



Plan Sponsor Challenges Series

Part 1: Investment menu design and fiduciary responsibility

As a plan sponsor, your employees rely on you to manage the plan in the best interests of all participants. Key to that outcome is providing them access to a high-quality menu of investment and savings solutions — while also helping them understand their choices and the impact they will have on their retirement goals.

Focus on a secure retirement for your participants

Investment menu design does not have to be complicated. But today's environment — with its shifting regulations, continuing economic volatility, increased life expectancies, rising retiree healthcare costs and more — can add complexity to this important responsibility.

For participants without access to a defined benefit plan, these trends highlight how important it is to have a retirement plan that moves beyond asset accumulation strategies to include lifetime income options. A guaranteed lifetime income stream can help participants cover their expenses in retirement and help ensure that they will not outlive their savings. Participants should remember that guaranteed income is subject to the claims paying ability of the issuing insurance company.

What should guide your menu decisions

- Providing a plan that will attract, retain and retire employees
- Meeting your fiduciary duty to design and manage your plan to help employees reach their retirement goals
- Helping meet your participants' retirement savings and lifetime income objectives
- Seeking to deliver consistent long-term growth while protecting principal through disciplined risk management
- Following your investment policy statement

Primary objectives of an effective investment menu

Offer solutions that meet employee needs at all knowledge levels. While many want a simple solution to retirement saving or specific portfolio advice, some prefer to create their own retirement portfolios, either with some guidance or based on their own research, preferences and goals.

Include effective fiduciary mechanisms — such as an investment policy statement — that guide the process for selecting, monitoring and adjusting your plan's investment.

Provide solutions designed to both accumulate wealth and generate guaranteed lifetime income. A menu of quality mutual funds and lifetime income solutions with structured risk and fully invested asset class exposure has been a proven strategy for successful long-term retirement outcomes.

Seven steps to meet investment-related fiduciary responsibilities:

1. Understand your investment-related fiduciary responsibilities.
2. Create your investment policy statement (IPS).
3. Align your investment menu with your IPS as needed.
4. Monitor and review your plan's investment options annually.
5. Properly document your fiduciary activities regularly.
6. Provide appropriate and effective participant education as needed.
7. Communicate with participants on an ongoing basis.

Coming soon
Part 2 in our Plan Sponsor Challenges Series: How to engage employees and build confidence

A prudent process and tiered investments can improve outcomes

When choosing investments, a prudent process that carefully balances the objectives of your retirement plan should take priority over fund performance. Designing an investment menu that helps your employees properly allocate assets, diversify their investments and generate lifetime income will do far more to improve outcomes than offering options based solely on near-term strong returns.

What's more, providing a tiered plan menu can make it easier for participants to choose the investment options that fit their investment personalities and long-term needs. This can also increase the level of participation and improve participant outcomes. Tiers in a participant-focused investment menu might include:

Tier I — one-step options such as target date mutual funds. These appeal to participants who are hesitant to make investment decisions or simply prefer to have their retirement savings managed professionally.

Tier II — open architecture. A diversified tier of quality, cost-effective mutual funds offers more investment-savvy participants a self-serve model for designing their own diversified portfolio.

Tier III — lifetime income options such as guaranteed and variable annuities. This tier is essential to meeting the biggest challenge of retirement planning: replacing preretirement earnings with reliable income. And for those employees who want to shield at least part of their retirement assets from market volatility, certain types of fixed annuities can address that need, provide a level of security in retirement and potentially hedge against inflation.

Tier IV — brokerage option. This provides access to thousands of mutual funds and individual securities for those seeking maximum choice through self-directed investing.

Take action to meet the challenge

As a plan sponsor, you can take advantage of a variety of sources for help in meeting your fiduciary obligations and designing your investment menu. Support can range from basic education and guidance to more comprehensive investment-related fiduciary services and can even include sharing your fiduciary responsibility for investment menu selection.

It's important to remember the regulatory, economic and demographic trends that are shaping this environment and make sure your investment menu evolves accordingly. It's clear that income generation is a key part of the equation, along with asset accumulation. And an investment menu of diversified choices — including best-of-class investments as well as lifetime income solutions such as low-cost annuities — can help ensure your participants will not outlive their savings.

Visit tiaa-cref.org for more information on how plan sponsors and fiduciaries can address the challenges they face.

Diversification is a technique to help reduce risk. There is no absolute guarantee that diversification will protect against a loss of income.

For Target Date funds, the target date is the approximate date when investors plan to start withdrawing their money. The principal value of Target Date funds are not guaranteed at any time, including at the target date. TIAA-CREF products may be subject to market and other risk factors. See the applicable product literature, or visit www.tiaa-cref.org for details.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161, or go to www.tiaa-cref.org for a current prospectus that contains this and other information. Please read the prospectus carefully before investing.

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