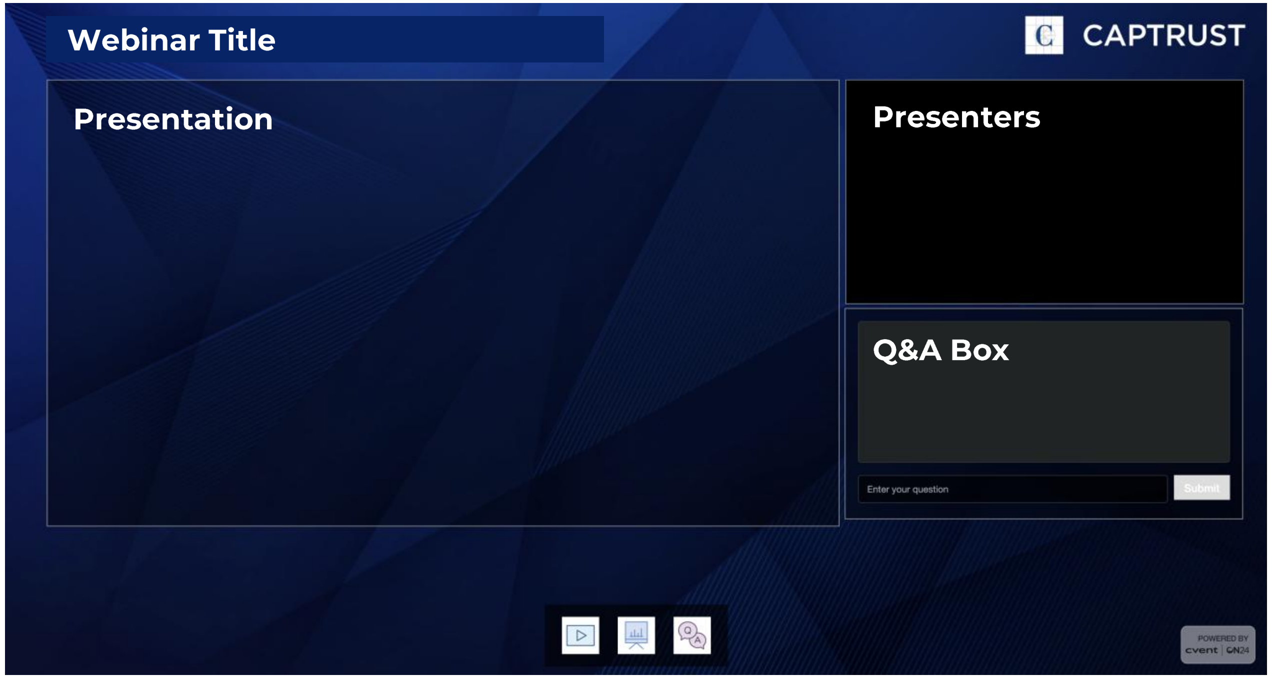
RETIREMENT INCOME

Helping Participants Retire with Confidence: A Fiduciary Guide to Income Solutions

Information about Today's Session

- All attendee lines are automatically muted and in listen-only mode.
- Questions may be submitted during the event by selecting the Q&A icon and typing them into the Q&A box.
- To turn on closed captioning, click on the small circle with two c's in the bottom right of the Presenters tile or Media Player.
- Today's session is being recorded. The recording will be available for rewatching within one week following the event.



Learning Objectives

Realize the fiduciary obligations under Employee Retirement Income Security Act (ERISA) Section 404(a) require retirement plan fiduciaries to act prudently when evaluating retirement income solutions for participants.

Know retirement income is not a single product decision, it's a plan design strategy requiring alignment among participant needs, fiduciary oversight, cost, flexibility, and long–term outcomes.

Evaluation, selection, and monitoring of solutions.

Identify fiduciary risks and considerations related to retirement income.

