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Participants spoke, and we listened

The future of defined contribution

next

Issue no. 15

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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defined contribution*

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Participant perspectives give food for thought

It sometimes feels like the velocity of market news and developments around retirement plans and lifetime income just continues to get faster and faster. It is at times like these when we like to take a step back and really examine what optimal outcomes for participants might look like, what needs to be in place in a retirement plan to get that outcome, and how we can communicate with participants to help them get the most out of the plan.

To that end, in this edition of *next*, our cover story dives into new research released by Nuveen and the TIAA Institute that spoke to participants about what they expect from their retirement plan. Our key finding highlights that participants believe that retirement security is a shared responsibility between themselves and their employers. In this article we explore the findings from the survey and recommendations for plan sponsors to meet the needs of their participants.

In our second article, we present a primer on the rapidly growing topic of alternative assets being added into DC plans. This area has been in the headlines more and more over the last few months, but we think there are some important considerations to bear in mind before thinking about their potential role in a plan.

Our third article also touches on a topic that has been rearing its head throughout 2025, market volatility. With this piece we examine effective participant communication strategies to communicate through volatility, and how these conversations can differ depending on the age of the participant. We then go into plan design, steps plan sponsors can take to help mitigate volatility, and the potential role of lifetime income.

We close this edition of *next* with a conversation between Vik Arya of Nuveen and three leading defined contribution consultants, looking at the conversations they are having with plan sponsors around the implementation of lifetime income. This article dives into the current state of the marketplace and questions how plan sponsors and consultants should look to measure the success of their lifetime income implementation plans.

The stakeholders involved in building the retirement plan of the future are diverse but now is a great time to come together and think about what steps can be taken to improve retirement outcomes for participants.

Your Nuveen Team

Participant perspectives: the shared responsibility of retirement security



KEY TAKEAWAYS:

- 401(k) participants believe retirement income security is a shared responsibility between employees and employers.
- Plan sponsors must consider many factors in the pursuit of a retirement income solution that aligns with their organization's goals and the needs of participants.
- It's important that participants understand and are confident about their retirement income options.



The 401(k) plan has become the dominant form of retirement savings for American workers, with over \$6.8 trillion in assets and 79 million participants.² However, most 401(k) plans lack a means for participants to convert their savings to income like that provided by traditional pensions, which have become rare in the private sector. This has created a gap between saving for retirement and receiving income in retirement. A recent Nuveen and TIAA Institute survey showed participants are eager for a way to close this gap.

93%

of respondents think it is important for 401(k) plans to provide a way to turn savings into fixed monthly payments that are guaranteed to last for life.

The survey of over 2,100 401(k) participants found significant interest in retirement income solutions and, specifically, for in-plan annuities that can help participants save while they are working as well as provide income during retirement. Participant perspectives from the survey are providing valuable insights — and food for thought — to 401(k) plan sponsors considering retirement income options as an innovation to provide participants with the option to receive secure retirement income.¹

Here, we share three key insights from the survey, and implications for plan sponsors.

Insight 1:

Retirement security is a shared responsibility

Employees are seeking income in retirement and are looking to their employers to make it available. When asked if employers have a responsibility to help workers achieve an adequate and secure income throughout retirement, 87% of respondents agreed (44% strongly agree). And 93% think it is important (43% very important) for 401(k) plans to provide a way to turn savings into fixed monthly payments that are guaranteed to last for life.¹

What does this mean for 401(k) plan sponsors? They should continue to innovate their plans to help workers achieve a more secure retirement. Doing so will not only help better prepare plan participants for retirement, but it will also signal to participants that they are responsive to workers' needs and preferences.

The organization can benefit from adding retirement income, too. Companies that offer robust employee benefits packages, including innovative retirement plans, can gain a competitive advantage in the pursuit of top talent. We explored this trend in 2024 with Economist Impact as part of the Benefits 2.0 research program.³

In addition, firms with forward-thinking 401(k) plans may also see benefits in employee recruitment and retention, and, if it is a goal of the plan, better retain participants' assets in the plan through employee loyalty fostered by improved financial wellness.

Insight 2:

Success lies in the execution

401(k) participants are strong proponents of in-plan annuities. First, 92% would be interested in using an in-plan fixed annuity, if included in their plan, to provide guaranteed income during retirement, with 49% very interested.⁴ Likewise, 92% said they'd be interested (48% very interested) in using an in-plan fixed annuity to save for retirement.

Plan sponsors should take into account these high levels of participant interest as they think about in-plan annuities as a retirement income solution. There are certainly other factors to consider as well, and the importance of properly integrating them underscores the need for a sound, well-conceived approach.

When contemplating the variables involved with retirement income, the plan sponsor should ensure their approach aligns with its fiduciary duties, fits the organization's strategic goals, and meets the needs of participants. By taking a step back to answer important questions, plan sponsors can work toward a successful integration of retirement income into their plans. Answering these and other questions can be daunting, but a good advisor or retirement consultant can help work through any obstacles.

What are the firm's strategic goals for offering retirement income?

Are there operational or technical hurdles to overcome?

What does the recordkeeper offer?

Which of the various retirement income options are right for the plan?

What is the right fee structure?

Does the plan have the mechanisms to make partial distributions?

Who are the right partners for plan design, income investment options, product evaluation, insurance/underwriting, etc.?

How do plan participants' demographics impact the approach?

How much participant education is needed? On what topics? Who will provide it?

What are the legal risks or other complications?

How is success measured?



Insight 3:

Turning ambiguity into clarity

In the absence of in-plan retirement income options, many 401(k) participants lack clarity and understanding about withdrawing money in retirement. In fact, only **32%** of participants said they have a very good understanding of the ways they can make withdrawals from their 401(k) savings, and only **26%** are very confident about choosing the best way to do so. In fact, only **21%** have given the subject a lot of thought.

Meanwhile, only **33%** of 401(k) participants have received retirement advice in the past two years about using retirement savings to provide retirement income.

These findings highlight the critical need — and opportunity — for participant education and advice. Given the level of interest in retirement income, it seems likely that participants would be receptive to this information.

The lesson for plan sponsors? Despite participant interest in retirement income, their current understanding and confidence in this regard is limited. And plan sponsors should also not assume that participants are giving this as much thought as they should.

As plan sponsors explore or implement retirement income solutions, they may begin tailoring their participant communications to ensure a foundation of understanding from the outset. They should also consider educational programming that focuses on answering participant questions like: How much of my retirement savings can I spend each year? What is the best strategy for withdrawing money to fund my spending in retirement?

32%

of participants said they have a very good understanding of how to withdraw from their 401(k) savings

THE POTENTIAL FOR TARGET-DATE FUNDS⁵

Among 401(k) participants who are invested in a target date fund (TDF), 95% think including a fixed annuity component in such investments would be valuable (47% very valuable). This is a critical finding given the prevalence of target date investments in 401(k) plans and their use as plan defaults.

