

Lifetime income is the new outcome for manufacturing plan sponsors

KEY TAKEAWAYS

BENEFITS 2.0 TAKEAWAYS

Manufacturing companies should view benefits as strategic investments rather than costdrivers.

Accommodating diverse needs among the manufacturing labor pool is a massive challenge for plan sponsors.

Benefits shouldn't be baffling

HOW LIFETIME INCOME APPLIES

With the phasing out of defined benefit plans, lifetime income solutions offer a unique opportunity to differentiate your company from competitors in a tight labor market.

Lifetime income solutions allow you to offer a range of options to meet the needs of your workforce and bridge demographic divides.

Nuveen's lifetime income solutions — unlike annuity products of yore — are easy to understand and explain to your plan participants.

The phasing out of defined benefit (DB) plans in the United States over the past several decades has dramatically reshaped the retirement landscape for workers across sectors. The consequences of the shift from pension plans to defined contribution (DC) plans have been acutely felt by workers in the manufacturing industry, as highlighted by the United Auto Workers' pledge to continue fighting for the restoration of pensions for its younger members despite failing to gain ground on this front in the 2023 strikes with the Big Three auto manufacturers.¹

Once pervasive, pensions granted workers the ability to retire with the security of knowing they would receive a guaranteed paycheck for life. This is no longer the case. With a growing

population of U.S. workers contending with financial insecurity, there is a pressing need for companies to enhance their retirement benefits.

At Nuveen, our innovative suite of lifetime income offerings can help plan sponsors in the manufacturing industry address the needs of participants, simplify the process of preparing for retirement and develop a competitive edge with respect to attracting and retaining talent.

With our new set of lifetime income solutions and regulatory changes that have created new opportunities for plan sponsors to help secure successful retirement for their workers, there are many reasons to be optimistic for the future of the system. Let's work together to bring back the promise of a secure retirement for hardworking Americans.

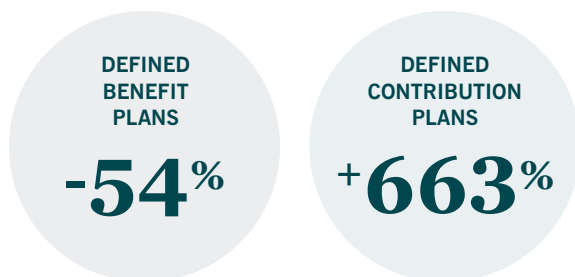
OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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TACKLING WIDENING GAPS IN THE RETIREMENT SYSTEM

The phasing out of defined benefit (DB) plans over the past several decades has dramatically reshaped the retirement landscape in the U.S. The number of active participants in private-sector defined benefit plans decreased by 54% from 1975 to 2019, according to the most recent data from the U.S. Department of Labor (DOL).² Meanwhile, the number of participants in private-sector defined contribution (DC) plans increased more than 7x over that span. The disappearance of pension plans has had a disproportionate impact on manufacturing workers and organizations.

Change in active participants in private-sector retirement plans, 1975–2019



Source: U.S. Department of Labor, Employee Benefits Security Administration

Once pervasive, pensions granted American workers the ability to retire with the security of knowing they would receive a guaranteed paycheck for life. Today, the U.S. retirement savings system is weakening. By and large, too few Americans have access to retirement plans, people aren't saving enough, and those who do save lack guaranteed forms of income to protect themselves against the risk of outliving their assets.

The transition to DC plans has led to a tenuous retirement outlook for workers. The majority of Americans now believe they will be unable to retire on time, and 43% of 55- to 64-year-olds had no retirement savings at all in 2022.³ While the shift towards DC plans has reduced risks and costs for employers, it also has given birth to a generation forced to grapple with greater uncertainty about retirement income streams, longevity, savings rates and how contributions should be invested.

Despite these discouraging trends, there is hope for restoration. With the passing of the SECURE Act of 2019 and the SECURE 2.0 Act of 2022, there are reasons to be optimistic about the rebirth of the American dream of retiring with confidence. Plan sponsors in the manufacturing industry who want to play a part in solving America's retirement crisis — and at the same time improve the growth potential and resilience of their organizations — can now turn to lifetime income solutions.

