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Advisory Council on Employee Welfare and Pension Benefit Plans
(ERISA Advisory Council)

With respect to
Lifetime Income and Qualified Default Investment Alternatives

A Practical Perspective:
A Survey of the Retirement Plan Marketplace for Retirement Income

1. Background and Interest in Retirement Income Solutions

My name is Bonnie Treichel, and I am the Founder and Chief Solutions Officer of Endeavor Retirement, a consulting firm dedicated to solving problems for plan sponsors, advisors and service providers in the retirement plan industry. I also have a law firm, Endeavor Law, that supports the broader ecosystem of financial services professionals with their retirement plan-related decisions, documentation, compliance and regulation.

My firm has spent considerable time working with plan sponsors and plan advisors during the last several years on the topic of retirement income. I am a leading contributor of the Retirement Income Consortium (RIC) that was established by Broadridge in 2022 to educate the retirement plan industry on the need for retirement income solutions and to create a formalized due diligence process for evaluating retirement income solutions (RIS).[1] I have also served as a subject matter expert to the American Retirement Association's National Association of Plan Advisor's (NAPA) development of a certificate training program for plan advisors[2] and the Plan Sponsor Council of America's development of an education program for plan sponsors related to retirement income. I also serve on the advisory board to RISA LLC.

I am honored to testify today and share my observations of the retirement plan industry's current state of evaluating individual plan need, selecting, implementing, and monitoring RIS. One of the questions I am often asked is "Who is the RIS solution designed for?" RIS is meant to provide solutions for the masses, including those individuals who likely will never have access to a personal financial advisor or wealth management advisor.[3]

RIS also require some nominal level of savings to be meaningful. While some in the retirement plan industry may argue we still have a savings crisis and that should be our focus, one study suggests that savings of just $65,000 is enough to be impactful.[4] RIS are meant to be considered alongside Social Security for those who have saved enough (e.g., at least $100,000) but likely have not saved enough for individualized access outside of the retirement plan.

Plan participants recognize that they need help. AllianceBernstein's annual defined contribution participant research survey, conducted over several years[5], has shown that each year the most consistent

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[1] Members of RIC include: AllianceBernstein, Allianz, ARS Lifetime Income Builder, BlackRock, Brighthouse Financial, iJoin, Income America, IPX Retirement, Micruity, Nationwide, SS&C, TIAA, and Vestwell. See Retirement Income Consortium, available here.

[2] See NAPA RI(k), available here.

[3] Minimums vary and it can depend on the type of firm. Robo advice has helped minimums to decrease substantially but a wealth management advisor, for example, typically requires six- to seven-figure minimums. See generally, Choosing a private wealth manager versus a financial advisor, available here.

[4] Research from Olivia Mitchell shows that putting just 10% of retirees' 401(k) assets into a deferred lifetime annuity, payable from age 80 onward, is a reasonable and attractive way to enhance retirement security, making most retirees significantly better off. See, Vanya Horneff, Raimond Maurer, Olivia S. Mitchell, Putting the pension back in 401(k) retirement plans: Optimal versus default deferred longevity income annuities (February 2020).

[5] AllianceBernstein, Inside the Minds of Plan Participants (2024), available here.

response by participants about their most important goal for retirement is a steady income stream. According to another study, most people are relying on their defined contribution plan as their greatest source of income in retirement, followed by Social Security.[6] Another study suggests that Americans are actually more worried about running out of money than they are dying.[7]

Despite this reliance on RIS, it is estimated that only 1 in 10 defined contribution plans offers an in-plan option for generating lifetime-guaranteed income for retiring employees.[8] Why?

