



Navigating life together

A Retirement Paycheck at the End of the Rainbow

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Agenda

- Plan Sponsors' View of Lifetime Income
- A Paycheck or Pot of Gold: Which One Prevails?
- How Behavioral Biases Affect Participant Decision-making



Plan Sponsors' View of Lifetime Income

MetLife Lifetime Income Poll

Survey of DC Plan Sponsors

Online survey fielded by MMR Research Associates, Inc. in cooperation with Strategic Insight (PlanSponsor) of 212 DC plan sponsors, including 80% that reported DC plan assets of \$250 million or more, with 44% having assets greater than \$1 billion.

Survey was designed to:

- Understand plan sponsors' current perspectives about the core purpose of a DC plan, including the most effective ways to deliver lifetime income to plan participants.
- Gauge plan sponsors' knowledge about the important strides that the U.S. Departments of Labor (DOL) and Treasury have made in recent years – and are contemplating in the future – to strengthen Americans' retirement security through lifelong income.

Income Should Be the Outcome

Core Purpose of a DC Plan



85% of plan sponsors say income should be the core purpose of a DC plan

Keep It Simple

A Best Practice



90% of plan sponsors believe simplicity is in the best interest of plan participants

Support Lifetime Income Public Policy

Awareness of DOL and Treasury Efforts



94% of plan sponsors know about policy efforts to strengthen Americans' retirement security through lifelong income solutions

Support Lifetime Income Public Policy

Guidance and Regs Already Enacted

- ✓ **Final QLAC regulations** issued July 2014 (Treasury/IRS)
- ✓ Guidance on **deferred income annuities in target date funds** issued October 2014 (Treasury/IRS)
- ✓ **Final Partial Annuitization for DB Plans regulations** issued September 2016 (Treasury/IRS)

Support Lifetime Income Public Policy

Current Policy Considerations

- **Lifetime Income Disclosure – 96%** of plan sponsors support lifetime income disclosures on DC plan benefit statements
 - Advocate for simple addition to existing benefit statement requirements; monitor developments on the DOL’s Advance Notice of Proposed Rulemaking on Lifetime Income Disclosures
- **Annuity Selection Safe Harbor – 92%** of plan sponsors want a workable safe harbor for annuity carrier selection
 - Advocate for policymakers to address sponsor concerns with its annuity carrier selection criteria for DC plans and DOL regulatory priority
- **Annuity Portability**
 - Advocate for policymakers to address common sense solutions



A Paycheck or Pot of Gold: Which One Prevails?

MetLife Paycheck or Pot of Gold StudySM

Making Workplace Retirement Savings Last

The Harris Poll surveyed more than 700 workplace retirement plan participants who were given a choice between a lump sum or an annuity as a retirement distribution option from either a defined benefit (DB) pension or defined contribution (DC) plan.

Survey was designed to:

- Understand participant attitudes and decision-making
- Determine whether experiences were in line with original expectations

Lump Sums

Lump Sums Are Being Depleted Too Quickly



One in five DB and DC plan participants (21%) who took a lump sum from their plan have already depleted it



Length of time, on average, that their lump sum was depleted¹

Lump Sums

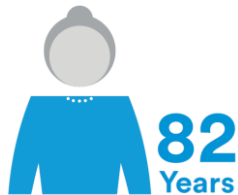
Lump Sums Expected to Run Out



One in three lump sum recipients who still have money remaining (35%) worry about the money running out



Average length of time those who have not yet depleted their lump sum expect the remaining money to last



Average age¹ at which the money is expected to run out; however, 25% of people aged 65 will actually live to age 95²

¹ The average age of those who took a lump sum was 65.

² Society of Actuaries Annuity 2000 Mortality Table with 100% AA projection to 2016 and 150% projection thereafter, with mortality blended 50% Male and 50% Female.
Source: MetLife Paycheck or Pot of Gold Study, SM 2017.

A Choice that Matters

Individuals Who Chose Guaranteed Retirement Income

96% are happy that they chose an annuity over a lump sum.

95% believe that receiving regular monthly payments makes their budget more predictable.

95% believe that they are better off financially receiving income payments than if they had chosen a lump sum.

94% say they have peace of mind knowing they have guaranteed income for life.



How Behavioral Biases Affect Participant Decision-making

Behavioral Biases

Impact on Participant Decision-making

- Lottery Effect / Wealth Illusion
- Framing

Framing

Impact on Participant Decision-Making

INVESTMENT FRAME



- **Focused on risk and return features:** savings accounts and other financial products strongly preferred

CONSUMPTION FRAME



- **Focused on spending over time:** annuities strongly preferred

Participant Considerations

Don't Let Them End Up with Fool's Gold

- Encourage Them to Consider Need for Income and Liquidity
- Lump Sum May Run Out If They Live a Long Time
- Investing May Get More Difficult with Age
- A Retirement “Paycheck” is Guaranteed to Last

