply, or as a result of changes in inflation or interest rates.
Beneficiary	A person or entity named in a will or a financial contract as the inheritor of property when the property owner dies.
Birthday Year	Year of individual's birth.
Business Day	The part of a day during which most businesses are operating, usually from 9 am to 5 pm, Monday through Friday.

IRIC Adviser Member Listing

To contact us, please visit www.ircouncil.org and choose “contact”.



- **Dorann Cafaro**, Cafaro Greenleaf
- **Josh Cohen**, Russell Investments
- **John Fenton**, Towers Watson
- **Clark Frese**, Asset Strategy Consultants
- **Quana Jew**, Arent Fox
- **John Pickett**, RBC Wealth Management
- **Matt Radgowski**, Wilshire Associates
- **Chris Raham**, Ernst & Young
- **Fred Reish**, Reish and Reicher
- **Martin Schmidt**, HS2 Solutions
- **Genevieve Sedgwick**, Milliman
- **Martha L. Tejera**, Tejera & Associates
- **Sue Walton**, Towers Watson

Other members pending

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