2. Executive Summary

Despite the product evolution, which I will discuss along with the regulatory background and landscape of tools to support the selection and monitoring of RIS options, there are still impediments to the implementation and adoption of RIS by both plan sponsors and participants. My testimony will address these challenges as well as the opportunity for RIS in the future. My testimony will cover:

A. **Challenges:** The following constitute both real and perceived challenges that exist in the retirement plan marketplace among plan fiduciaries:
   i. The evolution of RIS options has sparked many new, often complex options
   ii. Portability to move solutions with the retained benefit has been a historical challenge to RIS options
   iii. The safe harbor (still) does not feel safe because some RIS options are perceived to be "too expensive" and some RIS options lack transparency in their fees and reporting structure
   iv. The vocabulary from one RIS manufacturer to the next is different, creating confusion and complexity
   v. Without being a qualified default investment alternative (QDIA), adoption may never be successful

B. **Opportunities:** The following includes opportunities for plan fiduciaries to successfully select and implement RIS options:
   i. Access to RIS as a QDIA
   ii. Consistent language and education to assist the retirement plan industry with prudent selection, alongside implementation and adoption of RIS
   iii. Transparency in fees to inform plan fiduciaries in their prudent selection and monitoring of RIS

Participants are depending on plan sponsors, service providers, and even legal counsel to be mindful of these challenges and opportunities as they seek to evaluate RIS. This mindfulness will become increasingly relevant as we enter a period of time when more than 4.1 million Americans will turn 65 each

[6] Invesco, Show me the Income (2022), available here.
[7] Allianz Life, Annual Retirement Study.
[8] LIMRA, Are In-Plan Annuities at a Tipping Point? (November 2023), available here.

year through 2027.[9] Congress and regulators have recognized this importance but there is still reluctance to even evaluate these solutions given the reasons discussed today.

3. Regulatory and Legal Background

Congress adopted the Employee Retirement Income Security Act of 1974 (ERISA) for the primary purpose of protecting participants' and beneficiaries' interests in their retirement plans. As the middle part of its name suggests – Retirement Income Security – the original intent of Congress was to focus on the security of American workers' access to retirement income.

Over time, regulators have recognized that this need continues to be even greater given that the retirement plan landscape has changed significantly since ERISA became law. The most dramatic change is reflected in the shift from employees' primary dependence on defined benefit plans to their reliance on defined contribution/individual account plans, such as 401(k) and 403(b) plans.[10] Arguably, the shift away from defined benefit plans and the move to defined contribution plans is not because employers did not value retirement security for their employees. Instead, employers were attempting to control costs. In fact, today, those most likely to implement RIS are those who are used to having a defined benefit plan.[11]

The Pension Protection Act of 2006 and the regulations for QDIAs have helped the savings and accumulation phase substantially, but the decumulation phase still requires attention. The Department of Labor (DOL), the Department of Treasury (Treasury) and even Congress have made great efforts to provide assurances related to inclusion of RIS in plans but more work remains:

- **2008**: The DOL finalized a regulation titled "Selection of Annuity Providers—Safe Harbor for Individual Account Plans."[12]
- **2010**: The DOL and Treasury jointly issued a request for information seeking suggestions for how they might facilitate broader defined contribution plan participant access to lifetime income.[13]
- **2014**: The DOL published an Information Letter from Phyllis Borzi of the DOL to Mark Iwry at Treasury, which confirmed the application of the 2008 safe harbor to a series of target date funds (TDFs) including unallocated deferred annuity contracts.[14] The Information Letter served to reiterate fiduciary guidance already on the books, to increase employer interest in RIS, and to stimulate product development among RIS manufacturers. Iwry and Borzi recognized that RIS manufacturers desired demand before they invested in the supply intended to meet that demand. Their approach had a positive impact but not at the desired widespread level.

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[9] Social Security Administration, March 2024.
[10] See generally, 88 Fed. Reg. 75890, 75892, November 3, 2023.
[11] Plan Sponsors Face In-Plan Annuity 'Tipping Point' in 2024, citing LIMRA study (2023), available here.
[12] 73 Fed. Reg. 58447, October 7, 2008.
[13] 75 Fed. Reg. 5252, February 2, 2010.
[14] Information Letter from Phyllis C. Borzi, US Department of Labor, to J. Mark Iwry, US Department of the Treasury, October 23, 2014.

