



2024 LIFE  
INSURANCE  
& ANNUITY  
CONFERENCE

**Powering  
Growth**

# **In-Plan Annuities: Are We at the Tipping Point for Adoption?**





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# Discussion Topics

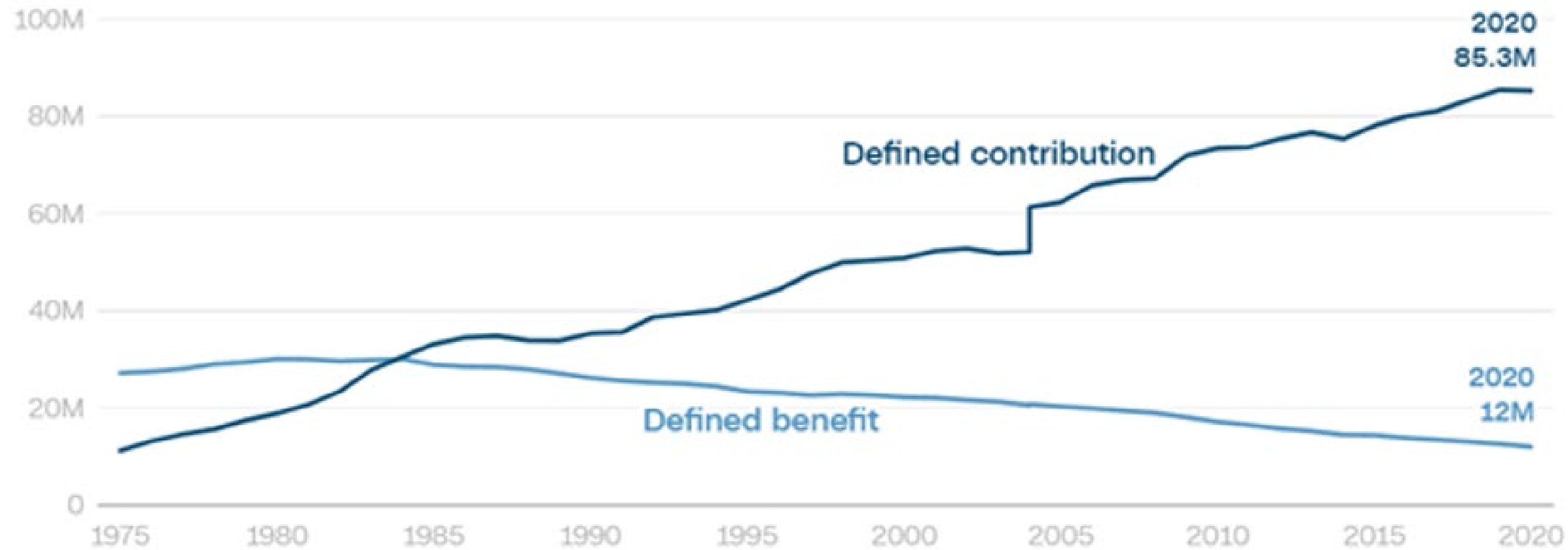
- Introductions
- Setting the Stage
- Insights and Perspectives from advisors, recordkeepers, and plan sponsors
- Overcoming hurdles
  - Servicing
  - Technology & Middleware
- Audience Questions



# Shift from DB to DC

**Traditional pensions have been replaced by 401(k)s for millions of US workers in the private sector**

Number of active participants in workplace retirement plans



Note: In 2005 the IRS changed its definition of "active participant," including two groups of employees that were formerly excluded from counts. For more information see Appendix C of the below report.

**What has this done?**

**401(k) plans allow employers to shift the responsibility for retirement savings onto employees**



# Sizing the Market – Not easy

**GLIMPSE** AUGUST 2021

## Guaranteed Income Investment Options in DC Plans

*IN-PLAN GLWB AND DIA AVAILABILITY AND ELECTION TRACKING SURVEY*

2020 participating companies: Equitable, Great-West, John Hancock, Lincoln Financial, Mutual of Omaha, Prudential Retirement, Principal, Voya

**Summary (as of Year-End 2020)**

- Almost 3.7 million participants are in plans that offer in-plan guarantees (though not all are eligible to be covered for the guarantee due to age restrictions).
- Growth in number of participants covered is partially due to plans with automatic enrollment into a guarantee.
- In 2020 6,000 plans have at least one person covered by an in-plan guarantee.
- Total DC assets covered by an in-plan GLWB or DIA at the common companies were up by 19%, due to both market gains and business growth.

	2018	2019	2020	2020/2019*
<b>Number of plans offering in-plan guarantees**</b>	35,000	34,000	31,000	-3%
<b>Participants in plans offering in-plan guarantees</b>	3.47 million	3.71 million	3.67 million	0%
<b>Assets in plans offering in-plan guarantees</b>	\$183.4 billion	\$209.0 billion	\$236.3 billion	14%
<b>Plans with at least one person electing in-plan guarantee**</b>	6,600	6,400	6,000	0%
<b>Total number of participants electing an in-plan guarantee</b>	106,000	119,000	131,000	11%
<b>Total assets covered by an in-plan guarantee</b>	\$3.77 billion	\$4.35 billion	\$5.18 billion	19%

\*Percent change calculations are based on companies that reported results in all years whereas period totals include companies that reported in the then current period. Therefore the percent change base may differ from the amount shown on this table  
\*\*Number of plans offering an in-plan guaranteed option does not represent a stable set of common companies across the years reported.

**Methodology**  
In-plan guarantees provide retirement plan participants an opportunity, while they are still working, to use some of their plan assets to provide future guaranteed lifetime retirement income. Currently, two types of in-plan guarantees are sold: the guaranteed lifetime withdrawal benefit (GLWB) and the deferred income annuity (DIA). All information collected in this report is reported in aggregate only and does not differentiate among the various types of in-plan guarantees.

Companies were asked to report aggregated sales on all recordkeeping platforms by plan size. Data were collected on the number of plans, number of participants, and amount of assets in plans that offer in-plan guarantees. Election rate data were also collected on the number of plans with at least one person covered, the number of participants covered, and the amount of assets covered by in-plan guarantees.

- New partnerships, platforms and models
- How are you defining in-plan income?
- Target-dates with an annuity component have grown to about \$50 billion in assets (Source: Morningstar)

According to PLANSPONSOR research, systematic withdrawal programs are still more widely offered than in-plan annuity options.

**About 41% of plan sponsors offer systematic withdrawals** in a 2023 survey of 2,128 plan sponsors. That compares to **26% who said they are offering in-plan managed account services offering annuities, 6.7% offering in-plan insurance-based products, and 3.5% offering an out-of-plan annuity for purchase by participants.**

Another 51.3% said they offer no income-oriented product to participants.



# Income Products

During Active Employment (Investment)					At Retirement (Income)		
In-Plan					Out of Plan		
Guaranteed Income			Non-Guaranteed Income		Guaranteed Income		
Deferred Income Annuities... <i>purchase units of future income</i>	Guaranteed Minimum Withdrawal Benefit... <i>Build income base and get guaranteed lifetime withdrawals</i>	TDF with option to custom purchase income annuity or QLAC	Managed Accounts with a drawdown feature	Managed Payout Funds	Systematic or Installment withdrawals	Institutionally priced SPIA or DIA offered as a distribution option. (includes the Rollover Platform, other employer sponsored options)	Retail / Traditional Rollover / Annuity
<ul style="list-style-type: none"> <li>• AIG</li> <li>• Mutual of Omaha</li> <li>• Principal</li> <li>• TIAA</li> </ul>	<ul style="list-style-type: none"> <li>• John Hancock</li> <li>• Prudential</li> <li>• Transamerica</li> <li>• Great-West</li> <li>• Voya</li> <li>• Lincoln</li> <li>• AXA</li> <li>• AB*</li> <li>• Income America*</li> <li>• Allianz**</li> </ul>	<ul style="list-style-type: none"> <li>• Wells Fargo</li> <li>• State Street</li> <li>• JP Morgan</li> <li>• BlackRock</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Engines</li> <li>• Morningstar</li> <li>• Guided Choice</li> </ul>	<ul style="list-style-type: none"> <li>• Schwab</li> <li>• Fidelity</li> <li>• T.Rowe</li> <li>• Vanguard</li> </ul>	<ul style="list-style-type: none"> <li>• Most Recordkeepers</li> </ul>	<ul style="list-style-type: none"> <li>• Hueler Income Solutions</li> <li>• MetLife</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance Companies</li> </ul>
	*multi insurer solution		May include annuities	New to DC plans		Fierce competition with retail	
	** fixed indexed annuity with a GLWB						

Source: Various; Not all encompassing



# Momentum Building

Lincoln National launches 2 pooled employer plans (PEPs) with in-plan annuities (Lincoln PathBuilder Income).

(April 2024)

TIAA In-Plan Retirement Income Option (RetirePlus) Reaches \$30B from \$10 billion in 24 months as demand grows for guaranteed lifetime income.