Participants generally understand these funds' glidepath approach, so embedding an annuity in a TDF would likely be an easier-to-understand — and desirable — new option.

Meanwhile, enhancing an existing TDF lineup with an option that includes an embedded annuity can be a relatively straightforward process for plan sponsors. Plan sponsors can also consider offering a TDF with an embedded annuity as a QDIA, which would provide participants with an all-in-one, set-it-and-forget-it solution.



The way forward

Findings from the survey can educate and inform plan sponsors wherever they are on their plan's retirement income journey. But one thing is clear: 401(k) participants would like a way within their plans to convert retirement savings into fixed monthly payments guaranteed to continue throughout their lifetimes. In particular, they are proponents of in-plan fixed annuities.

Insights like these are just the beginning. We believe interested 401(k) plan sponsors can take several near-term steps:

- Review their plans to explore a potential fit for retirement income options
- Illustrate to leadership how retirement income can benefit the company through employee loyalty, retention and attraction of top talent
- Adapt participant communications, shifting some of the emphasis from saving for retirement to providing income in retirement
- Engage with advisors or consultants to understand the types of retirement income offerings and how they may fit into their 401(k) plans
- Partner with a provider to learn more about lifetime income



ABOUT THE SURVEY

The survey questionnaire was developed by the TIAA Institute in consultation with Nuveen and was fielded by Greenwald Research. More than 2,100 401(k) participants were surveyed online between October 23 and November 29, 2024.

For more information and to see the full results of the survey, go to <https://www.nuveen.com/global/insights/retirement/participant-perspectives>





Exploring
private market
investments
for today's
401(k)s

KEY TAKEAWAYS:

- Private market investments like private credit, real estate and real assets may enhance diversification and potential returns in defined contribution (DC) plans.
- While some private market assets come with challenges like lower liquidity and transparency, these drawbacks may be manageable — and even beneficial — within long-term retirement portfolios.
- One way to include private market investments in DC plans is through professionally managed solutions like target date funds or managed accounts, rather than offering them directly to participants.

Defining private market assets investments

Private market investments, sometimes called alternative assets, represent a significant and relatively underutilized opportunity, often larger in scope than commonly perceived. While traditional investor portfolios typically comprise publicly traded stocks and bonds, private market investments are distinguished by their absence from public exchanges. These can include direct investments in private company equity and credit, real estate and real assets such as infrastructure or farmland. Private market investments can complement public holdings, offering diverse opportunities to potentially enhance portfolio performance.

Various private asset classes possess distinct characteristics in terms of asset type, comparable public asset class and risk/return profile.



Private equity

Involves equity ownership in companies not listed on public stock exchanges



Private credit

Entails lending capital to private companies through non-traditional banking channels



Real estate

Direct investment in professionally managed real estate properties, sites and buildings that benefit from global trends

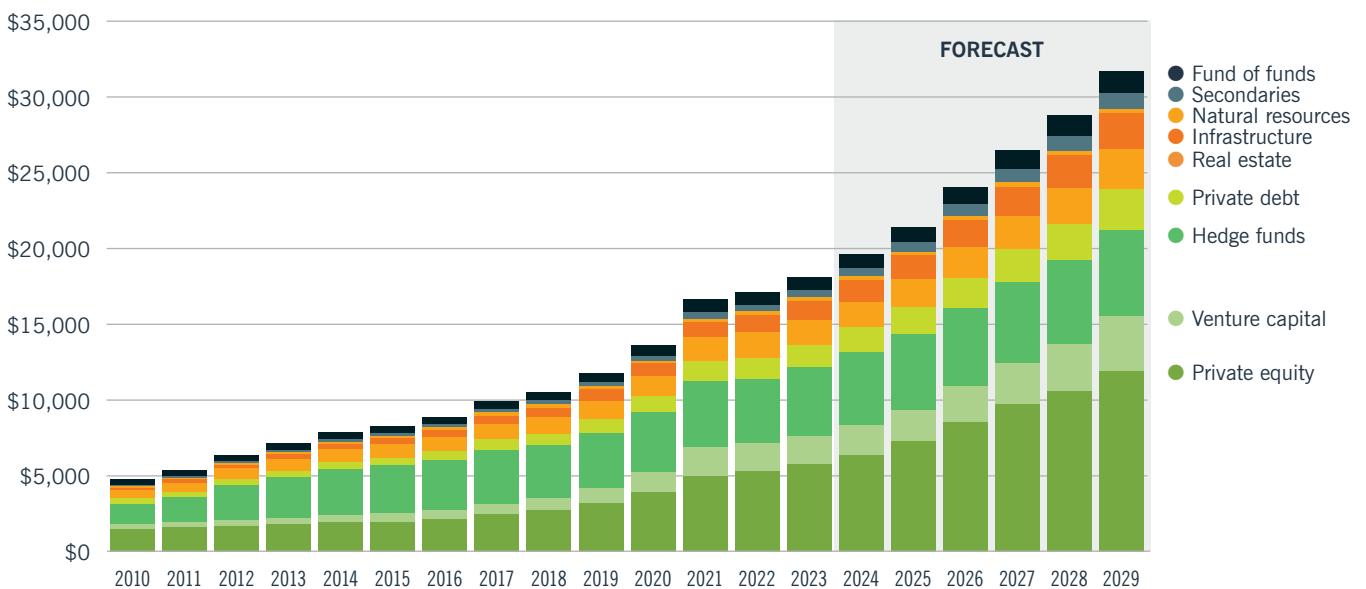


Real assets

Investments in natural resources (e.g., farmland) and public resources such as infrastructure

Since 2010, private assets have experienced robust growth, with projections further expansion

FIGURE 1: AUM (\$BN)