- **2015**: The DOL issued a Field Assistance Bulletin responding to the recurring feedback "that employers remain[ed] unclear about the scope of their fiduciary obligations with respect to annuity selection under defined contribution plans."[15]
- **2019**: Congress took a more definitive step by providing a new lifetime income provider selection safe harbor in the SECURE Act of 2019.[16] Legislative drafters listened to concerns about the 2008 safe harbor and provided a new "safer" safe harbor designed to make it easier for fiduciaries to prudently select and monitor RIS.

4. Evolution of Retirement Income Solutions

Given the regulatory and Congressional activity from the last decade, RIS manufacturers recognized an opportunity to innovate and develop new solutions. While RIS was not a new concept, several of the more traditional RIS were never successful in part because of the real and critical issue that recordkeeping platforms dictated the available options; the only options were the recordkeeper's proprietary products, which led to portability problems when a plan sponsor needed to change recordkeepers in the future.

Thankfully, the market is evolving. The SECURE Act of 2019 sparked innovation and RIS manufacturers leveraged technology, including middleware, to solve many of the historical challenges of RIS. The retirement plan marketplace now reflects the collaboration of parties to build new solutions (e.g., many partners in the RIC). It also reflects recordkeepers' acknowledgment that they will need to offer more solutions in order to gain and retain business. For purposes of today's testimony, I will refer to three broad types of RIS which are part of the framework developed by the Retirement Income Consortium: [17]

- **Security-based solutions** provide managed payouts (systematic withdrawals) from accumulated retirement account savings and investments. These solutions allow plan participants to select from a finite range of target payouts designed and implemented by a professional manager. The payouts rely on interest, dividends and capital gains; therefore, the payouts vary based upon market conditions. Those who select these solutions favor access to their assets, the potential for higher returns, and the possibility of having undistributed assets at death for bequests. They value these potential upsides over the downside risk of securities market exposure and the possibility of distributing all accumulated assets before lifetime income needs are met.

- **Insurance-based solutions** provide guaranteed income from immediate or deferred fixed annuities. These solutions focus on mitigating longevity risk through a long-term contractual commitment. Those who select these solutions favor certainty of income and relative freedom from ongoing decision-making over control of assets (i.e., liquidity) and the upside of exposure to securities markets.

[15] US DOL, Field Assistance Bulletin 2015-02.
[16] SECURE Act of 2019, Section 204.
[17] See Prudent Practices for Retirement Income Solutions, available here: https://www.fi360.com/uploads/media/Assets/RIS_PrudentPractices_eBook.pdf.

- **Hybrid solutions** provide a combination of insurance-based guaranteed income and access to accumulated assets in retirement account savings and investments. These solutions include variable and indexed annuities procured from insurance companies, often including riders to provide guaranteed lifetime withdrawal benefits (GLWB). Those who select hybrid solutions seek to address a broad array of risks, such as longevity, legacy, liquidity and cognitive (management ability) risks. They are willing to pay the added cost of features that may help mitigate those risks.

There are now 25+ RIS available for consideration across these three solution types. While all three RIS types provide viable options to assist participants in meeting their needs in retirement, my testimony will largely focus on the latter two types: (1) insurance-based solutions and (2) hybrid solutions. Both of these solution types have an underlying guarantee and have been the source of much innovation in recent years. While there will be much testimony and comments submitted with respect to specific product types, I will focus my testimony on key differences in the modern RIS types that may still face some challenges and may benefit from the opportunities for RIS adoption and implementation as outlined herein.