(February 2024)

Empower Launches Comprehensive Suite of New Retirement Income Solutions (Managed accounts with a guaranteed lifetime withdrawal benefit; Access to Blueprint Income marketplace; A new target date fund series; A managed spend-down strategy and proprietary variable annuity)

(March 2024)

Fidelity launches Guaranteed Income Direct which gives participants an option to convert 401(k), 403(b) or 457(b) savings into an immediate income annuity

(January 2024)

BlackRock Prepares LifePath Paycheck to Address In-Plan Retirement Income. Solution functions like a target-date fund, embedding the option to annuitize a portion of a participant's assets starting at age 55.

(February 2024)

ADP to offer Hueler's annuity platform to over 135,000 employers. The Hueler "Income Solutions" platform will give 3 million retirement plan participants access to income annuity options.

(November 2023)



# Research – Insights & Perspectives





# Trends and Perceptions of In Plan Annuity Options

- Awareness and knowledge increasing
- Increased innovation & options
- Significant effort to overcome barriers (SECURE, etc.)
- Adoption is still slow, but expected to grow
- Education/knowledge matters





# Trends and Perceptions

## Participants



## Plan Sponsors



## Plan Advisors





# People Need Guaranteed Income In Retirement, But...

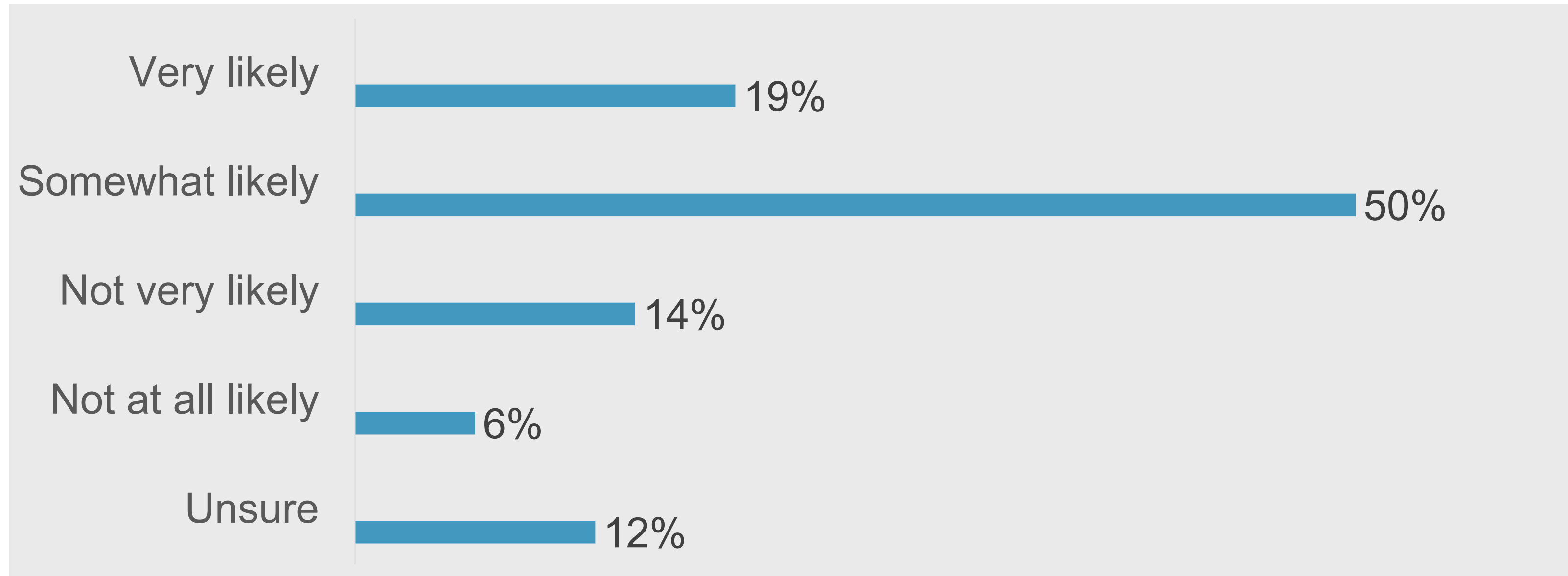


...fewer than half of people own a product or have made investments that will generate guaranteed income in retirement



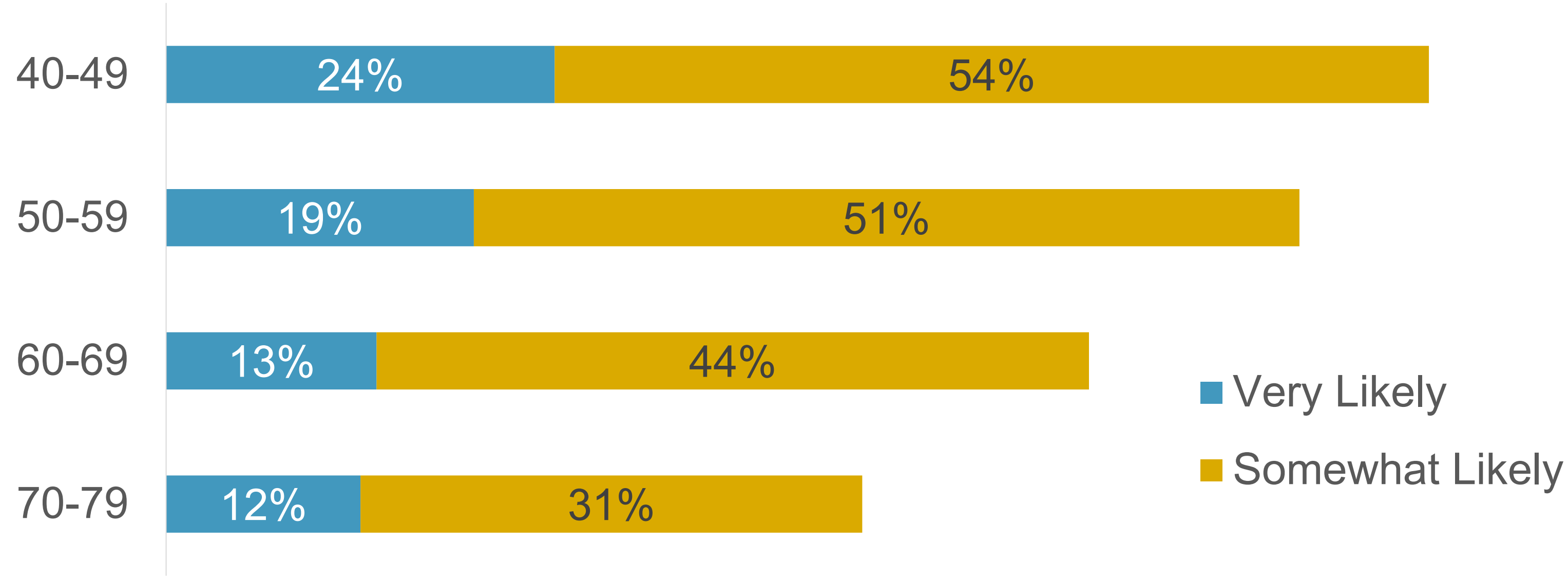
# Plan Participants Are Interested In Guaranteed Income

Suppose you could build guaranteed lifetime income for retirement by investing all or part of your contributions in an investment, with an additional cost, that is part of a retirement savings plan offered by your employers. How likely would you be to invest in such an option?



# Younger Participants Are Especially Interested

## Likelihood To Invest In Guaranteed Option By Age



2023 Retirement Investors Survey; 2,224 workers, currently saving for retirement, age 40-85, with \$100k+ investable assets.



# Why Is It Appealing?

## Guarantees are appealing

“Because no one knows when they’re going to die no one has a guarantee that they’re going to live to age 60 70 80 or 90.”

“This is a guaranteed amount that does not change with market fluctuations, with social security and other investments it should provide adequately without worrying if I run out of money.”

“It’s guaranteed.” [multiple responses]

“It seems like the most stable guaranteed plan and I like stability.”





# Why Is It Appealing?

It provides peace of mind from the reduced risk of outliving savings

“It would give me peace of mind that I would have money coming in each year. I fear if I had control, I would overspend that money and run out sooner than I wanted to.”

“Because I would prefer to have a set amount for as long as I live than to run out and still have years left.”

“I like to play it safe and know what is available to me. I can live well on that amount.”

“Consistency and knowing how much you will receive is comforting.”



# Why Is It Appealing?

## It Makes It Easier to Plan Spending

“I could guarantee to at least pay my bills and have the money I need to survive.”

“I don’t know how long I will live but it seems like the set amount of \$11,172 for as long as I live would make it easier to plan to spend and not have to worry about running out of money.”

“I would buy the guaranteed lifetime income of \$11,171 because it would be the amount I need to supplement my Social Security income to meet my retirement needs.”





# Why Is It Appealing?

## Some people expect to live longer than average

I am a healthy person and it's very possible that I could outlive the \$200,000 and I wouldn't want to run out of the money."

"Well with advances in medical technology people are living longer and longer. Never know how long we have so I feel like the guarantee is worth it."

My family members have lived long so I probably will as well."

"I plan to live to 100. I live my life to meet this goal (eating healthy, regular exercise, don't drink or smoke, etc.)."





# Why *Isn't* It Appealing?

## Some people have reduced longevity expectations

“I don't expect to live that long.” [multiple responses]

“Because I am never going to make those other ages. I'll take my money now.”

## Negative impact on legacy/inheritance

“While a guarantee is nice, I would need to understand options for beneficiaries if I die sooner

“It's more money for my grandkids.”