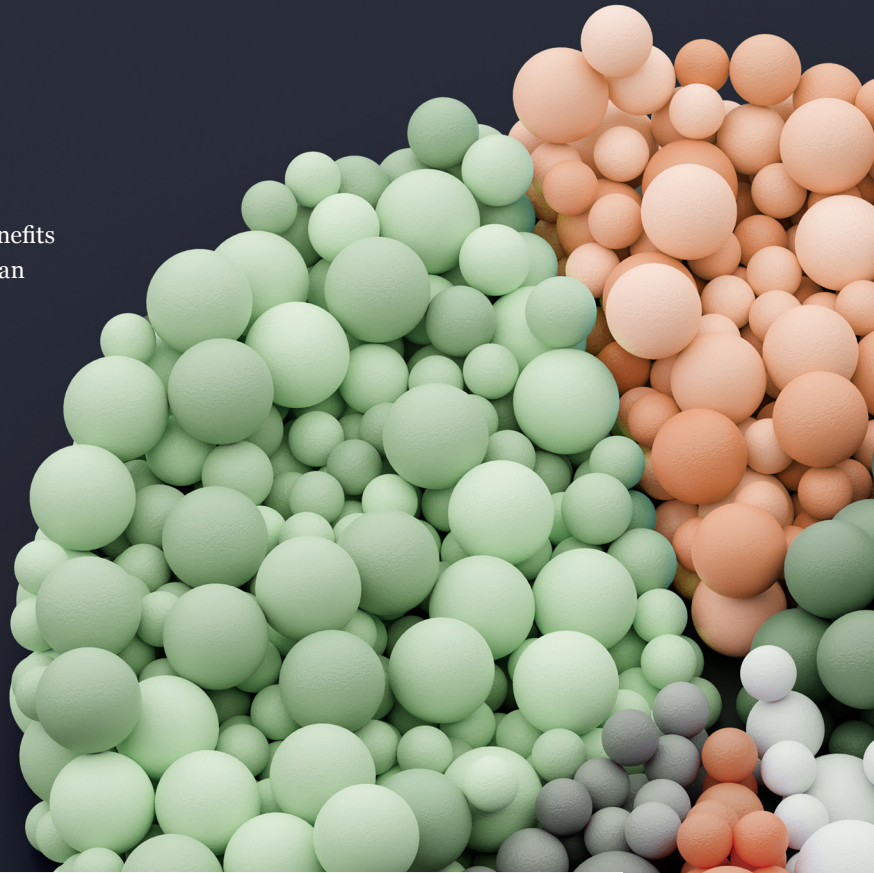


Data source: Preqin. All figures are nominal. AUM figures exclude funds denominated in Yuan Renminbi. Private capital excludes hedge funds; alternatives includes hedge funds.

Benefits

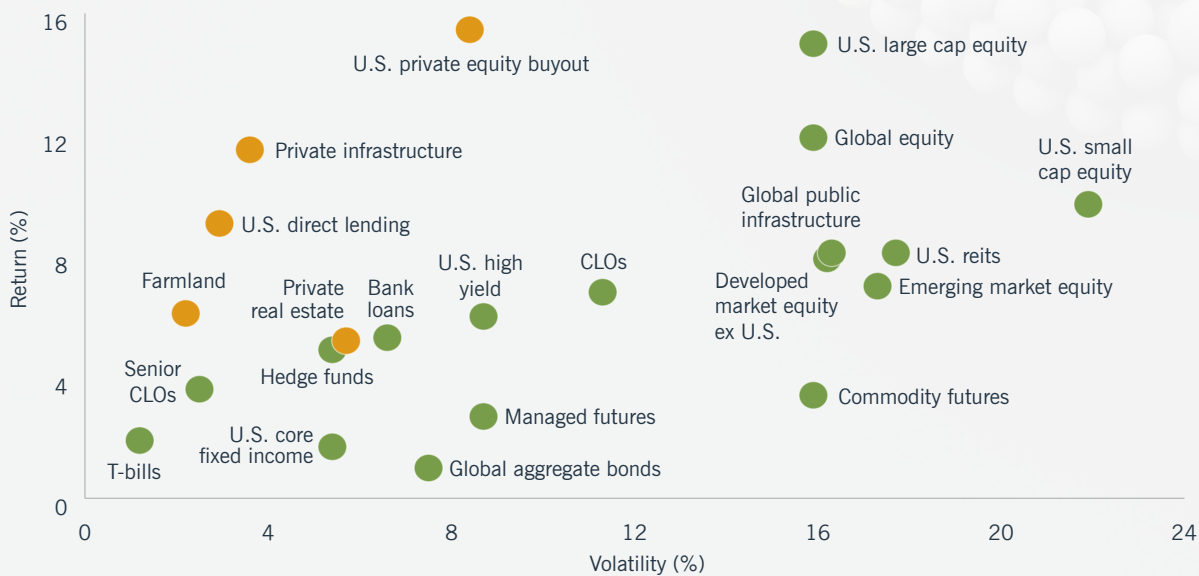
Private market investments can offer several potential benefits for DC plan portfolios. Incorporating these investments can enhance diversification, providing exposure to a broader range of the global economy and reducing reliance on traditional public equities and bonds. Many private asset classes also offer an “illiquidity premium” in the form of higher yields, which can potentially boost returns during periods when participants are not expected to access their accounts.

Private investments may also help mitigate portfolio risk through exposure to assets with different return drivers. Additionally, these investments can provide access to unique opportunities not available in public markets, offering the potential for long-term value creation. Certain private assets like real estate, farmland and infrastructure, may even serve as an inflation hedge.

