Public Sector
401, 403 and 457 Plans—
Day 2

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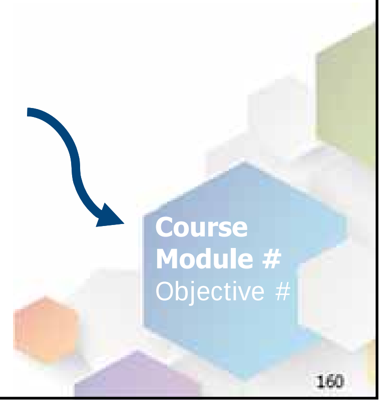
The CEBS Program

The International Foundation's highest educational achievement is its Certified Employee Benefits Specialist (CEBS) designation.

The program comprises five self-study courses (each with an exam) that provide deep technical knowledge of employee benefits.

While the program is intense, its content should not intimidate anyone interested in employee benefits. The CEBS icon in the corner of some slides indicates that the following topics overlap with CEBS content



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Class Participation Tool

Scan the QR Code
or
Use the URL

pollev.com/if8

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ReCap of Day One—Plan Knowledge

- Familiarity with Plan Variations
  - Discretionary Options
  - Rollovers/DB Service Credits
  - Tax Implication
- Familiarity with Plan Documents
  - Formal Plan Document
  - Contract(s)
  - Trust/Investment Policy Documents
- Legal/Legislative Support

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ReCap of Day One—On-Site Personnel

- Level of Personnel Expertise
- Availability/Accessibility to Participants
- Face-to-Face Meetings
  - Group Sessions
  - Individual Counseling
- Trouble-shooting

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ReCap of Day One—Financial

- Investment Options
  - Breadth of Investment
  - Superior Return/Low Fees "Optimal Net Return to Participant"
- Investment Policy Standards
  - Proactive Internal Due Diligence on Funds
- Self-Directed Brokerage Account Options
  - Accessibility/Design

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ReCap of Day One—Financial

- Printed Material
- Web-site Organization/Assistance
- Administration of Special Functions (*e.g.*, in-service withdrawals and other optional provisions)
- Minimal Special Service Fees
- Expense Reimbursement/Support

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ReCap of Day One—Education

- Develop Educational Policy Statement
  - Education of Decision-Makers
  - Participant Education—Stage of Career/Life
  - Variation of Medium
- Portfolio Planning—DC and DB
- Financial Advice
  - Registered Representative
  - Web/Financial Advice Services
- General Education

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ReCap of Day One—
Performance Standards/Guarantees

- Establish Standards (Examples)
- Identify Financial Risk
- Solicit Plan Participant Feedback
- Constant Elevation of Standards
- Regular Interaction with Provider(s)

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Small Group Exercise

- Identify the top three improvements you plan to make to your management of defined contribution benefits as a result of what you have learned so far.

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Small Group Exercise

- Identify the top three improvements you plan to make to your management of defined contribution benefits as a result of what you have learned so far.

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Day Two—Overview

- Options and Trends
- Managing Investment Oversight
- Developing Educational Programs
- Case Study

170

Options and Trends

171

Overview

- SDBA
- Loans
- Investment Advice
- Asset Allocation Models
- Employer Matching
- Multi to Single Provider
- Automatic Enrollment
- Managed Accounts
- Retiree Health Savings Accounts

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Options and Trends—SDBA

- Self Directed Brokerage Account
  - Vast array of mutual funds
  - General securities
  - Vocal minority
  - “Big Kid” letter

173

Options and Trends—Loans

- Eligibility Requirements
- Advantages/Disadvantages
- Minimum/Maximum Amounts
- Impact on Plan Assets
- Administrative Requirements
- Number of Loans allowed
- Loan Defaults

174

Options and Trends—IRAs

- Advantages/Disadvantages
  – Traditional
  – Roth
- Administrative Requirements

175

Options and Trends

- Education—Guidance—Advice
- Investment Advice
  – Employer issues
  – Face-to-face
  – Online services
  – Fee considerations
    - Plan size
    - Provider compensation

