TIAA

Discover the "plus" in the next evolution of default options

A Target Date Plus strategy can offer the opportunity for lifetime income

For institutional investor use only. Not for use with or distribution to the public.

What brought us to today?

A look back at retirement plan innovations

Before we discuss the latest turn in retirement plan design, let's take a look at what has come before. As you know, for many employees, retirement was originally funded through a combination of Social Security and their employer's defined benefit (DB) plan, providing lifetime monthly income and a degree of retirement security that was easy for them to understand.

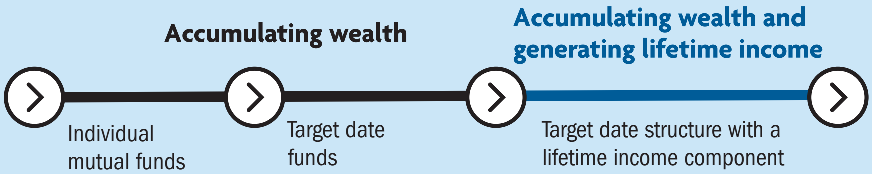
Defined contribution (DC) plans were introduced to provide additional savings opportunities for employees. But with fewer and fewer employers offering DB plans over time, DC plans have emerged as the primary vehicle to help employees save for retirement.

Target date funds have become one of the most popular options used in DC plans today, particularly as a Qualified Default Investment Alternative (QDIA). They tie accumulation to an estimated retirement date. Despite their many benefits—simple for participants to understand and for sponsors to offer—they fall short in one key way: They don't provide guaranteed lifetime income during retirement for participants.

Many people believe that is the overarching drawback with the DC investment model: Its primary focus on the accumulation of assets may not be sufficient in the face of a range of risks that can challenge a plan participant saving for and living in retirement—market volatility, longevity, rising interest rates and declining cognition.

It's time for the next evolution in investment offerings: A new option that can help provide participants with the kind of retirement income security they need while also offering ways to help them manage many of the underlying risks that may negatively impact both saving for retirement and receiving monthly income for life when retired.

Evolution of retirement plan investments over time



The next evolution: Taking the benefits of target date options and making them better

Target date funds have become the predominant QDIA and thereby one of the most popular investment options. They offer a single, prepackaged vehicle to provide both stock and bond investments that change over time. While they have many benefits, they do have some shortcomings, including the inability to offer guaranteed lifetime income.

Traditional target date funds may offer the following benefits:

- Ease of use
- Turnkey: Glidepath and allocations determined by fund manager
- Become more conservative over time
- Auto rebalancing of portfolio
- Single Net Asset Value to monitor performance
- QDIA eligible

However, they may fall short in a number of ways:

- No control over underlying options
- No control over glidepath
- Large bond exposure at target date may expose participants to interest rate risk
- No lifetime income component
- One size fits all—regardless of risk tolerance or wealth accumulated

Consider the "plus" of lifetime income

What if you could offer participants the benefits of a target date structure, plus a component that can provide lifetime income in retirement? A Target Date Plus strategy combines the familiar structure of a target date option with a fully liquid fixed annuity component, which can provide lifetime income in retirement.

Target Date Plus fundamentals:

Age-based asset allocation

Becomes more conservative as retirement date nears

Asset allocation typically consists of equity and fixed-income investments and can also include variable annuities

QDIA eligible

The "plus" can be the added component of a fixed annuity to offer lifetime income.[4]

Plan sponsors can implement this type of strategy using model-based programs administered by TIAA as plan recordkeeper. The plan sponsor or their consultant can build model portfolios that are designed to be QDIA eligible.