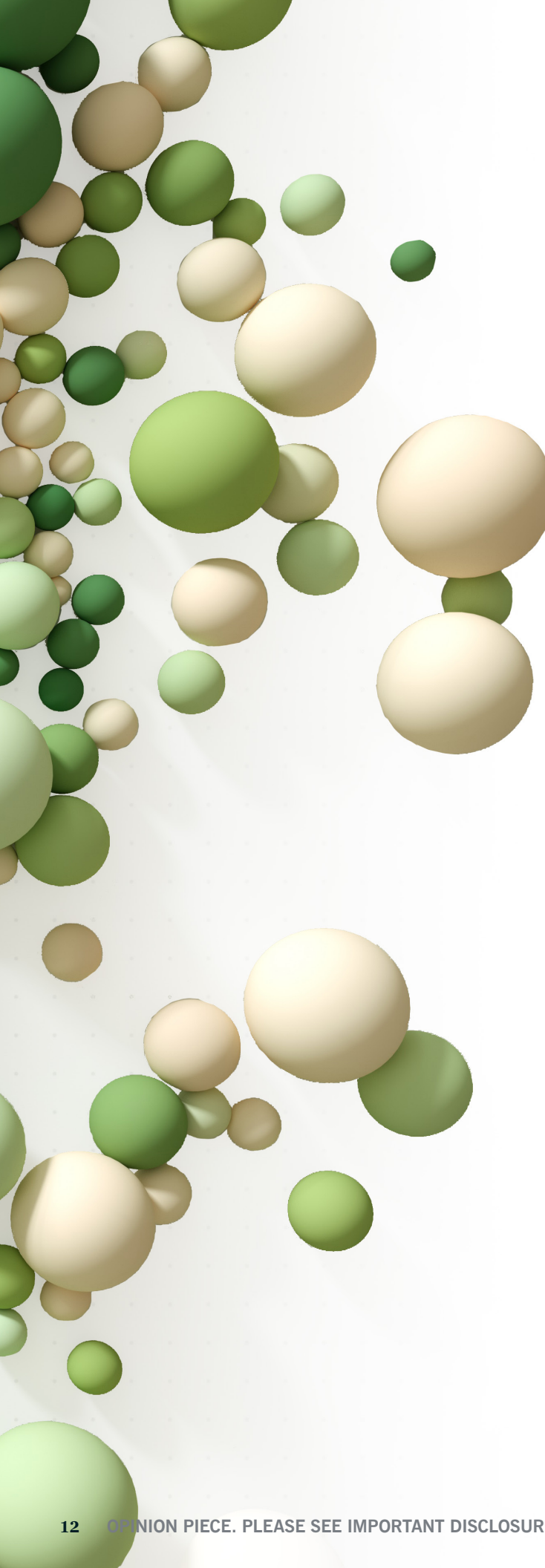


Private markets have historically offered compelling risk-adjusted returns

FIGURE 2: RETURN VS. VOLATILITY



Data source: Bloomberg, 30 Sep 2015 - 30 Sep 2024. Performance data shown represents past performance and does not predict or guarantee future results. Representative Indexes: U.S. Large Cap Equity: S&P 500 Index; U.S. Small Cap Equity: Russell 2000 Total Return Index; Global Equity: MSCI ACWI Index; Developed Market Equity Ex U.S.: MSCI World ex USA Index; Emerging Market Equity: MSCI EM Index; Global Public Infrastructure: S&P Global Infrastructure Index; U.S. Direct Lending: Cliffwater Direct Lending Index; Private Real Estate: NCREIF ODCE Index; T-bills: Bloomberg U.S. Treasury Bill 1-3 Months Index; U.S. Core Fixed Income: Bloomberg U.S. Agg Index; U.S. High Yield: Bloomberg U.S. Corporate High Yield Index; Global Aggregate Bonds: Bloomberg Global Aggregate Index; Hedge Funds: Credit Suisse Hedge Fund Index; Private Infrastructure: Cambridge Private Infrastructure Index; Farmland: NCREIF Farmland Index; U.S. Private Equity Buyout: Cambridge Private Equity Index; Managed Futures: Credit Suisse Managed Futures Index; U.S. REITs: NAREIT Index; Commodity Futures: Bloomberg Commodity Index; CLOs: Palmer Square CLO Debt Index; Senior CLOs: Palmer Square CLO Senior Debt Index; Bank Loans: Credit Suisse Leveraged Loan Index. Please note, it is not possible to invest directly in an index.



Considerations and potential drawbacks

While the benefits of incorporating private market assets into DC plans can be compelling, there are also valid criticisms and concerns that plan sponsors must carefully evaluate.

First and foremost is the relative lack of transparency and disclosure requirements compared with publicly traded securities. The SEC mandates a rigorous disclosure regime for public asset classes, but disclosure from underlying private companies is often voluntary or lacking in detail. Alternative investments are typically designed for professional asset managers who have the expertise to analyze these less transparent opportunities, rather than for general retail investors.

Another common criticism is the reduced liquidity of private investments. However, this lack of immediate access can be viewed as a potential benefit specifically within the context of a DC plan. Since the assets in a DC portfolio are generally intended to be held for the duration of a participant's working career, the reduced liquidity of alternatives may not be a significant impediment. Additionally, the higher yields often associated with illiquid private market investments can help compensate for this lack of liquidity. And in the event of an emergency need for funds, the more liquid publicly traded portion of the portfolio would typically still be available.

Implementing private assets within a DC plan

As the DC market continues to mature, plan sponsors and consultants are evaluating the benefits of traditional active asset management versus passive indexing models, often with an eye on cost savings. The nuanced discussion centers on how to optimally combine these different investment approaches. With this backdrop, well-designed blended strategies have the potential to become the new standard for default investment options, offering a balanced approach that serves the interests of both plan sponsors and participants.

Certain market segments, such as large-cap U.S. equities, are highly efficient, making it challenging for active managers to consistently outperform. In contrast, areas like emerging markets or small-cap stocks often present greater opportunities for skilled managers to add value. Private assets in particular, represent an arena where we believe active management is essential. Private real estate, private credit and other non-public assets may offer compelling diversification and enhanced income opportunities when supported by expertise and active oversight. While some sponsors attempt to use proxy, index-based strategies, such as publicly traded REITs, to gain exposure to these markets, these approaches often fall short in effectively replicating the performance and characteristics of the underlying private assets.

The cost of active management, and specifically the fee structure of private investments requiring specialized managers, is a common criticism. However, recent litigation trends have not deemed the use of actively managed funds as inherently imprudent. The key is to demonstrate a thoughtful, transparent process for selecting and monitoring investments, with a clear rationale for how each component contributes to the overall investment objective. By offering a blended approach, plan sponsors can demonstrate a commitment to both cost efficiency and investment excellence, a balance that aligns with their fiduciary responsibilities.

Embedding private assets with care

At Nuveen, we have long recognized the potential benefits that alternatives can provide within a professionally managed retirement portfolio. We have been a leader in incorporating our private market assets into our funds.⁶ Nuveen is a top five real estate manager, with nearly \$300 billion in alternative assets under management.⁷

As the various government departments consider the use of private investments within DC plans, we believe that their inclusion must be done thoughtfully to avoid unnecessary fiduciary risk. We believe

that these investments are typically best applied within professionally managed portfolios, such as, target date funds, insurance general accounts or carefully monitored in-plan managed account offerings.