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Options and Trends—Asset Allocation Models

- Description of Asset Allocation Models
- Public Sector Asset Allocation
- Characteristics of Current Models
  - Time Based
  - Risk Based
  - Frequency of Rebalancing
  - Frequency of Allocation Changes
  - Underlying Investments

Source: InFre Publication—*Rethinking Public Sector Asset Allocation Models*

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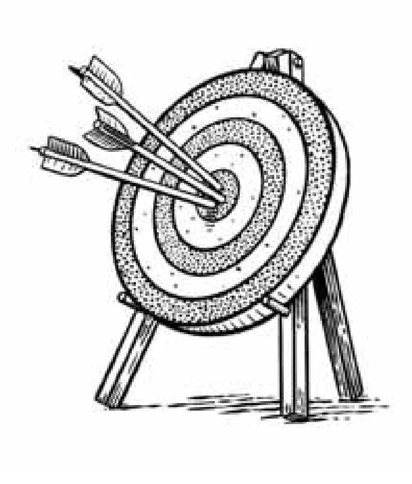
Options and Trends

- Employer match funding to 401(a) plans
  - All employees, or
  - Special class of employees, or
  - Hybrid
  - Mandatory vs. Voluntary



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Poll Everywhere

How many providers service your plan?

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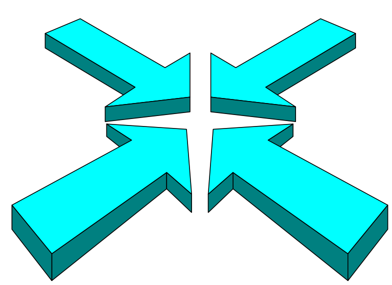
Options and Trends

- From multi-provider to sole provider
  - Economies of scale
  - Participant communication
  - Decision-Maker education
  - Participant education
  - Administrative ease
  - Sole plan document



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Poll Everywhere

Have you implemented auto enrollment?

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Options and Trends

- Auto-Enrollment
  - Improving Participation
  - Private vs. Public Sector
  - State Implications/Garnishment
  - Federal Exemption
  - Collective Bargaining
  - Auto Escalation
  - Opt Out Required

Reference Material, page 139: NAGDCA Auto Enrollment State Map

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Options and Trends

- Active Choice
  - Behavioral Finance studies show increased participation in plans using Active Choice
  - Employees are asked to actively choose to participate—Or not
  - Options are worded to help employees understand the risks of not saving for retirement, often motivating new participation or increased contributions

Reference Material, page 207: *Active Choice Enrollment form*

Options and Trends

- Compliance oversight and monitoring
  - New legislative and regulatory actions result in new challenges for plan compliance
  - Increased legislative and regulatory scrutiny mean more proactive oversight by fiduciaries
  - Third party compliance audits, in addition to financial audits, may be advisable

Options and Trends

- Fee Equalization Plan Administration
  - Explicit Administrative Charge
  - Lowest Cost/Best Share Class
  - Record Keeping Ability—Revenue Sharing
    - Credit all revenue to participant account generating the revenue
    - No revenue from fund to record keeper
  - Communication with participants

Reference Material, page 179: Fred Reish White Paper—*Allocating Fees Among Participant-Directed Plan Participants*

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Options and Trends

- **Retiree Health Savings Account (RHSA)**
  - Types of RHSA
    - Integral Part Trusts—IPTs Section 115
    - Voluntary Employee Beneficiary Association (VEBAs)
  - Part of RFP
    - Consolidation of Investment Options
    - Stand Alone Options
  - Decision after RFP

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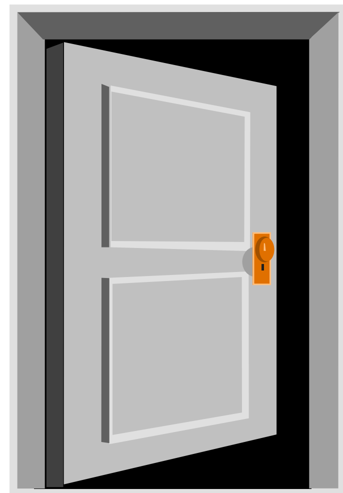
Options and Trends

- Communicate
- Communicate
- Communicate

"The greatest mistake about communication is the belief that it has been accomplished."