## Some people are just unsure

“I don't understand this stuff well enough.”

“I'm not really sure, wish I understood this stuff more.”

“Not too sure, I'm not educated in this.”



# Other Benefits?

“...research suggests that including solutions with more predictable sources of income in DC plans has the potential to not only improve retirement outcomes for participants but may also improve investment behaviors. By providing more certainty around the level of retirement income, participants appear less likely to transact and make poor market timing decisions.”





# There Are Many Options, Both In And Out Of Plan

During Active Employment (Investment)					At Retirement (Income)		
In-Plan					Out of Plan		
Guaranteed Income			Non-Guaranteed Income		Guaranteed Income		
Deferred Income Annuities... <i>purchase units of future income</i>	Guaranteed Minimum Withdrawal Benefit... <i>Build income base and get guaranteed lifetime withdrawals</i>	TDF with option to custom purchase income annuity or QLAC	Managed Accounts with a drawdown feature	Managed Payout Funds	Systematic or Installment withdrawals	Institutionally priced SPIA or DIA offered as a distribution option. (includes the Rollover Platform, other employer sponsored options)	Retail / Traditional Rollover / Annuity
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	*multi insurer solution ** fixed indexed annuity with a GLWB		May include annuities	New to DC plans		Fierce competition with retail	

# A Minority of Plans Offer An In-Plan Option...

14%



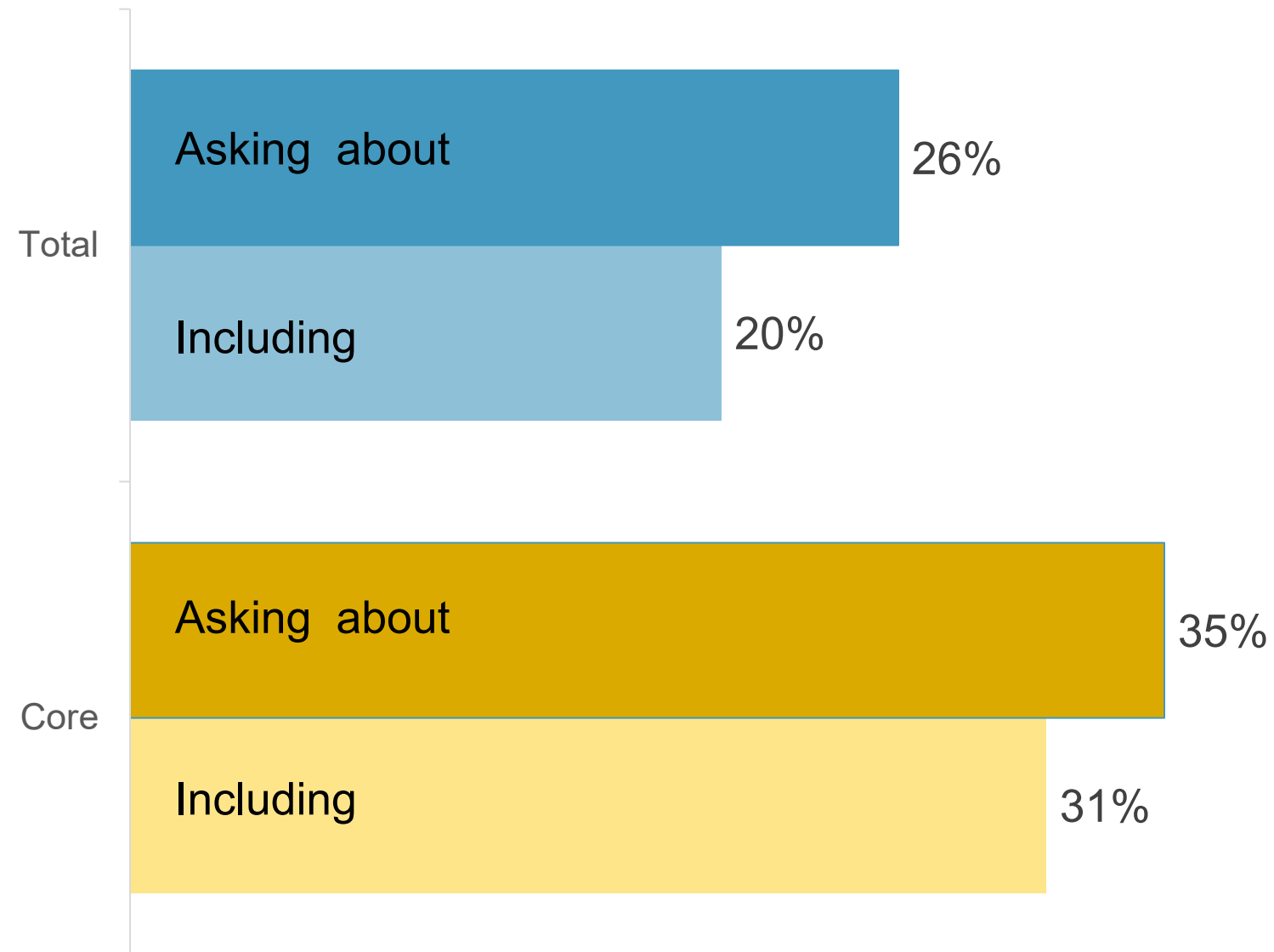
Source: National Compensation Survey: Retirement Plan Provisions in Private Industry in the United States, 2019, Department of Labor, April 2020.





# ... But A Lot Of Plans Are Asking About Them

## Plans asking about & including Retirement Income Products (% of advisors' plans)



About a quarter of advised plans ask about including retirement income products



Source: Defined Contribution Advisor Views: Advisor Perspectives on Retirement Income, © LLGlobal, 2023. Based on 130 advisors surveyed between October – November 2022. (37 Occasional, 62 Hybrid and 31 Core).

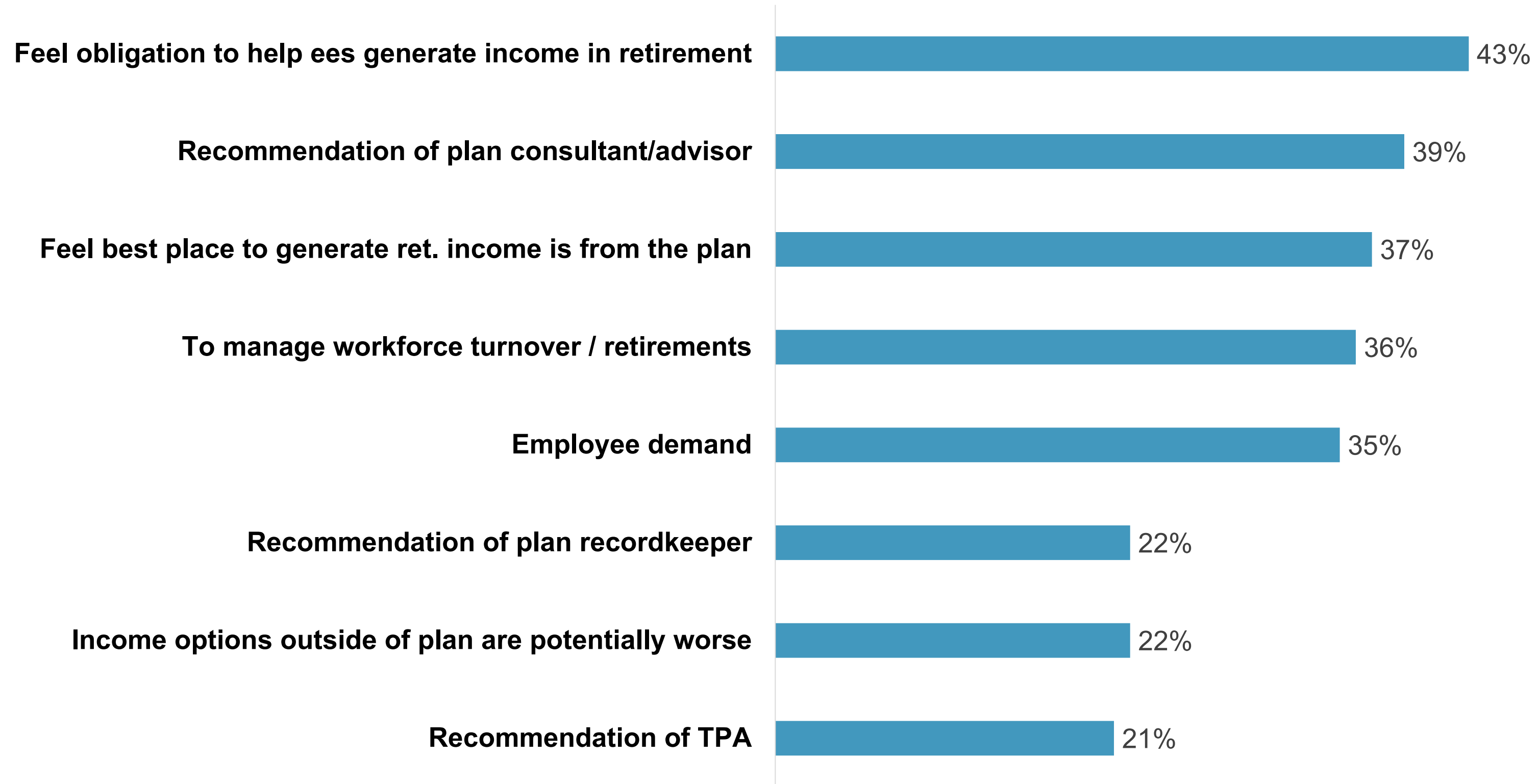
# In-Plan Options Are More Likely To Be Offered In

