

Fiduciary Corner

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401(k) plan sponsors need to develop a strategy to communicate both “Retirement Income” progress towards a goal and options available at retirement

Retirement Income Questions

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What's old becomes new again as the term Retirement Income has re-surfaced in 401(k) plans, as the issue of how participants will manage account balances to provide sustainable lifelong income garners more attention. Many people believe that addressing retirement income centers strictly around product-focused discussions regarding the inclusion of in plan lifetime income solutions for their plan participants. Comperio believes that any discussion about Retirement Income should revolve around having a holistic process of education and solutions that go well beyond a product. It is important to take steps to develop your plan's retirement income philosophy and understand the future needs of your plan participants. Seeking information and answers to the following questions will help to establish your strategy:

1. Does your recordkeeper have the capability to communicate participant account balances in the form of a monthly benefit?
2. What are the methodology and underlying assumptions used by your provider in the determination of the retirement income projection? A few specific examples include:
 - What is the default income replacement ratio and can employees model benefits at various levels of replacement?
 - Review the default salary growth and investment return assumptions and the capabilities of changing those assumptions.

- Does the model allow for the inclusion of outside assets?
- Does the projection include an estimate of the individuals' expected Social Security monthly benefit?

In plan guaranteed benefits are becoming more prevalent across plan providers. Conducting a review of the options available should include answering questions such as:

- What are the available investment options inside the product?
- Describe the fees paid by the plan and the participants for the guarantees?
- Does an employee have to transfer assets into the option at a specific point in time in order to take full advantage of the guarantees and what is that timeframe?
- Does offering the ability to buy an annuity in order to receive lifetime income at the time of retirement better serve our employee base?

Answers to these and other questions will better position your Committee to help individuals through the retirement income process, through communications, plan design or products.

Please contact either Jim or Scott of Comperio if you are interested in discussing this or other retirement related topics in greater detail.