– George Bernard Shaw



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Managing Investment Oversight

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Managing Investment Oversight

- Investments 101
- Internal Oversight
- Importance of Coordinating with DB Plan
- Coordinating with DB Plan
  - Calculation of Defined Benefit Amount
  - Integration with Defined Contribution Assets
- Discussion with DB/DC Managers

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Poll Everywhere

Who reviews the investments offered in your plan?

192

Investments 101

- Basis Points
  - One Basis point equals 1/100 of a percent, 0.0001 or 0.01% (example: 0.66% equals 66 basis points).
  - Why important—Discussion on investment performance, expenses and differences between fund returns and fixed interest calculations are often in basis points.

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Investments 101

- Expenses
  - Expense Ratio
  - Share Class
  - Marketing Fees (12b-1 fees)
  - Unallocated/Allocated Record-Keeping

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Investments 101

- Asset Classes

Bonds	Large Capitalization Stocks	Mid Capitalization Stocks	Small Capitalization Stocks
International/World Stocks	Balanced Funds	Asset Allocation Funds	

RPA 2
Module 8
Objective 3

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Investments 101

- Asset Categories: Bonds
  – High Grade/Low Yield
  – Low Grade/High Yield

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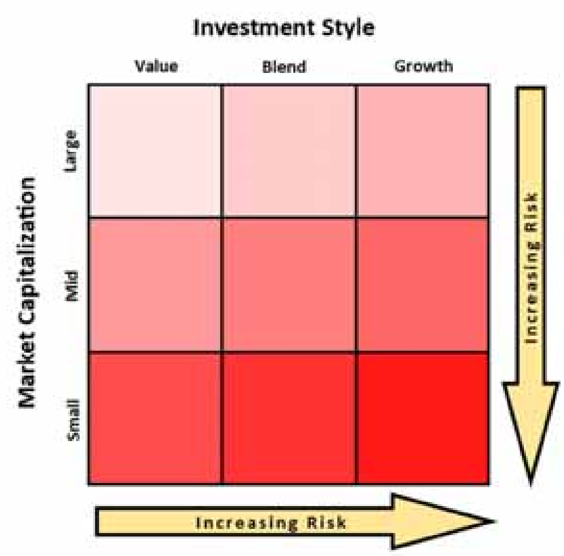
Investments 101

- Asset Categories: Stocks
  - Growth
  - Value
  - Blend



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Investments 101

- Asset Categories: Asset Allocation
  - Risk Based
  - Target/Age-Based
  - Hybrid Risk/Target

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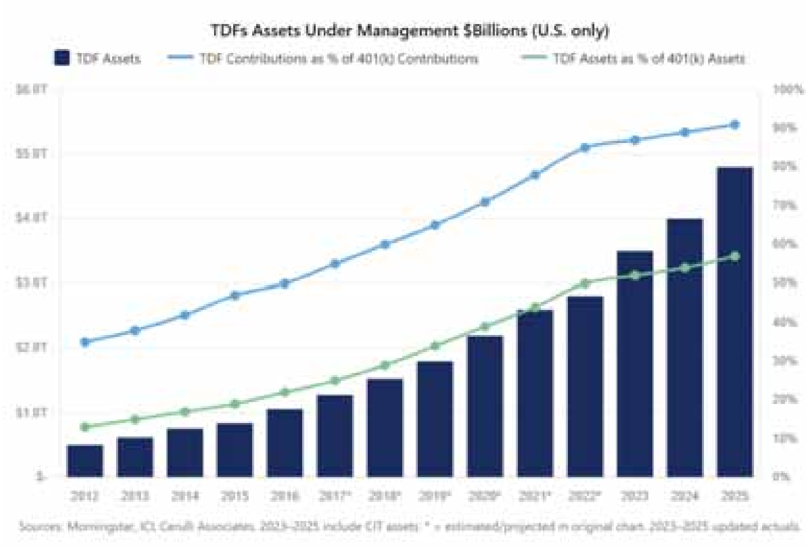
Investments 101