- Newer plans (under 10 years)
- Plans that offer or have offered a defined benefit pension
- Plans with sponsors who agree guaranteed income options are necessary for retirement security
- Plan sponsors who believe the company some responsibility for helping individuals turn their balances into income streams





# Paternalism and recommendation are top reasons for offering



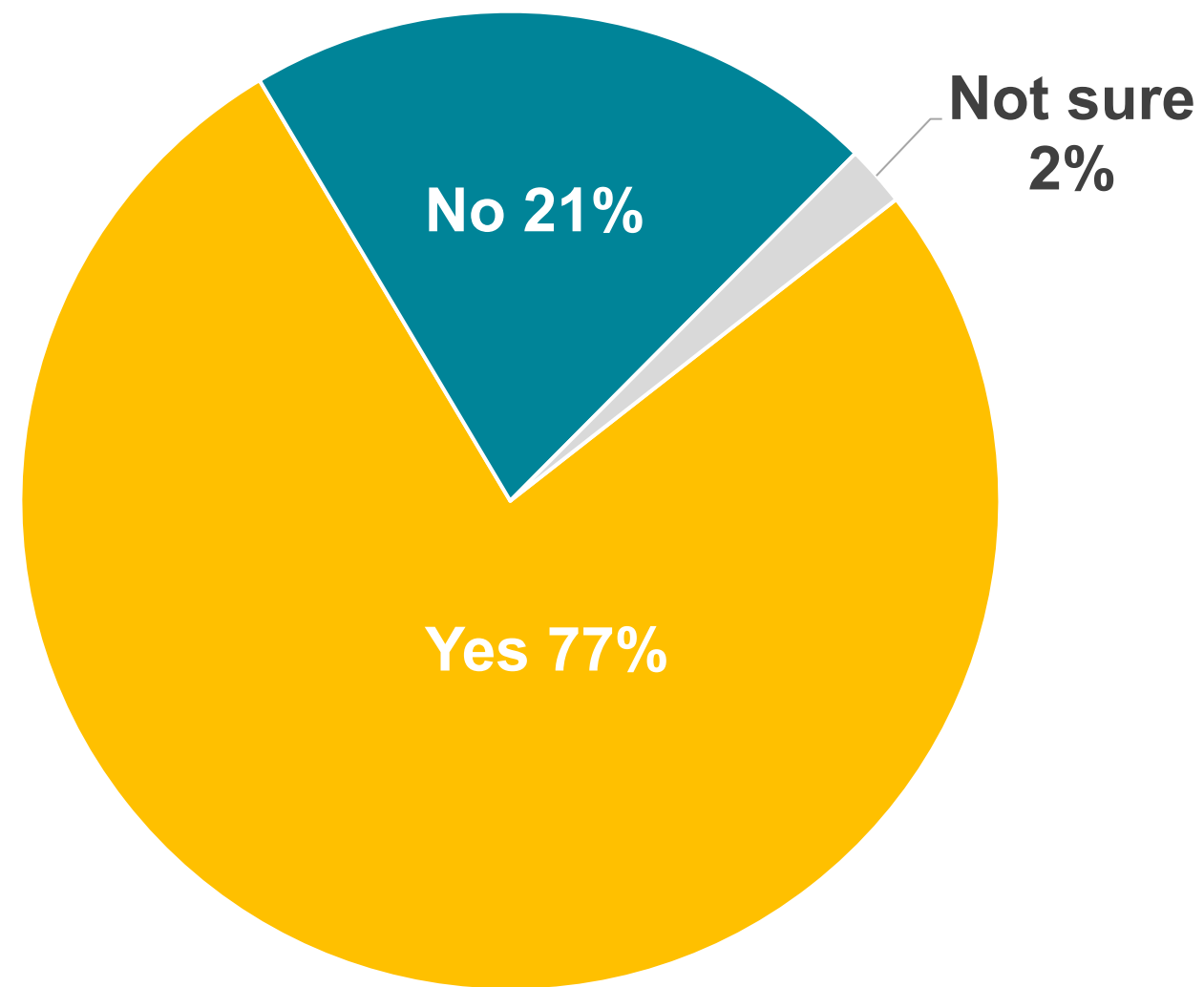
Based on 209 sponsors of plans with IPAs. Multiple responses allowed. Not shown: 8% froze or terminated DB plan.

Source: *In-Plan Annuities: The Plan Sponsor Perspective*, LIMRA, 2023

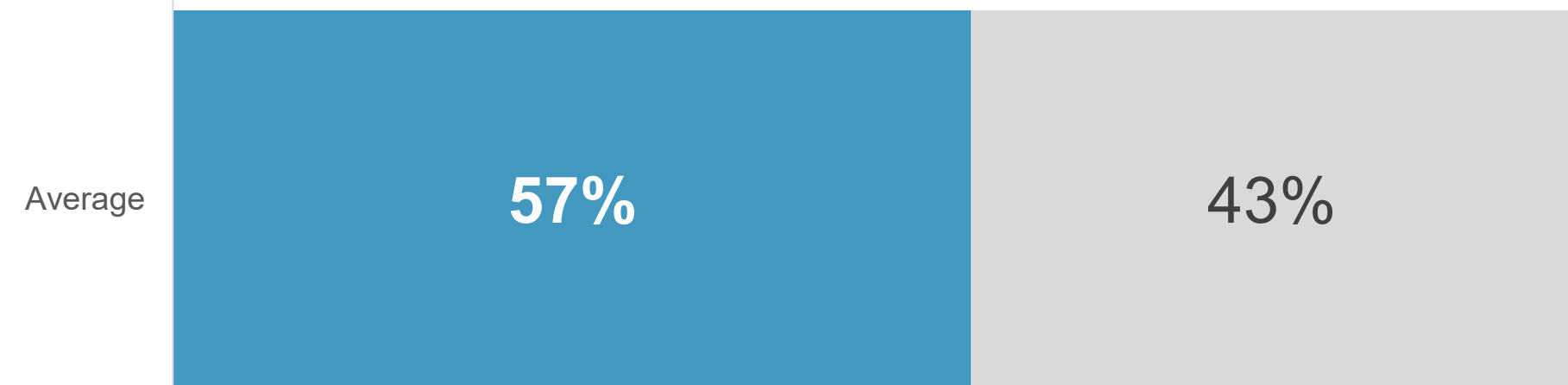


# Employer Attitudes Toward In-Plan Annuities

Participants Should Have Minimum Balance Before Investing in IPA



Proportion of Plan Participants For Whom IPA is Appropriate



*Actual avg. participation in IPA = 53%*



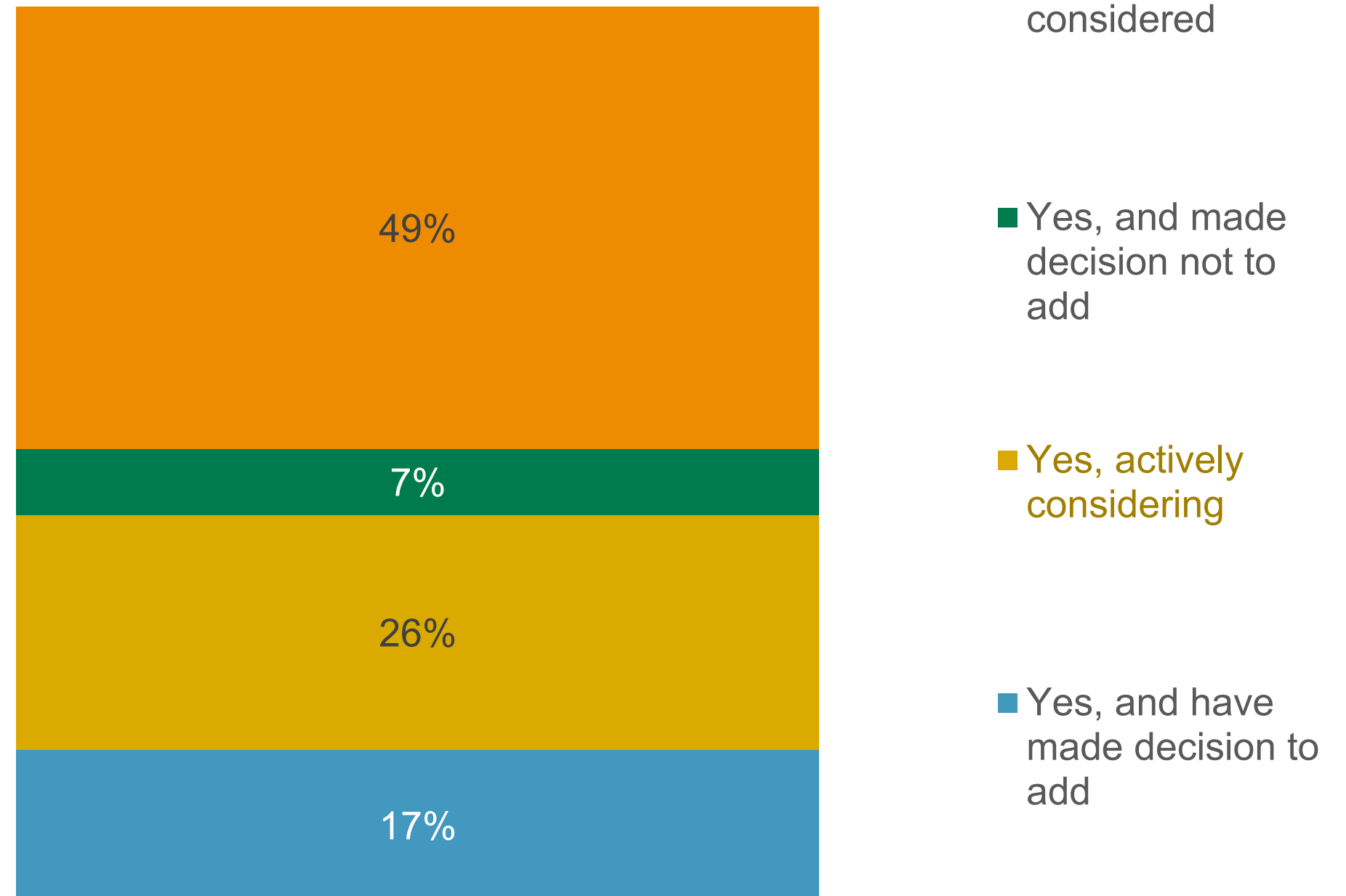
# Many Are Considering In-Plan Annuities

