



# Increase retirement readiness with lifetime income

Target Date Plus Models offered as part of the TIAA Custom Portfolios Model Service



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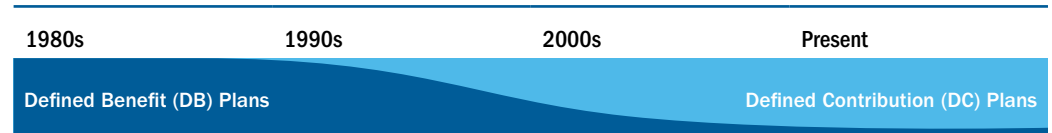
# A new retirement plan investment solution focused on retirement income

As traditional defined benefit (DB) plans continue to disappear from the workplace, defined contribution (DC) plans have become the primary retirement savings program for American workers.

But there's a drawback with the DC investment model. DB plans and Social Security focus on providing lifetime monthly income, which offers a degree of retirement security that's easy for employees to understand. However, in a typical DC plan the primary focus is on the accumulation of assets with no real focus on how to derive income in retirement.

Clearly, what's required is a new model that moves beyond wealth accumulation. We believe that the next evolution of retirement plan investment solutions can help participants be better prepared to meet their needs for retirement income.

## Evolution of retirement plan investment solutions



## Investments

Individual Mutual Funds	Target Date Funds	Target Date Plus Income
<ul style="list-style-type: none"> <li>Investment offerings generally focused on accumulation</li> <li>Allocation and rebalancing left to participants; they must select the funds to diversify their portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Simple to use</li> <li>Mix of stocks and bonds</li> <li>Typically becomes more conservative as the fund's target date approaches</li> <li>Available as a Qualified Default Investment Alternative (QDIA)</li> </ul>	<ul style="list-style-type: none"> <li>Benefits of a target-date fund</li> <li>PLUS: Opportunity to provide lifetime retirement income*</li> <li>Provide fiduciaries with control over the glidepath and underlying investment options</li> </ul>

\* Guarantees are subject to claims-paying ability of the issuing company.

## Making income—and security—the new retirement goal

A benefit attitudes survey from Towers Watson\* revealed that employees are increasingly concerned about retirement security. The survey found that 63 percent of employees were willing to take a reduction in their current compensation in exchange for a guaranteed retirement benefit and that more than half would sacrifice some pay for a more generous benefit.

In this evolving retirement plan landscape, employees are looking to:

- Make sure they can replace a portion of their working salary when they retire, minimally covering their basic expense needs in retirement
- Feel secure that they won't outlive their income
- Be less concerned with how market volatility and interest-rate risk might impact their retirement security

Target-date funds (TDFs) have become popular because they provide a one-choice, professionally managed option based on a retirement date time horizon and are often used as a plan's QDIA. Although TDFs have done a good job of helping investors accumulate wealth, they are not able to offer lifetime income after retirement.

## The importance of income for life

Lifetime income is critical to funding a participant's lifestyle in what's likely to be a decades-long retirement. However, plan participants face a number of risks that can impact their income stream. Market, inflation, longevity and interest-rate risks are well known and these risks may be difficult to manage in retirement with traditional investment options, including one-size-fits-all target-date funds.

For nearly 100 years, TIAA has focused on helping our customers seek retirement security. We believe we have the product innovation to be a retirement income leader for the next 100 years.

### Income has a lot to cover in retirement.



Housing



Money to travel



Funds for personal interests and hobbies



Funds for medical care



Dining, entertainment



Unexpected expenses (home repairs, etc.)

\* Towers Watson 2015 Global Benefit Attitudes Survey

Many participants are confused about target-date funds.



**Sixty-four percent of investors either don't know or mistakenly believe that target-date funds provide guaranteed income in retirement.\***

\* Investor Testing of Target Date Retirement Fund (TDF) Comprehension and Communications Submitted to: The U.S. Securities and Exchange Commission February 15, 2012

# Managing for multiple risks

To provide plan participants with the kind of retirement income security they need, plan sponsors can help them manage many of the underlying risks that may negatively impact monthly income in retirement.

A range of risks, some new and some old, can negatively impact retirement income.

<b>Longevity risk</b>	<b>Interest-rate risk</b>	<b>Withdrawal-rate risk</b>	<b>Market risk</b>
Today, a 65-year-old couple has a 94% chance of at least one spouse living to age 81 and a 75% chance of living to age 88.*	Because rising interest rates decrease the price of bonds, participants with large exposures to bonds, such as pre-retirees, risk seeing their account values decrease as interest rates rise.	The degree to which withdrawal rates affect retirement savings depends on the sequence of investment returns in retirement. Determining how much to withdraw can be complex.	Portfolio losses due to market crashes can force pre-retirees to postpone retirement. Also, market conditions and the timing of withdrawals in retirement can have a big impact on participant outcomes.