The Fiduciary’s Role in Retirement Income

- Under ERISA Section 404(a), fiduciaries are required to discharge their duties solely in the interest of participants and with the care, skill, prudence, and diligence of a prudent person.
- Your four core ERISA duties are: (1) the exclusive purpose rule, (2) the prudent expert rule, (3) the diversification requirement, and (4) compliance with plan documents.
- Key fiduciary responsibilities regarding retirement income include:
    - Evaluating and selecting appropriate retirement income solutions
    - Monitoring investment options and service providers
    - Ensuring fees are reasonable relative to services provided
    - Providing adequate participant education and communication
    - Documenting the decision-making process
    - Reviewing and updating the plan’s investment policy statement
- Fiduciaries are now expected to proactively evaluate how plan design helps participants convert accumulated savings into sustainable income. Failure to address retirement income may constitute a breach of the duty of prudence.

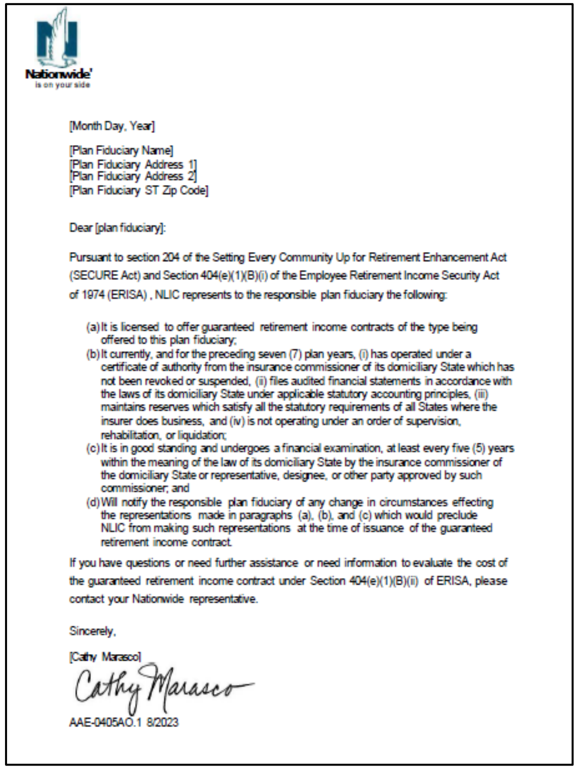
Why Fiduciaries Should Address Retirement Income Now

	Trend	Implications
1	A Shift Away from DB Plans	More participants rely on your 401(k) plan as their primary retirement income vehicle, increasing fiduciary responsibility
2	Aging Population	Average of 12,000 baby boomers retiring daily through 2030, creating urgent need for distribution and income solutions
3	Life Expectancy	25% of participants will live to age 92+, requiring fiduciaries to address longevity risk
4	Asset Demographics	40% of DC assets are held by participants age 55+, making income solutions a fiduciary priority
5	Lack of Education for Participants	Only 40% of participants have attempted to do retirement income calculations, underscoring the fiduciary duty to provide education and tools
6	Distributions “Leakage”	Participants rolling to IRAs often pay higher fees; keeping assets in-plan supports the fiduciary goal of providing cost-effective solutions

(l) U.S. Census Bureau, (2) Fidelity, (3) EBRI, "2017 Retirement Confidence Survey: Many Workers Lack Retirement Confidence and Feel Stressed About Retirement Preparations," (4) Vanguard How America Saves (5) The Center for Retirement Research at Boston College, "The Impact of Leakages from 40l(k)/I RA Assets," February 2015, (6) Morningstar, “The Hidden Costs of IRA Rollovers.”

SECURE Act: Safe Harbor for Annuity Selection

Under the SECURE Act (Section 204), fiduciaries must obtain written representations from the insurer confirming:



Nationwide is on your side

[Month Day, Year]

[Plan Fiduciary Name]
[Plan Fiduciary Address 1]
[Plan Fiduciary Address 2]
[Plan Fiduciary ST Zip Code]

Dear [plan fiduciary]:

Pursuant to section 204 of the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) and Section 404(e)(1)(B)(i) of the Employee Retirement Income Security Act of 1974 (ERISA) , NLIC represents to the responsible plan fiduciary the following:

(a) It is licensed to offer guaranteed retirement income contracts of the type being offered to this plan fiduciary;
(b) It currently, and for the preceding seven (7) plan years, (i) has operated under a certificate of authority from the insurance commissioner of its domiciliary State which has not been revoked or suspended, (ii) files audited financial statements in accordance with the laws of its domiciliary State under applicable statutory accounting principles, (iii) maintains reserves which satisfy all the statutory requirements of all States where the insurer does business, and (iv) is not operating under an order of supervision, rehabilitation, or liquidation;
(c) It is in good standing and undergoes a financial examination, at least every five (5) years within the meaning of the law of its domiciliary State by the insurance commissioner of the domiciliary State or representative, designee, or other party approved by such commissioner; and
(d) Will notify the responsible plan fiduciary of any change in circumstances effecting the representations made in paragraphs (a), (b), and (c) which would preclude NLIC from making such representations at the time of issuance of the guaranteed retirement income contract.

If you have questions or need further assistance or need information to evaluate the cost of the guaranteed retirement income contract under Section 404(e)(1)(B)(ii) of ERISA, please contact your Nationwide representative.

Sincerely,

[Cathy Marasco]

Cathy Marasco

AAE-0405AO.1 8/2023

- They are licensed to offer guaranteed retirement income contracts.
- For each of the preceding seven plan years, they have operated under a certificate of authority, filed audited financial statements, and maintained required statutory reserves.
- They have not had their certificate of authority revoked or suspended and are not under supervision, rehabilitation, or liquidation.
- They undergo a financial examination at least every five years by their domiciliary state insurance commissioner.
- Will notify the fiduciary of any change in circumstances that would affect these representations.

Action required: Annually obtain updated representations, confirm no adverse notices, and verify no facts call the representations into question. Document all steps in your fiduciary file. This overview is not exhaustive of all safe harbor requirements. Consult legal counsel when evaluating annuity providers.

Retirement Income Solutions

Building a Holistic Retirement Income Strategy

Fiduciaries must evaluate which retirement income option or combination of options best serves participants. No single solution fits every plan. Each component must be assessed through the lens of ERISA prudence standards, cost reasonableness, and measurable participant outcomes.

Guaranteed Income Solutions

Annuities provide insurance-backed guarantees against outliving savings. Fiduciaries must evaluate in-plan vs. out-of-plan options, documenting cost, portability, and SECURE Act Section 204 safe harbor compliance.

Withdrawal Options/Features

Systematic and periodic withdrawal options help participants access retirement assets. Fiduciaries must verify recordkeeper capabilities and ensure withdrawal features comply with plan document provisions.

PARTICIPANT

Non-guaranteed Income Solutions

Target date funds, managed accounts, and managed payout funds generate income while maintaining appropriate risk levels. Fiduciaries must evaluate these for investment merit, fee reasonableness, and demographic alignment under ERISA standards.

Participant Education/Advice Services

Fiduciaries must ensure participants receive education on Social Security timing, withdrawal strategies, investment allocation, and the benefits of retaining assets in the plan.

A prudent fiduciary approach to retirement income goes beyond adding an investment option—it also integrates multiple solutions to address the varying needs of participants nearing and in retirement.

Retirement Income Solutions

What are you solving for?

Participant Needs/ Organizational Goals	Retirement Income Services				Both	Retirement Income Investments				
	Participant Advice	Systematic/ Periodic Withdrawals	Withdrawal Tools	Out-of-Plan Annuity Placement Services	Managed Accounts	Target-Date Funds	Yield-Focused	Managed Payout Funds	In-Plan Annuity (QLAC)	In-Plan Annuity (GMWB)
Retirement Readiness/ Workforce Management	X				x	x				
Hedge Market or Longevity Risk				x					x	x
Keep Assets in Plan After Retirement	x	x	x		x	x	x	x		x
Provide Decumulation Assistance	x	x	x		x			x	x	x
Provide Income to Retirees				x	x		x	x	x	x

Individual options may be combined to solve for different needs. For example, combining a target-date fund or a managed account with an in-plan annuity may help improve retirement readiness while also hedging market or longevity risk.