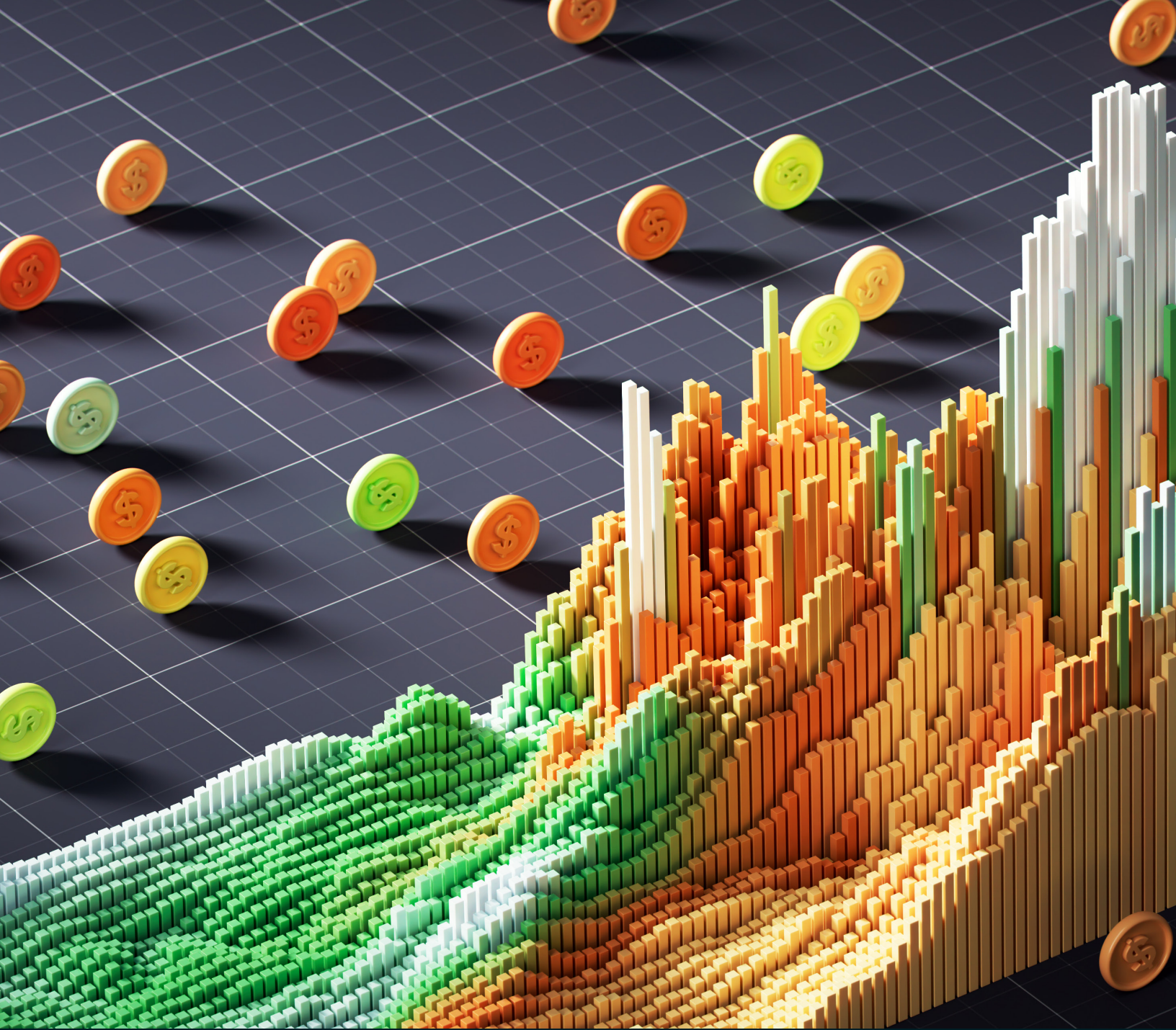
By embedding private solutions inside professionally managed portfolios like target date funds, the end investor and plan sponsor can mitigate many of the challenges, such as the complexities and illiquidity concerns, that would accompany making these assets directly available within a plan's investment menu.

As plan sponsors look to improve retirement outcomes for their workers, they should rely on their investment consultants to assist them with their plan's investment menu design. This includes ensuring that their participants have access to the right mix of asset classes, both public and private, but that these are managed within professional portfolio, most easily achieved through target date funds with an embedded annuity — some of which may already include allocations to alternatives.

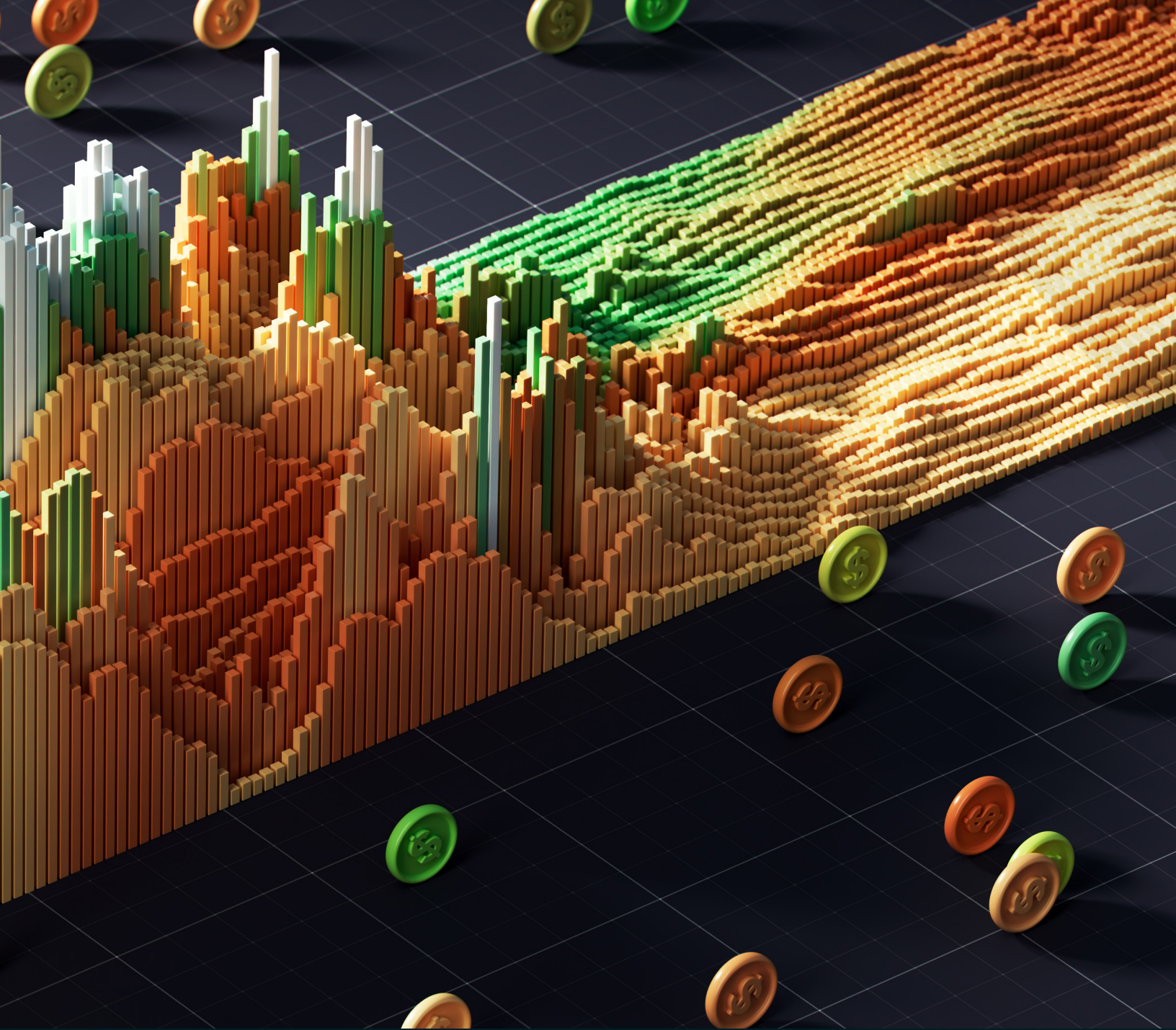
Nuveen has been an industry leader in private markets for decades. The question is not whether alternatives belong in DC plans, but rather how to incorporate them thoughtfully to enhance retirement security. We are well positioned to offer participants access to private assets through our target date funds and alternative-focused CITs that can be used as components within custom solutions and managed accounts.