## Considering Adding

**Most likely to have *never considered*:** Smaller plans, smaller employers, no QDIA, non-MEP plans, and older employers



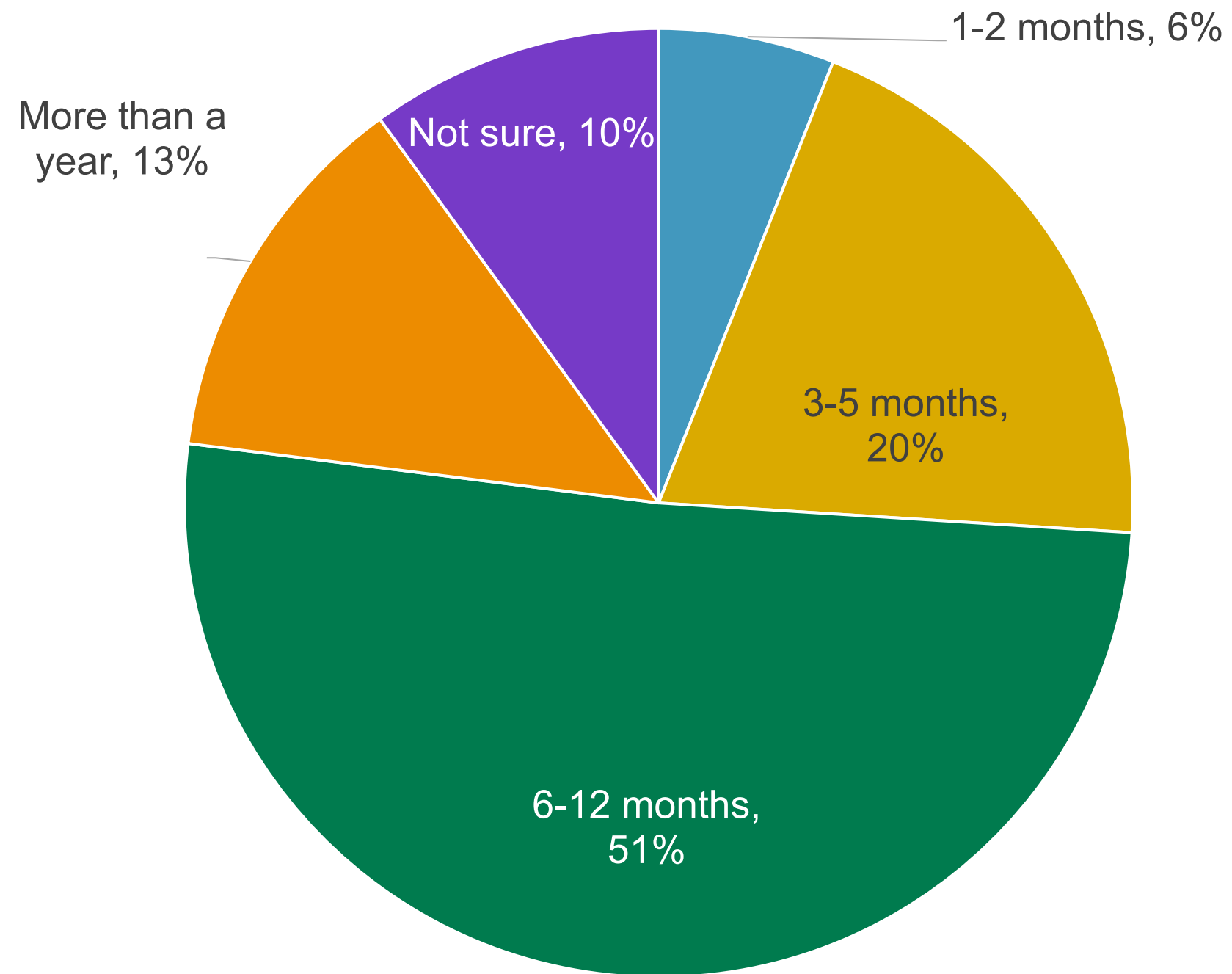
**Most likely to have made decision to *add*:** MEP plans, younger employers



All

# But Are Not Rushing To A Decision

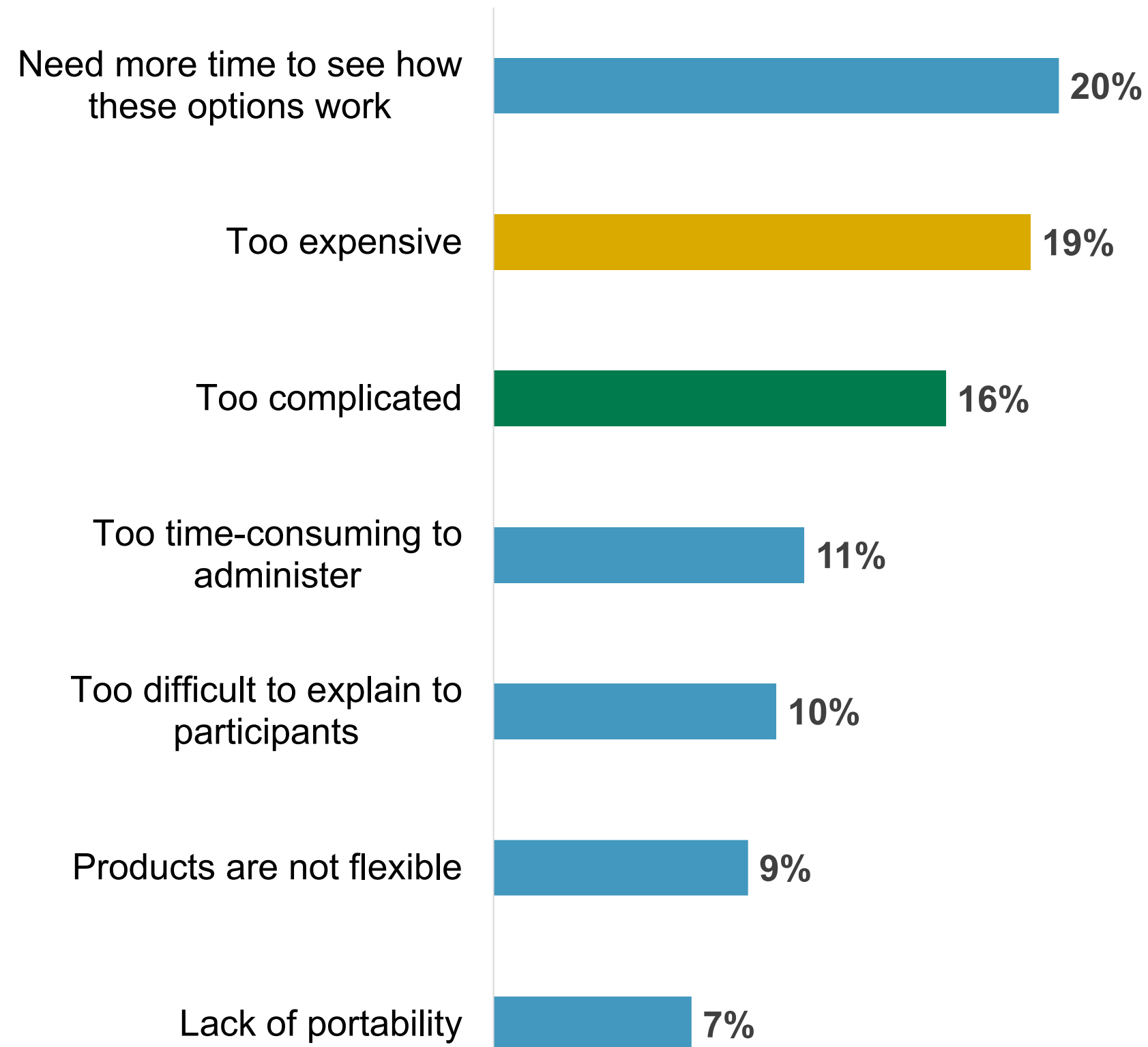
When Expect to Make Decision



Based on 357 sponsors of plans without IPAs. Results exclude "Not sure" responses.  
Source: *In-Plan Annuities: The Plan Sponsor Perspective*, LIMRA, 2023



# Many Reasons For Not Offering Are Product-Based



Objections: the products are expensive, complicated, resource-intensive, hard to explain, not flexible and not portable.