- One of the most widely used investment options in defined contribution plans
- $4.8 trillion in total assets (mutual fund and CIT series combined), as of year-end 2025[1]
- Capturing 64% of new contributions and representing 42% of total Defined Contribution assets in 2024[2]
- Prolific TDF prevalence necessitates increased due diligence by fiduciaries



Source: [1]https://401kspecialistmag.com/21-rise-in-2025-tip-target-date-assets-past-5-trillion-mark/
[2]https://theideafarm.com/wealth-management/target-date-funds-primer/

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Investments 101

- Target Date Funds

Glide Path	To or Through	Active or Passive	Tactical or Strategic
Slope or Stepped	Expense Structure	Proprietary Versus Open Architecture	

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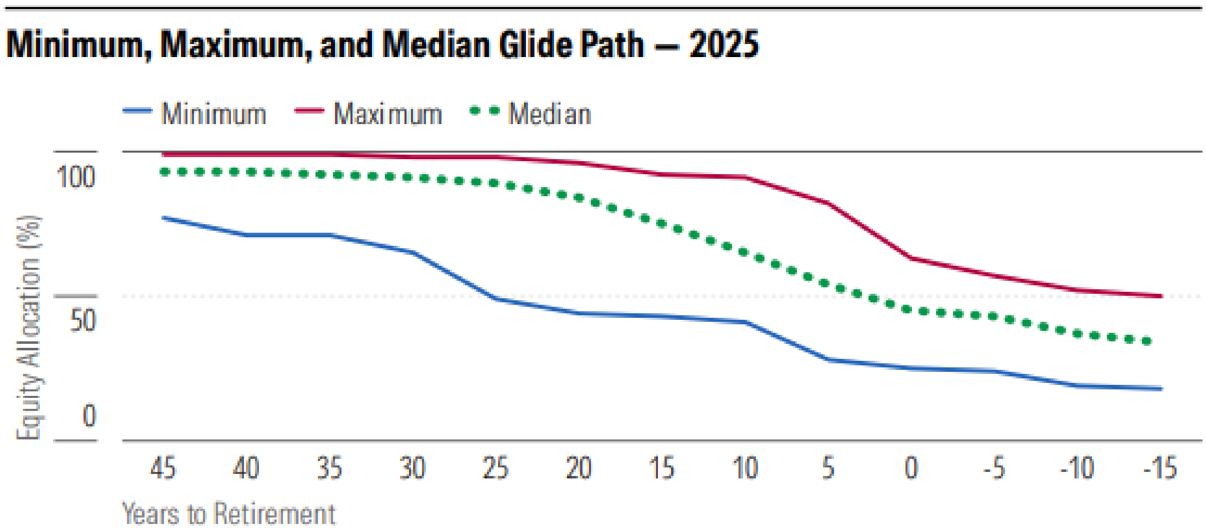
Target Date Fund—Glide Path