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Practicing effective plan management through volatile times



KEY TAKEAWAYS:

- Effective participant communication and education during market volatility can help prevent impulsive decisions and reinforce long-term investing discipline.
- Plan sponsors should view periods of volatility as opportunities to reassess plan design, enhance investment menus and consider features like auto-enrollment and guaranteed income solutions.¹
- Incorporating guaranteed income strategies can offer participants confidence and greater financial security in retirement.

Participant engagement strategies

During periods of market volatility, participants often feel overwhelmed and worried about their financial futures. It is not uncommon for participants to change contributions or consider more active trading in their accounts.⁸ In these situations, it is important to encourage participants to stay the course, as remaining invested in the markets is typically the most effective way to achieve long-term goals.

Participant education must be a top priority during volatile market conditions, especially for those in the earlier stages of their careers who may have had limited exposure to significant market volatility or economic downturns. Also vulnerable are participants in the latter stages of their careers who may not have as much time to see asset values rebound from a potential downturn before they intend to retire. For these investors, communication from a plan sponsor may make the difference between panicked selling and a longer-term perspective that could see values recover before withdrawals are due to start.

Fundamentally, target date funds are designed to mitigate such suboptimal decision-making. Their inherent asset allocation model helps smooth out market volatility and systematically reduces risk as participants approach retirement age. While there’s no one-size-fits-all approach to “staying invested” due to varying individual preferences,

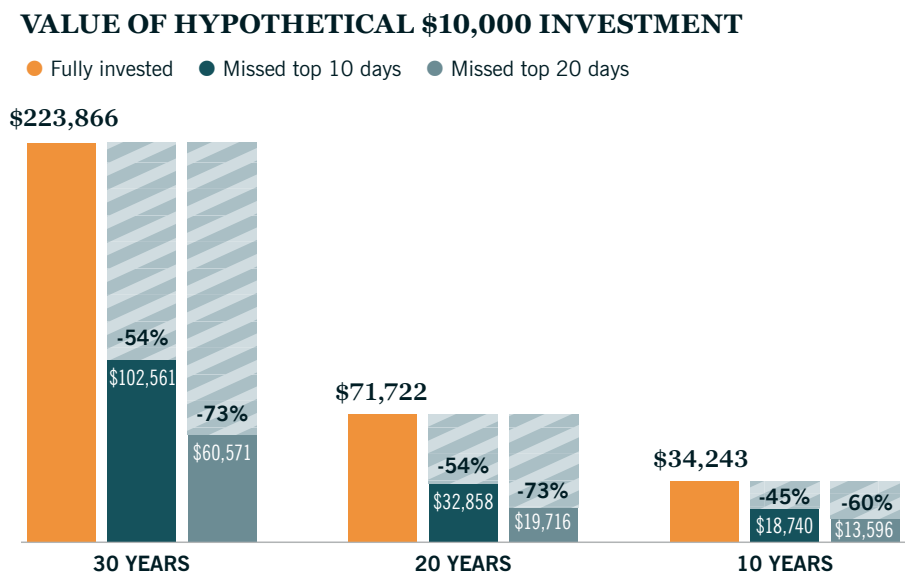
long-term financial goals and risk appetites, investors seeking potential market upside while cushioning downside risk may consider a range of specific portfolio allocations.

Why stay invested?

The timeless mantra “stay invested” can be especially challenging during periods of volatility, but historical data overwhelmingly favors remaining in the market, particularly for investors with long-term objectives. Between 1937 and 2024, for example, U.S. stocks delivered positive calendar-year returns 76% of the time, averaging nearly 20% per annum in those years. In the 24% of years with negative returns, losses averaged -12.5%.⁹ The pattern of market performance is difficult to predict and missing even the first few days of a market rebound can lead to long-term underperformance.

Participants who stick to a systematic investing plan may take advantage of stock market downturns to enhance investment returns. Such approaches can reduce the emotion created by market volatility, avoid the traps of market timing and help achieve financial goals. During periods of market instability, it’s best to encourage participants to remain calm, take a breath and consider their options before taking any action.

FIGURE 3:
Missing just 10 or 20 of the best trading days out of thousands could significantly reduce long-term returns



Data source: FactSet, 31 Dec 2024. Performance data shown represents past performance and does not predict or guarantee future results. Data represent the hypothetical investment of \$10,000 in the S&P 500 Index held for 10-, 20- and 30-year periods beginning 02 Jan 2015, 03 Jan 2005 and 03 Jan 1995, respectively. Index returns include reinvestment of income and do not reflect investment advisory and/or other fees that would reduce performance in an actual client account. They do not reflect the experience of any Nuveen product or service. For fund performance, visit nuveen.com.

Consideration should be given to implementing automatic messaging triggers during moments of significant market volatility. These systems are often at the recordkeeper level, so it is worth having a conversation with your relevant provider to see what is possible. When set up correctly and judiciously activated, these mechanisms can send reassuring messaging to participants during times of elevated market stress.

Plan design

Examine the investment fundamentals of the plan

Although periods of heightened market volatility may not seem like the optimal time to dive into the weeds of plan design, they can, in fact, present an opportune moment to focus on fundamental design principles and reassess underlying assumptions. This can help ensure the plan's optimal performance during market stress. Volatile times also present a valuable opportunity to work with an advisor or consultant to examine ways to enhance the plan's investment menu and consider the inclusion of guaranteed elements. Market stress can reveal weaknesses in existing options, prompt deeper conversations about participants' evolving needs, and potentially create momentum for adopting solutions.

Additionally, it is also prudent to reevaluate current plan features, such as auto-enrollment and auto-escalation benefits. Ensuring automatic participant enrollment and appropriate auto-escalation levels to achieve adequate retirement savings rates is crucial. During volatile periods, increasing plan participation and contribution rates can enhance the participants' asset base, allowing them to potentially benefit from a market recovery to historical return profiles.

It is also worth noting that volatile times could present a favorable environment to initiate a plan if one is not currently in place. When participants observe volatility in the market, the benefits of tax-advantaged savings accounts and consistent contributions into long-term investments can provide reassurance.¹⁰ Given the range of tax benefits and incentives available for companies establishing plans, engaging a specialist advisor to examine any potential options and assess the timing for facilitating employee retirement planning may also be beneficial.

One potential strategy worth consideration is the re-enrollment of participants who may have withdrawn from the plan or ceased contributions. Market volatility may present an appropriate juncture to transition participants from potentially suboptimal allocations to a well-designed Qualified Default Investment Alternative (QDIA).