Risks and Considerations

Key Considerations for Fiduciaries

Compliance reasons to evaluate retirement income

- Hedging longevity risk
- Hedging market risk
- Hedging Inflation risk
- Hedging sequence of return risk
- Keeping assets in the plan post retirement
- Providing better workforce management (getting people to be more retirement-ready at normal retirement age)
- Offering an innovative and competitive benefits program
- Offering withdrawal assistance in retirement (solving for decumulation needs)

Factors that may limit available options

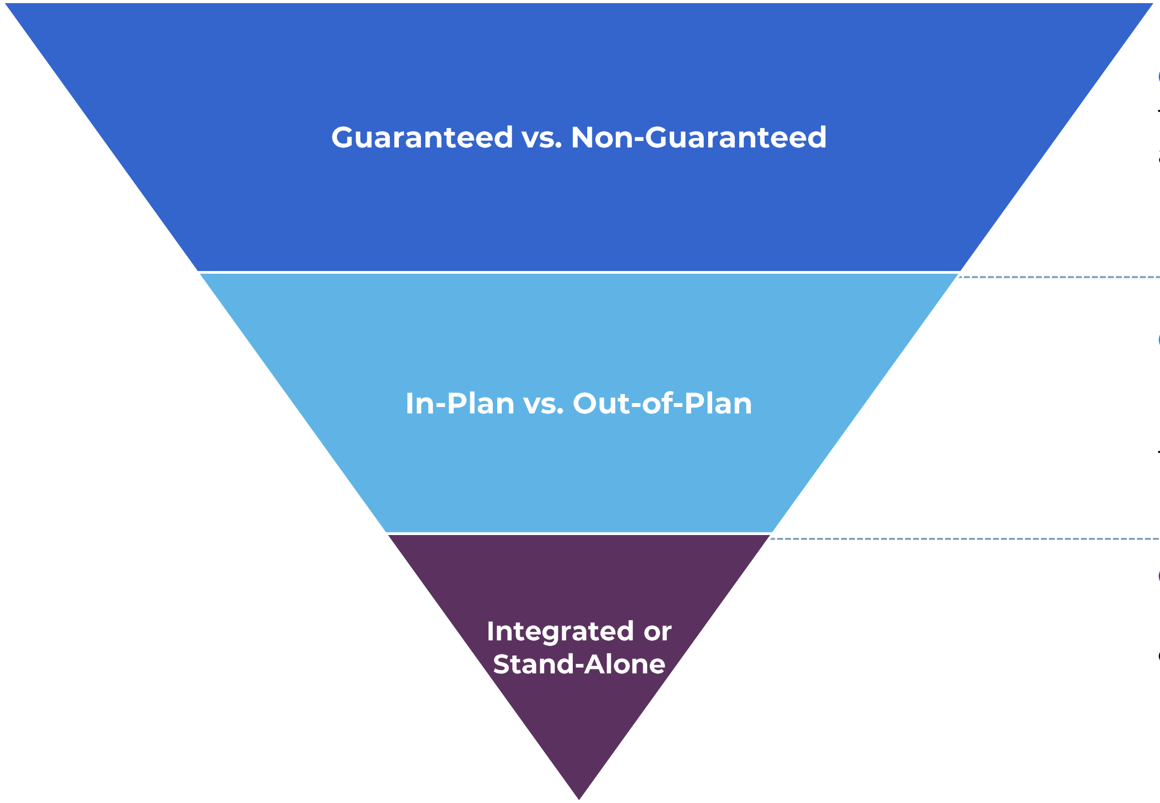
- Recordkeeper availability and portability
- Plan type (some are only available in CIT form)
- Size of plan (some more custom options are only available to larger entities)

Additional fiduciary considerations

- Cost (implicit and explicit)
- Ongoing monitoring and documentation requirements
- Participant communication and education obligations
- Measuring effectiveness and documenting outcomes
- Need to amend plan document and update investment policy statement

Evaluation Framework

Guaranteed Options



Compliance Requirement: Guaranteed options offer participant protection but typically at higher cost. Fiduciaries must document their cost-benefit analysis and maintain records in the fiduciary file.