A. **Middleware**: Portability has historically been a problem for RIS. It is important to consider portability concerns at two distinct levels: (1) the "participant level," which provides an individual with portability when the individual experiences a distributable event; and (2) the "plan level," which reflects plan fiduciaries' ability to select a new recordkeeping platform and to bring the in-place option to the new platform. Congress sought to solve the participant-level portability challenge with the SECURE Act of 2019.[18] However, without the technology, the changes to the rules are fruitless.
It is the new RIS' integration of middleware that makes portability a reality. At its simplest, a RIS including middleware technology may be moved from recordkeeper-to-recordkeeper without the plan sponsor or other plan fiduciary fearing that participants will lose any historic value attributable to holding that RIS. Participants who move to another employer offering the same solution—either at the same recordkeeper or on a different recordkeeping platform—are also able to preserve their accumulated income guarantee benefit thanks to the middleware technology. Examples of middleware providers include SS&C and Micruity.[19]

B. **Solutions available as QDIA and TDF**: RIS options in the marketplace today are available as the plan's QDIA.[20] We know that, given the limited investing experience of many plan participants, the QDIA option has become a favored option both for participants and for plan sponsors. Further, research shows that implementing RIS in an automated fashion resonates with participants. For example, when asked how they felt about their employer automatically enrolling them into a RIS option, assuming they could opt out with no penalty when they receive the notification, approximately 80% of respondents were in favor.[21]

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[18] Internal Revenue Code 401(a)(38) (as added by SECURE Act of 2019, Section 109).
[19] Many examples are used throughout the testimony and should not be taken as an exhaustive list, but rather examples to demonstrate a point(s).
[20] For example, BlackRock LifePath Paycheck™ and IncomeAmerica 5forLife.
[21] Millennial participants had a more favorable view than boomers (83% versus 75%), along with those with income less than $100k (83%). See Invesco, Show me the Income (2022), available here.

One of the complaints of traditional RIS has been complexity. Some of the solutions remain complicated, but some of the solutions are becoming more straightforward – which will continue to be an opportunity for the adoption of RIS. Some solutions are now available as part of a TDF. They are structured in a way that does not feel like the complexity has dramatically increased for the plan sponsor, nor the participant. These solutions, such as BlackRock's LifePath Paycheck solution, approach retirement income by providing access to guaranteed income through a TDF. Plan participants will have the option to access the guaranteed income as early as age 59 ½ by purchasing annuity contracts issued by Equitable and Brighthouse Financial. [22]

C. **Participant Data and Personalization**: Another complaint that is often proffered against in-plan RIS options (as opposed to retail annuities) is that RIS options are too personal to be delivered in a retirement plan. Beyond the TDF structure, there are other options that allow for greater personalization, including a managed account program (MAP) or automated personalized portfolio (APP) that creates an investment profile and portfolio tailored to each investor's unique data set. RIS types can now be considered as part of the personalization experience at a lower fee that may have historically been the case due to new technology at recordkeepers and innovation with technology firms such as iJoin.

   Beyond MAP programs, other work is being conducted to allow for a more personalized RIS experience. Alex Murguia, Ph.D. and Wade Pfau, Ph.D. are conducting research to determine methods to apply their Retirement Income Style Awareness (RISA) profile to participants using available data from recordkeepers. Their research is ongoing, and it is anticipated that others will develop frameworks for applying participant preferences and data to RIS types (see 5 Dimension Framework below).

5. Evolution of Due Diligence

Plan fiduciaries require a framework for conducting a prudent selection, monitoring and replacement process for RIS. There are two necessary components: (1) the prudent process itself and (2) tools or resources to provide the data for the process. I will address three categories that are evolving to meet this need: (1) objective third-party frameworks that can be used with any commercial tools and are publicly available, (2) an external market for organizations developing tools under a fee-for-service arrangement, and (3) RIS manufacturers that are developing processes and associated tools.

A. **Objective Third-party Frameworks**: Recognizing the need for a consistent and repeatable process, retirement plan industry trade groups have developed processes for selecting and monitoring RIS. While there are likely others, I will identify a few examples in this section.

[22] BlackRock Activates Retirement Solution Offering A Paycheck For Life (April 2024), available here.