The role of guaranteed strategies

It is imperative for plan sponsors to conduct a thorough review of investment options within the plan, including the asset allocation strategy of the target date solution and the QDIA, if these are distinct. Specifically, plan sponsors can seek to enhance participant outcomes by engaging in discussions with advisors regarding the potential incorporation of guaranteed accumulation strategies within their target date offerings. By integrating guaranteed income elements, plan sponsors can offer participants a more robust and potentially reassuring investment option, especially during periods of market uncertainty.

401(k) plans, originally designed as supplemental savings plans, have evolved to become primary retirement savings instruments. However, there is a growing recognition that these plans may be disproportionately focused on asset accumulation, with limited provision for lifetime income options.

While target date products remain an important and popular retirement savings tool with both plan sponsors and their employees, there is an emerging trend toward incorporating more lifetime income options to better balance retirees' asset allocation. A recent survey by Nuveen and the TIAA Institute shows that 92% of participants think that it would be valuable for 401(k) plans in general to include a fixed annuity.¹¹ Furthermore, 90% of employers who offer in-plan guaranteed lifetime income options consider them to be extremely or very valuable for their employees.⁸

In light of these findings, plan sponsors should consider undertaking a comprehensive review of their plan menu in collaboration with their advisors. This review should focus on identifying available guaranteed income strategies that could potentially enhance the plan's offerings for participants. Such enhancements may provide participants with increased confidence to continue building assets while also offering visibility into potential guaranteed income streams upon reaching retirement.



The nuts and bolts of implementing lifetime income

A conversation with



Vik Arya

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Brian Abshire

*Partner and Head
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Solutions, Aon*



Emily Phillips

*Senior Director,
WTW Investments*



Holly Verdeyen

*Partner and Defined
Contribution Business
Leader, Mercer¹²*

This conversation is an edited version from the PSNC Conference that occurred in June 2025.



Q **Vik:** Where we sit today, what grade would you give the industry as it pertains to lifetime income implementation?

A **Emily:** The momentum has picked up, but I would give the industry a C. There's a massive disconnect between what a participant says they want, and how we talk to them about it. I think there's a lot of work to be done to not only deliver solutions but also in the way we communicate with participants to get them interested and excited.

Brian: I completely agree, but I'm an optimist, so I'll say a B. I think that last step — creating interest among participants — is making it easier for plan sponsors to press the button and implement.

Holly: B-minus. First, I think the regulators have done a great job. I also think the product providers have done a good job coming up with products that try to meet the needs of their participants. Finally, I think plan sponsors have done a good job getting educated.

However, getting income out of the plan is very difficult. There are solutions that generate income, and we have mechanisms to create income for participants, but they're not well-connected. Also, getting income into the plans as the default options has yet to be embraced on a large scale.

Q **Vik:** In the last 12 to 18 months, what has been the industry's biggest leap forward?

A **Brian:** I think the biggest movement forward is that there is finally implementation taking place. We can now bring clients in front of companies who've actually implemented something more than just a modeling tool or a calculator, for example as an embedded annuity within their plan. People have done this, and we didn't see things blow up.

At the same time, I think it's a challenge to make lifetime income easily digestible for interested plan sponsors who may lack the level of commitment of those early adopters. When we start to have those initial conversations, the options look and feel very different and it can be overwhelming. We have to make it more digestible.

Emily: I think there are two other important things that have changed and contributed to the industry's progress. One is the new safe harbor language, making lifetime income more appealing to plan sponsors and participants alike. The second is a sense of urgency. There are more workers approaching retirement who are trying to figure out how their retirement savings can help replace incomes.

Q **Vik:** Emily, when talking to clients, where do you see all this coming together?

A **Emily:** Similar to Brian's earlier point, the launch of new products and the adoption among more of our clients are creating momentum and interest. Plan sponsors are asking: What are other people doing? What's available at my recordkeeper? And we're also having conversations about their participants — what does their participant base look like, and who is expected to use this new feature?

I don't think it's realistic to expect that companies will add lifetime income solutions to their plans and there will immediately be a huge uptake. There is certainly some increased adoption, but there are also a lot of question marks. But at the end of the day, plan sponsors are interested.

Q **Vik:** How is the growing interest in retirement income transforming how you work with plan sponsors?

A **Holly:** Thinking about investment structure, we need to know the role that retirement income plays. It could exist in managed accounts or target date funds, or it may appear as a standalone option. Knowing this uncertainty, Mercer evolved its investment structure to delineate between fixed income and retirement income.

Then, we had to bring together multiple separate research functions to focus specifically on defined contribution research, target date funds, various retirement income strategies and managed accounts — all to evaluate their fit with retirement income solutions.

Brian: Often, plan sponsors who have a higher level of engagement are those who want to use this as an opportunity to say, “We may not have a pension anymore, but we’ve built and are providing a retirement income program instead.” And employees at these companies typically look to their employers for advice and trust that advice.

The uptake of annuities that we’ve seen is highly correlated to plan sponsors’ engagement and their willingness to address the needs of participants who are approaching the end of their careers.

Holly: I agree. I believe that participants are going to be more willing to take advantage of annuities because they believe that their employers have advocated for them and they’re getting access to institutional-quality insurance instruments.

Annuities are an area where the plan’s negotiating power and access to institutional solutions is especially beneficial for participants.

Emily: When it comes to cost, explicit investment fees aren’t the only consideration. Plan sponsors should think about opportunity cost — it’s a concern we often hear from participants. Because they don’t know how long they’ll live, participants will ask: “what if I want to spend all that money now?” It’s a valid question, and the plan sponsor must know how to explain and promote the attributes of their lifetime income solutions to answer it well.

Vik: How do you actually implement lifetime income into a plan?

Holly: The key is to first define the plan’s objectives. Most DC plans already have many of the essential ingredients needed to generate retirement income for their participants, so they must consider how they want to add a lifetime income solution to complement what exists. After that, sponsors should analyze participants’ demographics and behaviors to best understand how they fit with the available options in the plan. Plan sponsors should also explore the retirement income solutions available to them via their recordkeepers or other vendors. After gathering all the pertinent information, the plan sponsor, potentially with help from its consultant, can decide how to best implement a retirement income solution into the plan.

Lifetime income also requires dedication from the plan sponsor to educate and communicate with participants about the various features. Most solutions allow participants to choose annuitization of a portion of their account balance, leaving the remainder in a target date fund. Typically, participants who choose not to annuitize are getting the same target date fund experience as if they did annuitize and, if they decide not to push that button, they should not be disadvantaged by the inclusion of the annuity option in the plan.

Emily: A couple years ago, we started surveying our clients during the retirement income onboarding process about retirement income and that has become part of our process. We ask plan sponsors to rank the factors they would use to evaluate the efficacy of a lifetime income solution. The goal is to discover where there is a lack of consensus among plan sponsors — and to also understand what is important to them.