Source: Morningstar Direct, author's calculations. Data as of Dec. 31, 2025

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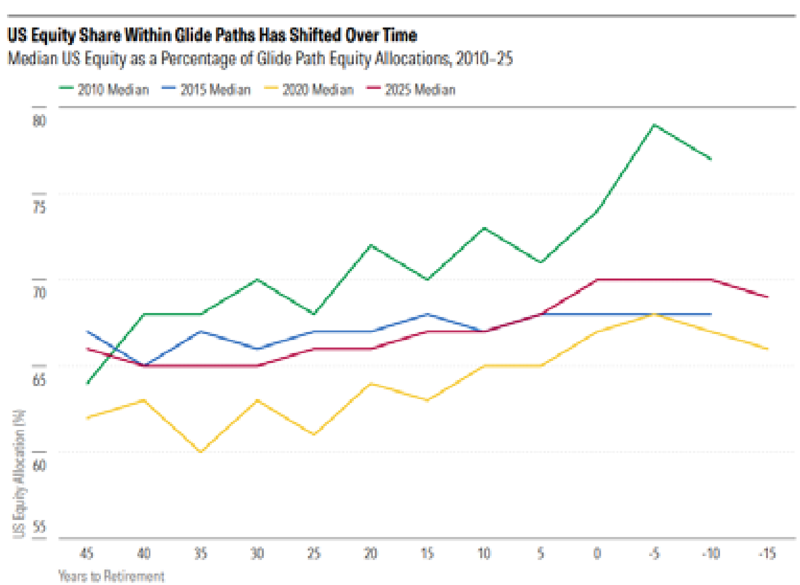
Differences Among Off-the-Shelf TDF Glide Paths

- TDFs have never been more widely available or more diverse
- TDF equity allocations at retirement can vary by more than 50 percentage points



Source: Morningstar Direct and author's calculations. Data as of Dec. 31, 2025.

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Investments 101

- Active vs. Passive
  - Actively Managed Mutual Funds
    - Selects asset categories
    - Selects investment sectors
    - Selects individual investments
    - Usually more assets held in cash
    - More expensive

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Investments 101

- Passively Managed Funds (Index Funds)
  - The portfolio is based on investments that are contained in a specific objective, *e.g.*, S&P 500.
  - Low turnover
  - Investments are bought and sold as specific investments are deselected and selected into the portfolio.
  - Must follow the investments and sectors that are allocated to the specific objective.
  - Low expense ratio.

205

Investments 101

- Diversification
  - Rarely do all asset classes move in the same direction.
  - The benefit of a diversified portfolio is that the investor has downside protection.

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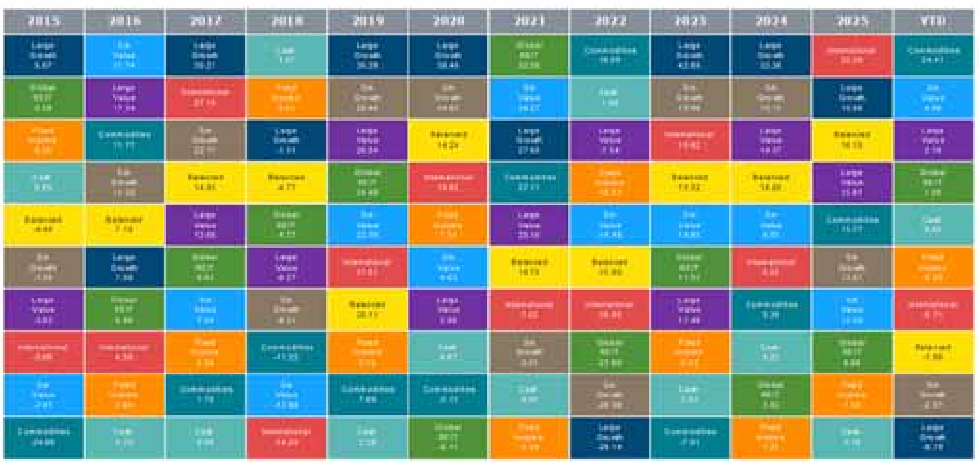
Asset Class Performance

The following chart exhibits the volatility of asset class returns from year to year by ranking indices in order of performance, highlighting the importance of diversification.



Large Value (Russell 1000 Value)
Large Growth (Russell 1000 Growth)
Small Value (Russell 2000 Value)
Balanced (40% Russell 2000, 40% Bloomberg Barclay's U.S. Aggregate, 20% MSCI ACWI ex US)
Small Growth (Russell 2000 Growth)
International (MSCI ACWI ex-US)
Fixed Income (Bloomberg Barclays Agg)
Global REIT (S&P Global REIT)
Commodities (Bloomberg Commodities)
Cash (Merrill Lynch 3-Mo T-Bill)

Performance shown represents past performance. Past performance is no guarantee of future results.