Potential Solution: Education



# But There Are A Variety Of Reasons

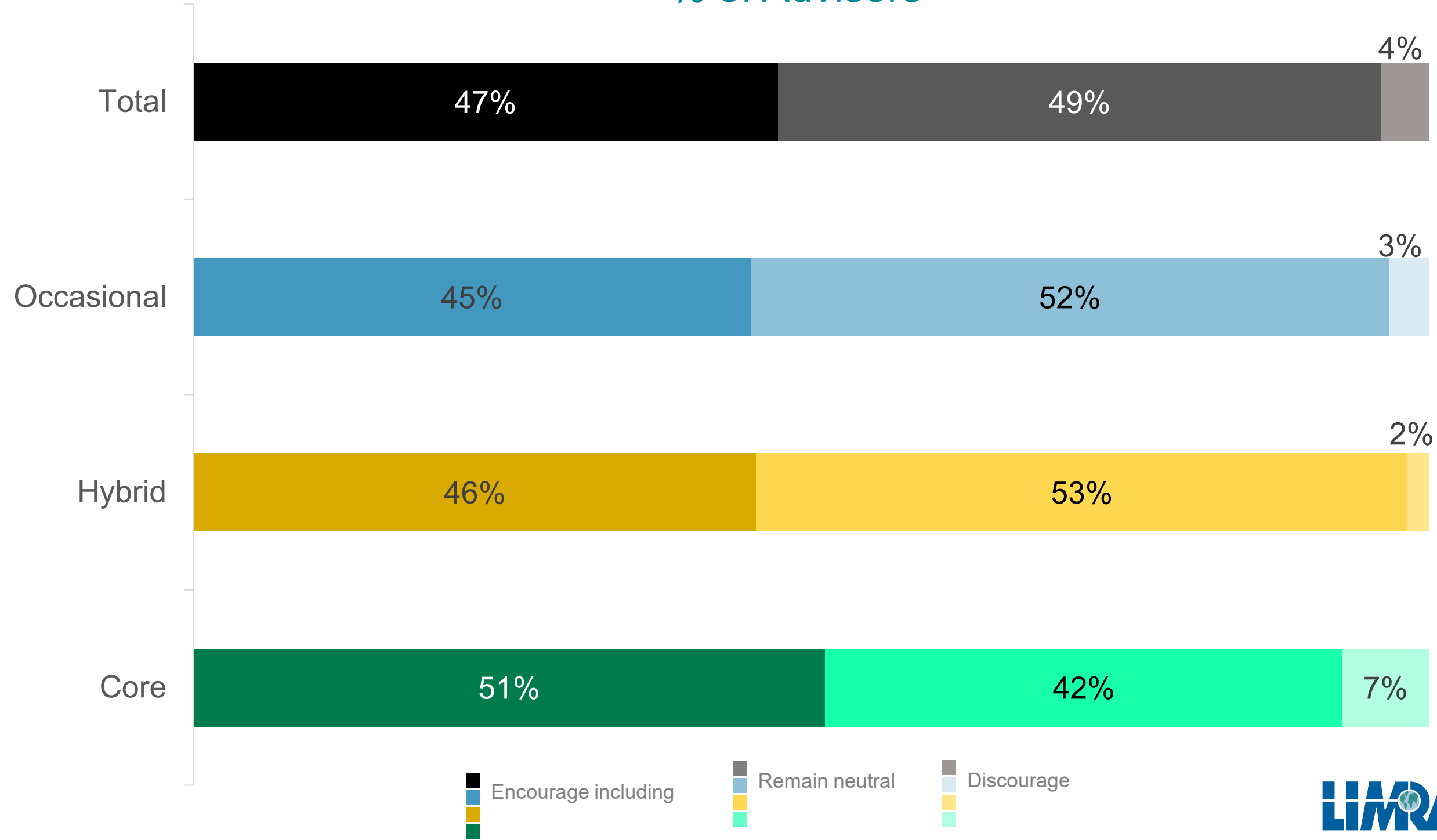
Reason for Not Offering IPA	Overall
Currently focused on other employee benefit priorities	22%
Fiduciary concerns	17%
Plan to add an option in the future	13%
Concerns that insurance company won't be able to meet its obligations	12%
Income options outside of plan potentially better	10%
Recordkeeper does not offer	9%
A plan consultant/advisor recommended against it	8%
Company offers alternative way for participants to generate income	2%





# Many Advisors Recommend Including An Option

Advisor Position on Including Retirement Income Products  
% of Advisors

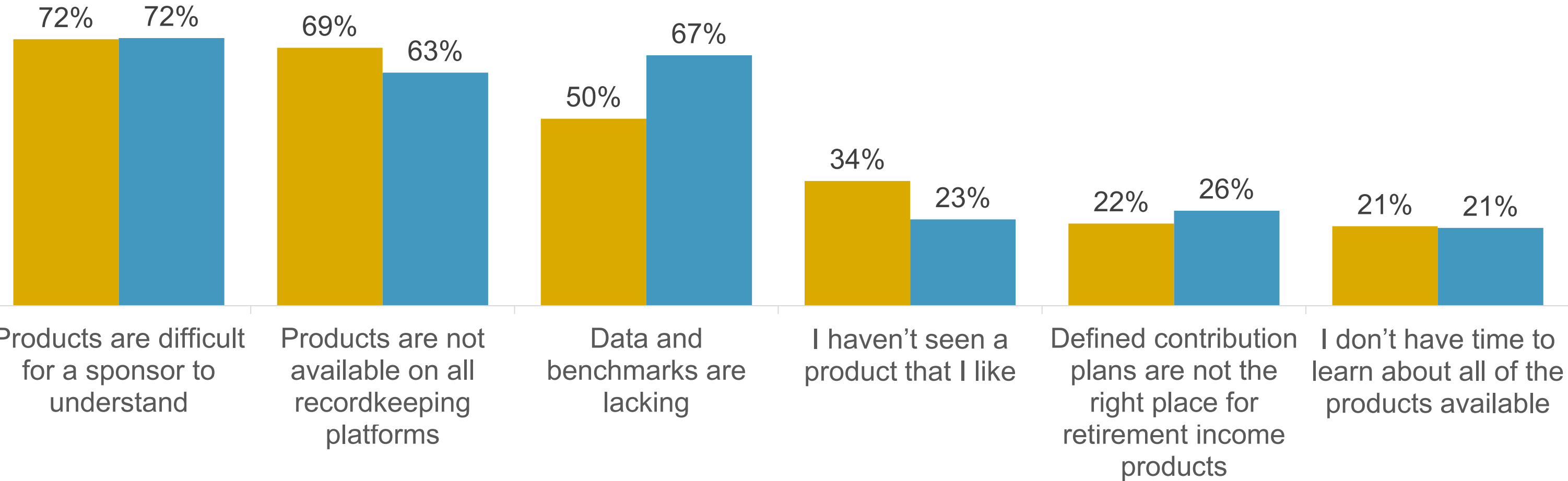


Source: Defined Contribution Advisor Views: Advisor Perspectives on Retirement Income, © LLGlobal, 2023. Based on 130 advisors surveyed between October – November 2022. (37 Occasional, 62 Hybrid and 31 Core).

# Complexity And Availability Are The Two Biggest Challenges

Challenges to Considering In-Plan Retirement Income Products  
(Percent of advisors)