We’ve talked with many plan sponsors about the different stakeholders who must be involved when implementing and evaluating lifetime income solutions. This highlights the need for a partner within the sponsor who is committed to developing the right solution, understands how a solution fits within the plan’s goals, and can help guide the plan sponsor through a potentially long timeline to implementation.

And, to Holly’s point, we feel if a plan sponsor is going to make lifetime income the default option, we want to help ensure that the participants who do not annuitize are as prepared for retirement as those who do.

Brian: We think there are four key elements that contribute to a successful implementation: One, the paternalistic instinct of the sponsor to do what’s right for participants; two, a governance structure with the right committees and meetings to enable progress; three, a tenured committee membership for continuity; and four, internal benefits personnel that can help drive the process. If a plan has those four elements, the timeline is about a year and a half. Without them — or if division exists at the organization — it can be a longer, more difficult process.

In addition, transparency from the product provider is another big consideration. A structured product can sound great on the surface, but if there are dozens of

features embedded within it, and we don't understand how they work together, that is often an impediment. And when it comes to a guaranteed product like an annuity, having a credible, committed partner is important from a counterparty risk standpoint.¹

Q
Vik: How do you think about measuring the success of a lifetime income solution?

A
Holly: There's invariably going to be one committee member who asks, "How many people are actually going to annuitize?" And the answer typically is very few in the early stages. Initial adoption should not be a success metric, or the committee will deem it a failure. Instead, we should target seeing that number increasing over time.

A company may also judge success as replacing a defined benefit plan that's been frozen or perhaps increasing the organization's competitiveness in attracting and retaining talent. Or they may measure success by the amount of employee assets that are retained in the plan.

Brian: I like to remind clients that the reason for implementing lifetime income is to help make participants' retirement situations better, and that's a measure of success. People are going to choose their own adventure; that's how a defined contribution plan works. But if you have an organization with 5000 participants and only 50 choose to annuitize, it may not be a large percentage, but it doesn't just affect those 50 individuals, it affects their spouses, their kids, their inheritance. Everyone's situation becomes more stable. It may only be 50 people, but I believe the impact on them and those around them is worth it.

n



Brian Abshire

Brian Abshire is a Partner within Aon's Wealth practice based out of Houston, Texas. In his current role, he consults to a variety of institutional investment programs with a focus on defined contribution investment strategy and innovation. Brian specializes in working with strategic clients using customized solutions in their DC plans and assists them in leveraging their size and scale to implement innovative solutions at competitive costs. In addition to working with clients, Brian leads Aon's DC Multi-Asset Solutions Team which is responsible for manager research on DC specific investment solutions such as target date funds, managed accounts, and stable value strategies. This team is also responsible for Aon's research in the key area of retirement income solutions and overseeing customized DC solutions that Aon designs and implements.



Emily Phillips

Emily works with plan sponsors on holistic management of their retirement plans and helps develop investment solutions with the goal of aligning investment programs with the plan sponsor's objectives. With over 18 years of experience, Emily provides strategic portfolio, risk management and governance advice to asset owners. She is responsible for partnering with clients across a range of investment services including establishing investment objectives, developing investment structure, manager selection, performance evaluation, and ongoing monitoring. Emily is also a member of WTW's DC OCIO Investment Committee.



Holly Verdeyen

Holly Verdeyen is a Partner in Mercer's Chicago, IL office and serves as the Defined Contribution and Financial Wellness Leader in the US. Holly has overall responsibility for the strategy, development, and growth of Mercer's defined contribution and financial wellness business within the US. In addition, she is responsible for solutions development and the deployment of intellectual capital and research to Mercer's clients and the industry. Holly has over 25 years of investment experience and has held leadership roles in both the institutional and financial intermediary distribution channels.

For more information, please visit us at nuveen.com

Endnotes

- 1 Any guarantees are backed by the claims-paying ability of the issuing company. **Past performance is no guarantee of future results.** Guarantees of fixed monthly payments are only associated with fixed annuities.
- 2 Sources: Employee Benefits Security Administration (EBSA), 2024, Private pension plan bulletin: Abstract of 2022 Form 5500 annual reports, U.S. Department of Labor.
- 3 Read more about Benefits 2.0 here: <https://www.nuveen.com/global/campaigns/benefits-2-0?type=us#view-benefits>
- 4 Pension-like income refers to the income received from guaranteed-interest annuity contracts, not income provided by a defined benefit pension plan.
- 5 A target-date fund is a “fund of funds,” primarily invested in shares of other mutual funds. The fund’s investments are adjusted from more aggressive to more conservative over time as the target retirement date approaches. The principal value of a target-date fund isn’t guaranteed at any time, including at the target-date, and will fluctuate with market changes. The target date represents an approximate date when investors may plan to begin withdrawing from the fund. However, you are not required to withdraw the funds at that target date. After the target date has been reached, some of your money may be merged into a fund with more stable asset allocation. Also, please note that the target-date fund is selected for you based on your projected retirement date (assuming a retirement age of 65). Target-date funds share the risks associated with the types of securities held by each of the underlying funds in which they invest. In addition to the fees and expenses associated with the target-date funds, there is exposure to the fees and expenses associated with the underlying mutual funds as well.
- 6 The Nuveen Lifecycle Target Date Series (formerly the TIAA-CREF Lifecycle Fund Series) first included direct real estate investments in 2017. See the press release titled: “Nuveen enhances target-date fund offering with direct real estate allocation,” April 20, 2017.
- 7 Top 5 real estate manager globally based on Pensions & Investments Real Estate Managers Special Report, October 2024. Ranking included 72 real estate managers and ranked them by total worldwide real estate assets as of 30 Jun 2024. Real estate assets are reported net of leverage, including contributions committed or received but not yet invested; REOCs are included with equity; REIT securities are excluded.
- 8 PlanSponsor. 04 Apr 2025. Center for Retirement Research at Boston College. Nov 2012.
- 9 FactSet, 31 Dec 2024.
- 10 Dollar cost averaging does not assure a profit and does not protect against loss in declining markets.
- 11 Nuveen and TIAA Institute Participant Sentiment Survey on Lifetime Income, 2024
- 12 Opinions expressed are those of the speakers as of the date and are subject to change without notice and do not necessarily reflect Mercer’s opinions.

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The Lifecycle Income CIT Series are trusts for the collective investment of assets of participating tax qualified pension and profit-sharing plans and related trusts, governmental plans and other eligible plans, as more fully described in the Declaration of Trust. As a bank collective investment trust, the trust is exempt from registration as an investment company. A plan fiduciary should consider the funds’ objectives, risks, and expenses before investing. This and other information can be found in the Declaration of Trust and the Funds’ Disclosure Memorandum.

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