Prudent Practices from the Retirement Income Consortium (Prudent Practices)[23] is a ten-step process that is intended to help plan fiduciaries, particularly retirement plan advisors and the plan sponsors they serve, to prudently evaluate, select and oversee retirement income solutions in qualified defined contribution plans. While the Prudent Practices were intended to, at the least, meet the fiduciary prudent person standards of ERISA, they are also intended to reflect best practices, which in some cases exceed those imposed by law. The Prudent Practices are interrelated and not strictly sequential. Decisions made and actions taken in performing one practice often need to be synchronized by making adjustments in the realm of other practices; understanding this interconnectedness is essential for the proper application of a prudent process under ERISA.[24]

NAPA's RI(k) education shows advisors and consultants a prudent process that aligns closely with the Prudent Practices. NAPA's RI(k) highlights the importance of evaluating the risks that the plan sponsor is trying to solve (e.g., longevity risk, mortality risk, market risk, inflation risk, etc.) and identifying the RIS type that aligns with solving those risks. Once the type is identified, there are major questions that plan sponsors should consider including: (1) QDIA versus non-QDIA, (2) recordkeeper availability, (3) method of delivery such as managed accounts, collective investment trusts (CITs), etc. and (4) timing such as in-plan versus out-of-plan. Once these questions are addressed, plan advisors are taught to follow a prudent process to help compare similar RIS types.

B. **Fee-for-service Tools:** To execute on the framework, some advisors that work with plans up-market have proprietary processes and scoring methodologies. Other advisors appear to be positioned to rely on a growing external market for organizations that have built out thoughtful, robust, and flexible comparison tools. These tools, frequently offered under a fee-for-service arrangement, provide an unbiased and objective outlook that helps fiduciaries not only perform the necessary due diligence but also create a clear record of that investigation. As RIS innovation continues, it is likely that more comparison services will become available for plan fiduciaries. I will identify three available comparison tools in the market today:

   i. **Broadridge's Retirement Product Evaluator for Retirement Income Products**: Utilizing data from Cannex, this tool seeks to simplify and streamline the fiduciary due diligence process and develop a comparative output for the plan fiduciary's file. This tool tracks the criteria from the Prudent Practices and allows for scoring each RIS by weighting the importance of individual criteria based on the plan's

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[23] Primary contributors to the Prudent Practices include Blaine F. Aikin, AIFA®, CFA®, CFP®; Gary Baker; John Faustino, AIFA®, PPC®; Branislav Nikolic, FRM; Michelle Richter, AIF®; and Bonnie Treichel, JD. Prudent Practices for Retirement Income Solutions, available here. The Practices are broken into four major categories and address the following, including but not limited to: (1) settlor versus fiduciary roles in the selection of RIS types, (2) investment policy statement, plan document, and other governance changes to support RIS, (3) the statutory safe harbors available for the selection of RIS options, (4) criteria for selection and monitoring RIS, (5) ongoing monitoring of RIS, (6) necessary agreements, including conflicts of interest.

[24] The Center for Board Certified Fiduciaries launched a program related to fiduciary best practices for insurance and annuities which established a process of about two dozen steps for plan fiduciaries to follow when evaluating in-plan annuities. See, InvestmentNews, Fiduciary group offers best practices for using annuities in retirement plans, available here.

needs/preferences and determining the product's level of alignment with the plan's needs.[25]

ii. **Nestimate**: Provides its own proprietary process, analytics and tool for advisors and plan sponsors to use for prudent selection, monitoring and replacement of guaranteed RIS options. This process for selection and monitoring utilizes the evaluation of income, priorities for risks and ranking of the same, and evaluation of types based on annuity type – variable, fixed, and fixed index annuity. This tool does not include security-based solutions.[26]

iii. **401(k) Annuity Hub:** This solution is not yet commercially available. It is a simplified selection process that guides a plan fiduciary through a series of two to seven questions depending on the responses to the initial inquiries. Upon responding to the initial decision tree, plan fiduciaries can compare features of RIS options and retrieve a product summary for each option. Data is provided by the RIS manufacturers directly.