Compliance Requirement: In-plan assets remain under fiduciary oversight per ERISA. Services offered outside the plan must be selected and monitored using a prudent process, and any fees must be reasonable. Once assets leave the plan, they are no longer the responsibility of the plan fiduciaries.

Compliance Requirement: Stand-alone investment options get very little uptake, and adding too many investment options may create participant confusion. Integrated investment options typically receive the most uptake and utilization; however, consideration of cost and participant liquidity is critical.

Retirement Income Solutions Available

Retirement Income Options to Evaluate

Non-Guaranteed

Target Date Funds

Managed Accounts

Multi-Asset Investment Funds

Allocation Models

Managed Payout Funds

Guaranteed

Single Premium Immediate Annuity

Deferred Income Annuity

Qualified Longevity Annuity Contract

Guaranteed Lifetime Withdrawal Benefit

Guaranteed/Non-Guaranteed

Managed Accounts with an Annuity

Target Date Fund with an Annuity

Allocation Funds with an Annuity

- Non-Guaranteed: Systematic withdrawal strategies that fiduciaries should evaluate for investment merit and fee reasonableness
- Guaranteed: Insurance-backed lifetime income options subject to SECURE Act safe harbor requirements for fiduciary protection
- Hybrid: Combines systematic withdrawals with annuity income, requiring fiduciary evaluation of both investment and insurance components

Guaranteed Solutions

Annuity Marketplace

Environment for plan participants to purchase an annuity with a portion of their balance. Typically provides institutionally annuity pricing.

Advantages	Disadvantages
Access to multiple institutionally priced options with competitive rates Multiple payout options Can offer protection from market downturns and hedge against longevity risk Can improve retirement readiness of those still in the accumulation phase	Higher cost than non-guaranteed options Limited portability

In-Plan Annuity

Investment option with life cycle phases. Participant contributions and investment performance impact income potential. Income guaranteed, not principal.

Advantages	Disadvantages
Fiduciary oversight from plan sponsor regarding annuity provider Can benefit those in the accumulation phase in addition to those in the decumulation phase Can offer protection from market downturns and hedge against longevity risk	Generally, higher fees compared to out-of-plan options Limited options available to select from Administrative burden Limited participant resources to access income planning tools

Integrated vs. Stand-Alone

Integrated options are part of the retirement plan's qualified default investment alternative (QDIA) or other asset allocation tool. Stand-alone options are individual investment options within the retirement plan.

Integrated vs. Stand-Alone

Integrated w/QDIA	Stand-Alone
Can benefit those in the accumulation phase in addition to decumulation phase	Generally, positioned for those in the decumulation phase
Uses inertia to drive participant usage	Generally, low uptake
Adds cost to QDIA/target date fund	More communications may be needed
Most new retirement income options are integrated	Does not add additional cost to QDIA
Could add complexity to future transactions involving the QDIA (mapping, M&A, recordkeeper changes)	Easier to remove if needed

Selection and Ongoing Monitoring Process

Evaluation Framework for Guaranteed Products

Underlying Investment Portfolio

- Return vs. applicable benchmark and peers
- Risk-adjusted performance
- Qualitative manager and firm assessment
- Investment fees
- AUM

Not all guaranteed options require investment portfolio evaluation. Fiduciaries must determine and document which evaluation components apply based on the product structure.

Reasonableness of Annuity/Program Provisions

- Insurance fees
- Guaranteed rate
- Guaranteed floor
- Step-up provisions
- Participant liquidity/ restrictions

All guaranteed options require this evaluation, though criteria vary by product type. Fiduciaries must apply relevant criteria (e.g., step-up provisions for GMWB/GLWB options) and retain documentation of their analysis.

Insurer Selection

- Written representations from insurer to satisfy SECURE Act safe harbor requirements
- Financial strength ratings and Comdex score

All guaranteed options require ongoing monitoring at least annually. Fiduciaries must maintain documentation for each review cycle and any resulting actions.

Evaluation Process for Retirement Income

ERISA Section 404(a) requires plan fiduciaries to act prudently when evaluating retirement income solutions. CAPTRUST has developed a three-step compliance framework to ensure your process meets regulatory standards: understand your obligations, assess available solutions, and document informed decisions.