About Nuveen and Benefits 2.0

Established in 1898, Nuveen manages \$1.1 trillion for a broad array of public and private clients around the world and on behalf of our parent company TIAA. Established by Andrew Carnegie in 1918, TIAA is one of the world's largest institutional investors and a major retirement provider. Nuveen and TIAA have long been intertwined in their shared mission to provide secure retirement solutions for Americans.

Nuveen recently commissioned Economist Impact to conduct an in-depth study, *Benefits 2.0*, on the current employer-provided benefit environment for employees across all sectors in the U.S. The findings reveal that the deficiencies of the current system have disproportionately impacted the manufacturing industry in many ways and underscore the pressing need for a transformation of the retirement landscape from the perspective of both sponsors and participants.

NEXT GEN LIFETIME INCOME SOLUTIONS HAVE UNIVERSAL APPEAL

Lifetime income solutions address the main weakness of traditional DC plans: requiring participants to take ownership of transforming their savings into an income stream, a difficult task for even a seasoned investor. By seamlessly converting a portion of an employee's retirement savings into a guaranteed income stream, lifetime income solutions can help with retirement planning and give retirees more confidence that they won't outlive their hard-earned savings.

In a 401(k) plan that includes a lifetime income option — embedded in the familiar target date structure — employees who want to take advantage of the new pension-like benefit can continue to save the same way they've become accustomed to. Upon retirement, participants with an allocation to a lifetime income solution are provided with the option of converting a portion of their savings into predictable paychecks that can support their essential living needs for the rest of their lives.

While the data suggests older workers value retirement benefits more than younger workers, younger employees are significantly less likely to be satisfied with their retirement benefits. According to our survey with Economist Impact, 84% of Gen Z respondents believe they will be unable to retire on time and only 43% are satisfied with their retirement plans, compared to 95% of older workers. Younger workers are also six times as likely to say that they lack clarity about how much income they will receive in retirement.

A well-communicated lifetime income option can have the dual benefit of: 1) spurring optimism among younger workers in their ability retire on time and 2) restoring confidence in older workers who yearn for the security provided by the DB plans that were prevalent when their careers began.

Furthermore, the addition of lifetime income can be viewed as a strategic tool for organizations to achieve better diversity, equity, and inclusion (DEI) outcomes. Economist Impact's survey underscored a consistent, positive link between access to comprehensive benefits and opinions about the organization's DEI performance.

KEEP IT SIMPLE: LIFETIME INCOME IMPLEMENTATION CONSIDERATIONS

Lifetime income solutions have traditionally come in many shapes and sizes with respect to liquidity and longevity risk mitigation. Today, there is a new generation of innovative lifetime income products — made possible by the passing of the SECURE Act and continued bi-partisan support from Congress — that have attractive features specifically tailored to DC plans, including portability, accumulation benefits and familiar target date wrappers. These solutions have overcome many of the pain points of traditional annuity products, including high costs, complexity and lack of portability, to provide an effective and much-needed guaranteed income stream in retirement.

Lifetime income packaged in target date suites can be the best of all worlds. These solutions simultaneously enable participants to maintain their standard of living over a prolonged retirement by carefully balancing market, longevity and inflation risks and ensure age-appropriate asset allocation for all phases of life.

For retirement plan fiduciaries, cost, simplicity and portability should be the most important considerations when selecting a lifetime income solution.

Your trusted partner for lifetime income

Nuveen and TIAA, both longstanding advocates of retirement security reform, are proud to have been actively involved in urging Congress to pass the SECURE Act. Nuveen's lifetime income solutions are designed to help you as a plan sponsor to capitalize on these new opportunities to support your diverse workforce and turn your company's benefits offering into a strategic edge. We are thrilled to lead the way towards a brighter future for the next generation of manufacturing retirees and the organizations that support them.

[For more information, please visit nuveen.com.](https://www.nuveen.com)

Endnotes

- 1 Bloomberg, "UAW President Vows to Reinstate Fight for Pensions, Health Care." Jan. 22, 2024.
- 2 Congressional Research Service, "A Visual Depiction of the Shift from Defined Benefit (DB) to Defined Contribution (DC) Pension Plans in the Private Sector." Dec. 27, 2021.
- 3 Economist Impact Benefits 2.0 survey, Board of Governors of the Federal Reserve System, "Survey of Consumer Finances, 1989–2022."

Any guarantees are backed by the claims-paying ability of the issuing company. Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association of America (TIAA).

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