C. RIS Manufacturers' Frameworks: RIS manufacturers are also innovating with their own proprietary frameworks and tools. T. Rowe Price Five-Dimensional Framework[27] is one of the most recent frameworks to be introduced (in June 2024). It purports to offer a new method to help plan sponsors evaluate retirement income solutions for their participant populations. Their approach starts with the assumption that every aspect of the in-retirement experience is captured by at least one RIS currently available in the marketplace. Using the current marketplace, there are five key attributes that are specific, mutually exclusive, exhaustive and characterize the retirement income experience. T. Rowe Price anticipates that plan fiduciaries can use their analysis in conjunction with the specific retirement income needs of their participant populations to identify "best fit" solutions.

American Century Income Blueprint was one of the first tools that was available in the marketplace. This tool does not include data populated by other RIS manufacturers; it relies on the inputs from the plan fiduciary. It aligns with the safe harbor and provides an output for purposes of due diligence organized in three "simple steps." This tool allows the plan fiduciary to enter individual preferences to narrow the universe of RIS.

6. **Challenges to Selection and Implementation.** My testimony will address five (5) primary challenges that I encounter in the discussion of RIS with plan advisors and plan sponsors. Some of these challenges are real and some are historical challenges that are quickly evolving.

A. The evolution of RIS options has sparked new, often complex, options. Technologyand innovation have brought to market many new solutions in the past five (5) years and more are continuing to come to market. Competition is positive for creating better availability of RIS options and more competitive pricing of RIS. Instead of simplifying, several solutions have

[25] See generally, Fi360 Retirement Product Evaluator, https://www.fi360.com/what-we-do/software-technology/retirement-product-evaluator/.

[26] See generally, https://www.mynestimate.com/.

[27] T. Rowe Price, A five-dimensional framework for retirement income needs and solutions, available here.

become more complex and the "map" of solutions for advisors to keep track of keeps growing, which presents a challenge for plan fiduciaries seeking to prudently select and monitor RIS.

B. **Portability to move solutions with the retained benefit has been a historical challenge to RIS.** As discussed above, middleware and other technology are helping to make RIS options available beyond a single recordkeeping platform which is critical to the success of RIS adoption. However, I would be remiss to say that portability is not still a real challenge as of the date of this testimony. It continues to evolve but there are still challenges with a limited number of solutions on each recordkeeper's platform, particularly across all market segments.

C. **The safe harbor (still) doesn't feel safe because some RIS options are perceived to be "too expensive" and some RIS options lack transparency in their fees and reporting structure**. Though viewed as an improvement from the prior safe harbor, the 2019 safe harbor is not often viewed as an incentive to add insurance-based or hybrid RIS options because there are still challenges to prudently selecting and monitoring retirement income solutions – chiefly, the reasonableness of the fees component of the analysis. For example, there is often a concern with measuring the future value of the insurance attributed to the safety and protection of insurance. There is also a challenge attributed to measuring and comparing implicit versus explicit fees coupled with a perpetual fear of litigation for the failure to properly assess such reasonableness.

   Because of this fear of litigation – regardless of whether that fear is well-reasoned – many avoid the selection of RIS until there are better ways to assess/benchmark fees and obtain necessary information, particularly where fees are implicit. Understanding implicit versus explicit fees can be complicated and can rely on the RIS manufacturers to provide information at the request of the plan fiduciary.

D. **The vocabulary from one RIS manufacturer to the next is different, creating confusion and complexity**. The vocabulary surrounding retirement income solutions remains difficult across the RIS manufacturers and the retirement plan generally, which makes it even more complicated for plan sponsors and participants. There have been efforts by industry groups such as DCIIA and the RIC to collaborate and bridge this gap, but there remains a challenge to unify the nomenclature.