\* Based on 2016 TIAA dividend mortality tables

# A next-generation target-date solution

Target Date Plus Models are a custom target-date asset allocation solution with the opportunity to provide income in retirement. The models offer the familiar structure of glidepath-based target-date portfolios with an annuity component that can offer lifetime income and help manage some of the risks participants may face in retirement.

Target Date Plus Models can give plan sponsors and their investment advisors maximum flexibility to customize portfolio allocations—including equity, fixed income and annuity components—along with glidepaths and rebalancing specifications to match the unique needs of an employee population.

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## Flexible plan-level features

Custom glidepaths	Create glidepaths targeted to an organization's employee demographics
QDIA eligible	Provide a more customized QDIA for unengaged employees
Custom models	Design risk-based or target-date portfolios that help provide income security
Lifetime income*	Include annuities for lifetime income security

The plan sponsor or their third-party consultant may choose to use a methodology different from the concept described in this material. Target Date Models are one option that can be made available through TIAA's Custom Portfolios Model Service. TIAA does not build the models or recommend underlying investment options that comprise the models.

*The underlying investments maybe subject to market risks and may go up or down in value over time. It is possible to lose money by investing in the solution. No assurances or guarantees are given regarding the performance of any allocation.*

\* Lifetime income is subject to the claims paying ability of the issuing company

With this innovative solution, plan sponsors and their consultants can leverage the capabilities developed by TIAA as the program sponsor under the Custom Portfolios Model Service to build income-focused models specific to the demographics of their plan. The plan sponsor or consultant will:

- Determine the fund-level components of the models
- Build the models and recommend the underlying investment options and glidepaths
- Assign plan participants to the appropriate model allocation
- Maintain model allocations over time

#### Target Date Plus Models benefits for PLAN SPONSORS

- Offers a more customized QDIA compared to traditional off-the-shelf target-date funds
- Provides options with a built-in lifetime income guarantee
- Allows plan sponsors to work with a consultant or investment advisor to create target-date retirement income models on a plan level to meet the unique needs of an organization's work force demographics
- Can be branded to the plan

#### Target Date Plus Models benefits for EMPLOYEES

- May help improve retirement readiness by providing a choice of lifetime income in retirement
- Offers a customized option for hands-off investors
- Presents a familiar target-date solution format that has been built for their needs, with the added benefit of income they cannot outlive



For more information on the Target Date Plus Models, please contact your TIAA representative today!



**You should consider the investment objectives, principal strategies, principal risks, portfolio turnover rate, performance data, and fee and expense information of each underlying investment carefully before directing an investment based on the model. For a free copy of the program description and the prospectus or other offering documents for each of the underlying investments (containing this and other information), call TIAA at 877-518-9161. Please read the program description and the prospectuses or other offering documents for the underlying investments carefully before investing.**

The Model is an asset allocation recommendation developed by the Plan Sponsor in consultation with consultants and other investment advisors designated by the Plan Sponsor whereby assets are allocated to underlying mutual funds and annuities that are permissible investments under the plan. Model-based accounts will be managed on the basis of the plan participant's personal financial situation and investment objectives.

The Plan Fiduciary and the Plan Advisor may determine that an Underlying Investment(s) is appropriate for a Model Portfolio, but not appropriate as a stand-alone investment for a Participant who is not participating in the Program. In such case, Participants who elect to unsubscribe from the Program while holding an Underlying Investment(s) in their Model-Based Account that has been deemed inappropriate as a stand-alone investment option by the Plan Fiduciary and/or the Plan Advisor will be prohibited from allocating future contributions to that investment option(s).

Established Restrictions: Each Plan Participant may, but need not, propose restrictions for his or her Model-Based Account, which will further customize such Plan Participant's own portfolio of Underlying Investments. The Plan Fiduciary is responsible for considering any restrictions proposed by a Plan Participant, and for determining (together with Plan Advisor(s)) whether the proposed restriction is "reasonable" in each case.

No registration under the Investment Company Act, the Securities Act or state securities laws – The Model is not a mutual fund or other type of security and will not be registered with the Securities and Exchange Commission as an investment company under the Investment Company Act of 1940, as amended, and no units or shares of the Model will be registered under the Securities Act of 1933, as amended, nor will they be registered with any state securities regulator. Accordingly, the Model is not subject to compliance with the requirements of such acts, nor may plan participants investing in underlying investments based on the Model avail themselves of the protections thereunder, except to the extent that one or more underlying investments or interests therein are registered under such acts.

No guarantee – Investments based on the Model are not deposits of, or obligations of, or guaranteed or endorsed by TIAA, the Investment Advisor, The Plan or their affiliates, and are not insured by the Federal Deposit Insurance Corporation, or any other agency. An investment based on the Model is not guaranteed, and you may experience losses, including losses near, at, or after the target date. There is no guarantee that investments based on the Model will provide adequate income at and through your retirement. Investors should not allocate their retirement savings based on the Model unless they can readily bear the consequences of such loss.

The TIAA Custom Portfolio Program Model-Based Service is administered by Teachers Insurance and Annuity Association of America ("TIAA") as plan recordkeeper.

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