■ Total ■ Core



Percent of Advisors Ranking Challenge #1

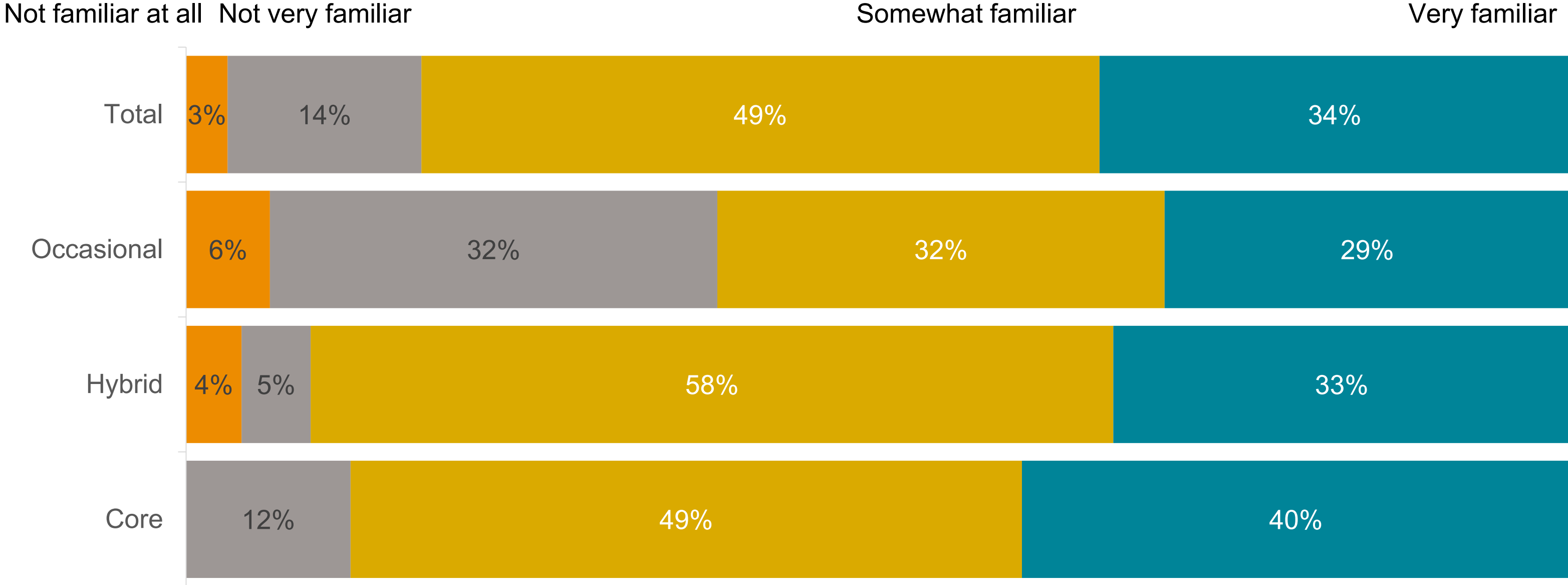
Total	30%	28%	9%	17%	6%	9%
Core	23%	30%	16%	9%	9%	9%



Source: *Defined Contribution Advisor Views: Advisor Perspectives on Retirement Income*, LIMRA, 2023. Based on 130 advisors surveyed between October – November 2022. (37 Occasional, 62 Hybrid, and 31 Core).

# Advisor Familiarity With Income Options

## Target date with annuity option attached



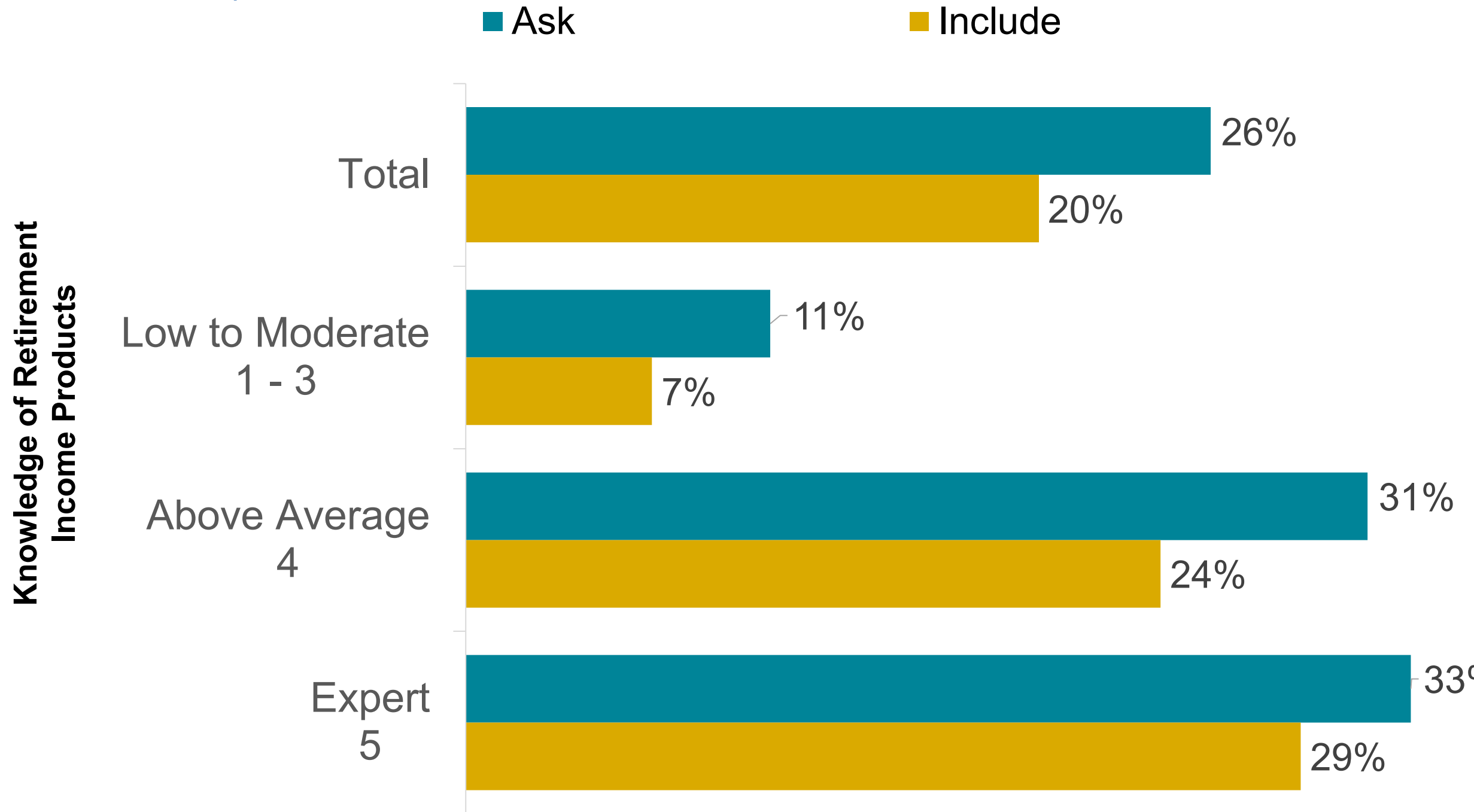
Source: Defined Contribution Advisor Views: Advisor Perspectives on Retirement Income, © LLGlobal, 2023. Based on 130 advisors surveyed between October – November 2022. (37 Occasional, 62 Hybrid and 31 Core).





# Advisor Understanding Matters

Plans Asking About and Including Retirement Income Products in Plans (Percent of advisors)

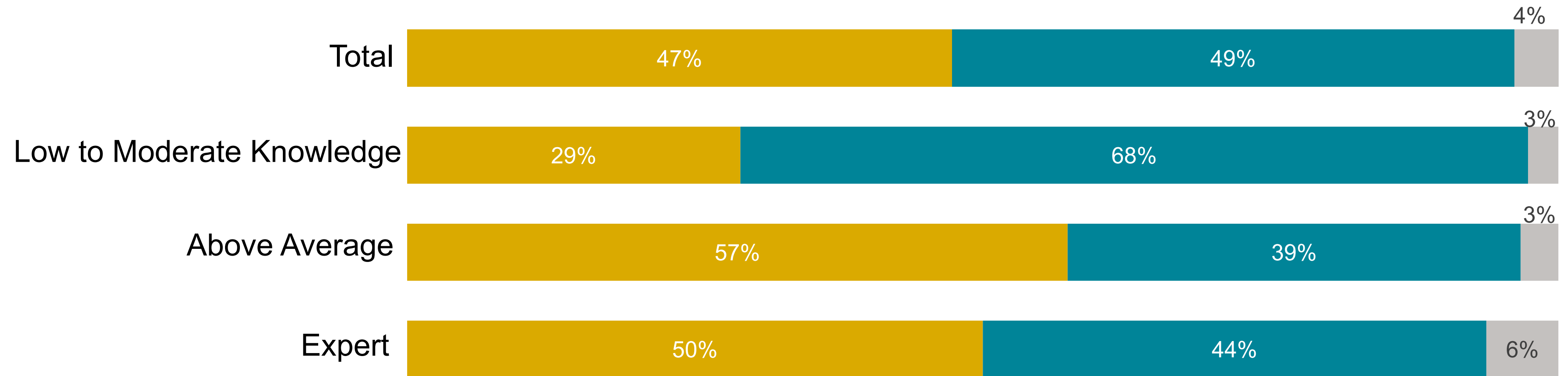


Source: *Defined Contribution Advisor Views: Advisor Perspectives on Retirement Income*, LIMRA, 2023. Based on 130 advisors surveyed between October – November 2022. (37 Occasional, 62 Hybrid, and 31 Core).

# Advisor Understanding Is Related To Recommendation

## Advisor Position on Including Retirement Income Products in Plans (Percent of advisors)

■ Encourage including   ■ Remain neutral   ■ Discourage



Source: *Defined Contribution Advisor Views: Advisor Perspectives on Retirement Income*, LIMRA, 2023. Based on 130 advisors surveyed between October – November 2022. (37 Occasional, 62 Hybrid, and 31 Core).