1

Understand fiduciary duties and the income landscape

Review ERISA Section 404(a) standards, DOL guidance, participant needs data, and current retirement income products available in the marketplace

2

Assess retirement income solutions available on your recordkeeper platform

Analyze plan demographics, including age, salary and balance data, participant retention patterns, and assess the recordkeeper's available distribution and income solutions against ERISA standards

3

Execute a prudent decision-making process

Conduct compliant fee reasonableness analysis for all investment and insurance options. Review and amend plan documents to ensure provisions support the selected retirement income solution

A prudent, documented evaluation process is required under ERISA to demonstrate compliance with your fiduciary obligation to act in the best interest of plan participants.

Fiduciary Actions for Retirement Income

- Assess plan demographics (age, salary, balance data, post-retirement retention) to determine which retirement income solutions are most relevant.
- Evaluate available retirement income options on your recordkeeper platform against ERISA prudence and cost standards.
  - For annuity options, verify SECURE Act safe harbor compliance: Obtain and retain written insurer representations annually.
  - Conduct fee reasonableness analysis comparing in-plan retirement income solutions to out-of-plan alternatives.
  - Document all selection decisions, evaluation criteria, and the rationale in your fiduciary file.
  - Ensure participant education and communication materials address retirement income options, withdrawal strategies, and Social Security timing.
  - Establish an ongoing monitoring schedule: Review investment performance, fees, and insurer representations at least annually.
  - Review plan documents to confirm distribution and withdrawal provisions support selected retirement income solutions.
  - Review and update your investment policy statement (IPS) to address retirement income objectives and evaluation criteria.
- Consult legal counsel on any plan amendments required, and confirm compliance with applicable DOL guidance and ERISA requirements.

Trends

Structural Dynamic Shift

- The lack of defined benefit plans and uncertainly relative to the future of Social Security has moved the importance of secure retirement income into the defined contribution marketplace.
- As of 2026, 35% of defined contribution plans offer a lifetime income option, compared to 17% in 2019.
- Sixty-eight percent of plan sponsors with a lifetime income option plan to add one in the future.
- Eighty-five percent of participants want retirement income options in their defined contribution plan.
- There has to be one-hundred and fifty percent growth in target date funds incorporating a lifetime income option over the previous two years.
- Participants are demanding personalized features aligned with their personal goals.
- Seventy-six percent would pay for personalized advice to assist in meeting personal retirement objectives.

Sources: PlanSponsor.com, Morningstar.com, Invesco.com

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Appendix

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Retirement Income – Fiduciary Reference: Terminology and Definitions

Types of Income Annuities Available

- **Guaranteed Lifetime Withdrawal Benefit (GLWB):** Connected to an underlying investment such as a target date fund, managed account or stand-alone allocation fund; provides lifetime income, typically beginning around age 65 or the investor's deemed retirement date.
- **Single Premium Immediate Annuity (SPIA)**: Income payments begin within 12 months of purchase.
- **Deferred Income Annuity (DIA):** Income payments begin at a date you select that is at least 13 months, and no more than 40 years, from the date of purchase.
- **Qualified Longevity Annuity Contract (QLAC) :** A deferred income or longevity insurance annuity that enables you to defer taking income from your qualified assets past the age of 70½. Up to $210,000 purchase is allowed by regulation. Can defer out to age 85.

Payout Options

- **Life**: Payments for life.
- **Life with Fixed Period:** Payments for life. If the annuitant dies before the end of the fixed period selected at purchase (5, 10, 15 or 20 years), their designated beneficiary receives monthly payments until the end of the fixed period.
- **Life with Cash Refund:** Payments for life. If the annuitant dies before the original premium payment has been paid back in monthly payments, the remaining amount will be paid to their designated beneficiary in one lump sum.
- **Joint and Survivor:** The three life annuities above are all available with a joint and survivor feature. This means that payments would continue for the lifetime of a designated survivor when the primary annuitant dies, they will receive a specified percentage of their payment (for example, 100%, 75%, 66.67%, or 50% as you elect).

Disclosures

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