E. **Without being a QDIA, adoption may never be successful**. Inertia remains a powerful factor for retirement plan participants; when retirement income solutions are not part of a QDIA, utilization remains a challenge. According to a report from AllianceBernstein, incorporating insurance into a participant's asset allocation may improve sustainable withdrawal rates by 70% or more. The report asserts that the most effective way to deliver insurance is as part of a QDIA and that among other benefits, three benefits to incorporation into the QDIA include: (1) reduced stress for participants, (2) improved workforce management for plan sponsors/ employers and (3) retain more assets in-plan which allows the plan sponsor more leverage to negotiate with providers (than participants would on their own) for better pricing in the plan.

7. **Opportunities for Retirement Income.** My testimony will address three (3) opportunitiesthat would allow plan fiduciaries to prudently select and implement RIS options. Some of these opportunities are underway and at various stages while others are in their infancy. There are other opportunities that exist beyond these recommendations.
   A. **Access to RIS as a QDIA.** There is no one-size-fits-all that works for all plans and participants. Many retirement plans enjoy the most success with auto features including automatic enrollment and automatic escalation. While the inclusion of retirement income as part of the QDIA may not be appropriate for all plans, providing access to plan fiduciaries to allow for RIS options as a QDIA will provide for greater adoption of RIS.

      The current QDIA regulations do not prohibit a TDF nor a MAP from incorporating RIS as part of a QDIA. In fact, the 2014 information letter discussed above explicitly confirmed application of the 2008 safe harbor to a series of TDFs including unallocated deferred annuity contracts. Despite this, many plan fiduciaries are still reluctant to use TDF or MAP which include retirement income features as a QDIA.

      If the marketplace believes in RIS options to achieve greater participant outcomes, then the ability to access RIS options as a QDIA is critical for adoption. While additional guidance may not technically be required, there is a perception that the current guidance is not enough to make plan fiduciaries feel safe to use RIS as a QDIA.

   B. **Consistent language and education to assist the retirement plan industry with prudent selection, alongside implementation and adoption of RIS.** A barrier to the marketplace for all gatekeepers continues to be a common understanding of the vocabulary. Through consistency and education, there is an opportunity for a top-down approach to provide education to the retirement plan marketplace, which in turn may educate plan sponsors and plan participants. Education programs through the American Retirement Association and other objective third-party organizations will continue to support prudent decision-making by plan fiduciaries, but opportunities for collaboration and expansion of education efforts remain.
   C. **Transparency in fees to inform plan fiduciaries in their prudent selection and monitoring of RIS.** One of the greatest opportunities for plan fiduciaries to conduct a prudent selection process and ongoing monitoring of RIS is the continued improvement of transparency related to fees. The SECURE Act of 2019's safe harbor requires that the relative cost of the selected guaranteed retirement income contract is "reasonable." As described herein, those costs/fees may be explicitly stated (e.g., 100 basis points) or the costs/fees may not be stated at all (i.e., implicit fees). The plan fiduciary is reliant upon the tools described herein or other requests made directly to RIS manufacturers to request information related to the fees.

      One way that the retirement plan industry may evolve to meet the needs of plan fiduciaries is similar to the way that CITs evolved over time. Initially, CITs had an issue with lacking transparency. They were initially only available in the mega-market space and there was a lack of information available about CITs. Today, CITs have evolved, and they are available in nearly all market segments; it is much easier to ascertain information about these options. The market demanded transparency and the solution evolved, which may be the case with RIS options. In the absence of such evolution, other avenues or guidance may be required in the future.

RIS have yet to reach widespread adoption. However, there is a growing sentiment that there should be an ability for a plan fiduciary to access education, solutions and the necessary resources to conduct a prudent process to select, monitor and replace an RIS option (or eventually, multiple RIS options) where appropriate for the plan and its participants.

I thank you for the opportunity to present this testimony regarding the current state of the marketplace from a practical perspective.