# Overcoming Headwinds





# 2022-2024 RICC Platform Growth

The SS&C Retirement Income Clearing & Calculation Platform (RICC) Assets, Plan Sponsors, and Participants saw impressive growth between January 1, 2022 and February 29, 2024:

February 2024  
**\$1,099,865,601**

**20.6x**  
growth

Assets Under  
Administration

January 2022  
**\$53,412,907**



February 2024  
**4,167**

**31.8x**  
growth

Plan Sponsors  
with Assets

January 2022  
**131**

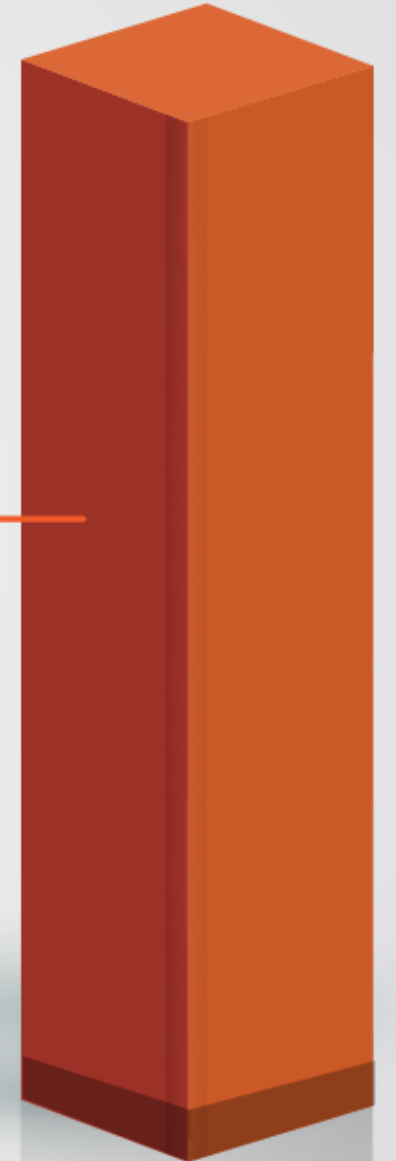


February 2024  
**25,153**

**26.1x**  
growth

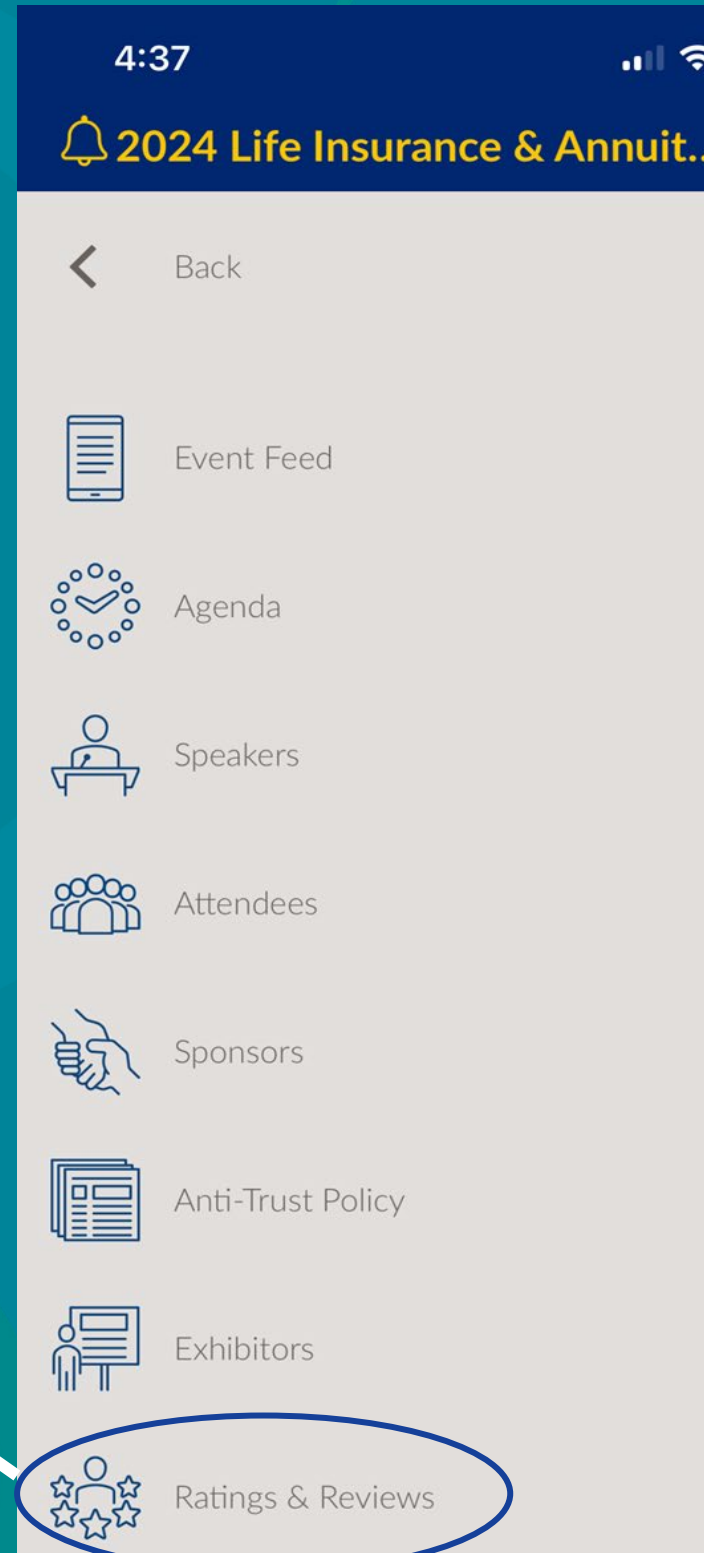
Participants  
with Assets

January 2022  
**962**

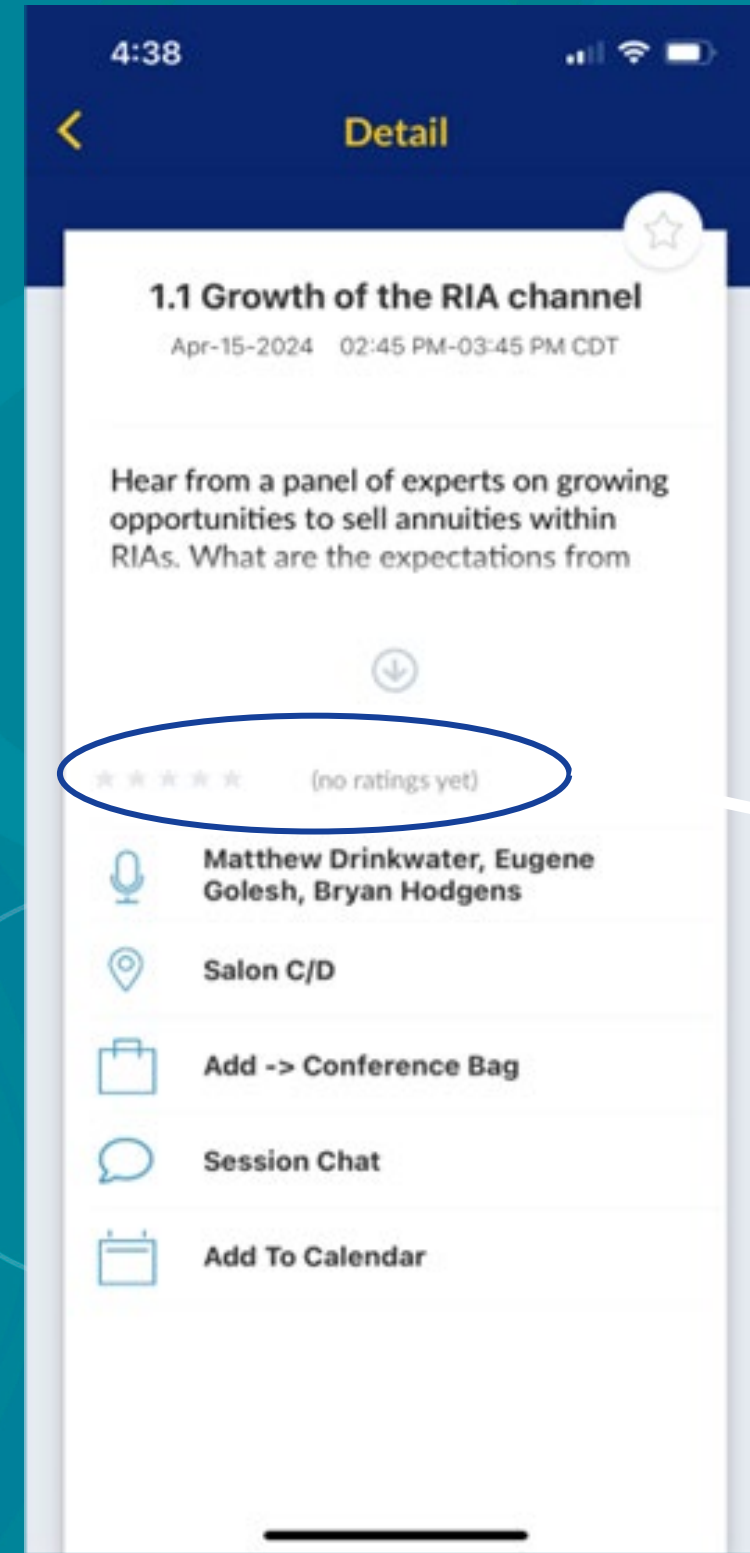


# Please Provide Your Feedback on the Conference App

## OPTION 1



## OPTION 2



# Thank You