Benefits to plan sponsors:

- A more customized QDIA and fiduciary control over the model's underlying investment options, structure and cost
- Ability to select options with a lifetime income guarantee, including a fully liquid version of TIAA Traditional

Potential benefits of including TIAA Traditional in a target date structure

You have the ability to use TIAA Traditional as the fixed annuity component, including a fully liquid version of TIAA Traditional when the plan uses the model portfolio program as its default investment alternative. TIAA Traditional offers participants the following benefits:

When saving for retirement:

- Principal and earnings continue to grow—guaranteed—even in the most volatile financial markets.
- Provides the stability of bond-like returns.[1]
- An effective interest rate hedge, TIAA Traditional is less impacted by interest rate risk like many other bond investments and funds. If rates go up, the value of TIAA Traditional will not be affected.
- Has a guaranteed minimum rate of return.[2]

When in retirement:

- Guaranteed lifetime income payout options.[2]
- The potential for extra payments in retirement: Our mission-based approach can provide additional potential benefits to participants, including the opportunity that their lifetime income may increase in retirement.[3]

Ready for the next evolution?

For more information on the Target Date Plus strategy, other income-focused default options or TIAA Traditional, please contact your TIAA representative.

Please note: TIAA does not build the models or recommend underlying investment options that comprise the models.

[1] Source: TIAA Actuarial Department calculations. Uses average annual returns for the TIAA Traditional Annuity Retirement Annuity (RA) and Supplemental Retirement Annuity (SRA) contracts each year. TIAA Traditional does not have any explicit expense charges but may impose surrender charges on certain withdrawals. There are substantial differences between intermediate-term bond indices and fixed annuities, including differing investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, and fluctuation of principal or return. It is not possible to directly invest in an index. Index returns do not reflect a deduction for fees or expenses. Past performance is no guarantee of future results. There is no assurance that additional amounts above the TIAA Traditional Annuity's guaranteed minimum rate will be declared in the future.

[2] Any guarantees under annuities issued by TIAA are subject to TIAA's claims-paying ability. Payments from the variable accounts will rise or fall based on investment performance.

[3] Interest credited to TIAA Traditional Annuity accumulations includes a guaranteed rate, plus additional amounts as may be established on a year-by-year basis by the TIAA Board of Trustees. The additional amounts, when declared, remain in effect through the "declaration year," which begins each March 1 for accumulating annuities and January 1 for payout annuities. Additional amounts are not guaranteed for periods other than the period for which they are declared.

[4] Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income.

You should consider the investment objectives, principal strategies, principal risks, portfolio turnover rate, performance data, and fee and expense information of each underlying investment caref ully 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.

This material is for informational or educational purposes only and does not constitute investment advice under ERISA. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on the investor's own objectives and circumstances.

By communicating the information contained in this material, TIAA is not providing impartial investment advice or giving advice in a fiduciary capacity regarding any investment by, or other transaction of, the plan(s). TIAA is acting solely in a sales capacity with respect to an arms-length sale, purchase, loan, exchange or other transaction related to the investment of securities or other investment property.

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.

The value of a Target Date Plus model portfolio is not guaranteed at any time. Also, the target date represents an approximate date when investors may plan to begin withdrawing from the model.

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.

Investment, insurance and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

TIAA-CREF Individual & Institutional Services, LLC member FINRA and SIPC, distributes securities products. If offered under your plan, TIAA and CREF annuity contracts and certificates are issued by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF), New York, NY, respectively. Each is solely responsible for its own financial condition and contractual obligations. Transactions in the underlying investments invested in based on the Model on behalf of the plan participants are executed through TIAA-CREF Individual & Institutional Services, LLC, member FINRA.

All guarantees are based on TIAA's claims-paying ability. TIAA Traditional is a guaranteed insurance contract and not an investment for federal securities law purposes. Past performance is no guarantee of future results.

TIAA Traditional may not be available under all employer-sponsored retirement plans record kept by TIAA but is available to eligible individuals through a TIAA IRA. The terms of TIAA Traditional differ between contract forms. Some contracts allow for full withdrawals and transfers. Other contracts only permit withdrawals and/or transfers to be paid in multi-year installments and certain withdrawals may be subject to a surrender charge. Review your contract, certificate, or other product literature, or contact TIAA for complete details. When TIAA Traditional Annuity is made available within an employer-sponsored retirement plan, income and withdrawal options are subject to the terms of the employer plan. Withdrawals prior to age 59½ may be subject to a 10% federal tax penalty, in addition to ordinary income tax.

907370
141033191

967001_1135826
(08/19)