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Investments 101

- Stable Value/Fixed Income Risk
  – Types of Funds—Separate/Pooled/General
  – Benchmarks
  – Exposure to creditors
  – Composition of underlying assets
  – Assessment of asset composition risk
  – Use of other insurance coverage
  – Highlighting fund/characteristics

Reference Material, page 152: NAGDCA Publication—*Stable Value Fund Selection and Monitoring*

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Investments 101

- Fixed Account Liquidation
  – Market Value Adjustment (MVA)
    - Differential between Book Value and Market Value
  – 12 Month Put
    - Provider authority to release fixed funds at discretion up to 12 months

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Collective Investment Trust (CIT)

What is a Collective Investment Trust?	Regulated by the OCC:	Qualified Plans Only:	Bank/Trust Company Trustee:	Negotiated / Custom Pricing:
• A Collective Investment Trust (CIT) is a pooled investment fund maintained exclusively by a bank or trust company for qualified retirement plans. CITs are regulated by the Office of the Comptroller of the Currency (OCC)—Not the SEC—Enabling a cost-efficient institutional structure.	• Governed under federal banking law and the bank's Collective Investment Fund (CIF) plan document—Not SEC registration.	• Available exclusively to ERISA plans, governmental 401(a)/457 plans, and—Since SECURE 2.0—403(b) plans.	• A federally chartered bank or trust company serves as trustee with direct fiduciary responsibility over assets.	• Fees are negotiated directly with the trustee, enabling institutional pricing unavailable in retail mutual funds.

Source: OCC 12 C.F.R. Part 9; ERISA; SECURE 2.0 Act of 2022

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Market Has Reached a Tipping Point

$7.5T+	46%	3×	80%+
Total CIT assets	DC plan assets now in CITs	CIT asset growth, last decade	Mega plans (>$1B) using CITs

Why the Shift?

- Lower cost structures are driving plan sponsors to replace mutual funds with CITs.
- SECURE 2.0 (2022) opened 403(b) plans to CITs—Adding millions of new eligible participants.
- Record-keeper infrastructure improvements have made CIT adoption feasible for smaller plans.
- Growing regulatory comfort with OCC oversight among public-sector plan fiduciaries.

Source: Investment Company Institute (ICI) 2024; Morningstar CIT Landscape Report

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Mutual Funds: A Side-by-Side Comparison

Feature	CITs	Mutual Funds
Regulatory Body	OCC / Federal Banking Law	SEC
Available To	Qualified retirement plans only	All investors
Expense Ratios	Generally lower	Generally higher
Pricing	Negotiable / custom	Fixed (published NAV)
SEC Registration	Not required	Required
ERISA Coverage	Fully subject to ERISA	Not directly subject
403(b) Access	Yes—Since SECURE 2.0 (2022)	Yes
Transparency	Institutional disclosure	Daily public NAV

Source: OCC; SEC; Investment Company Institute; SECURE 2.0 Act (2022)

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Advantage: Every Basis Point Matters

Collective Investment Trust

0.20%

Average annual expense ratio

vs.

Mutual Fund

0.44%

Average annual expense ratio

24 basis point annual savings —$2,400/yr on a $1M portfolio → $65,000+ more over 30 years

Source: Morningstar 2024; illustrative projections at 6% annual return over 30 years

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Plan Sponsors Choose CITs

Lower Investment Costs

Institutional pricing eliminates retail overhead, reducing participant drag by an average of 24 bps.

Flexible, Custom Pricing

Fee structures negotiated directly with the trustee—Tailored to plan size and aggregate assets.

ERISA Fiduciary Shield

CITs are fully subject to ERISA. The bank trustee structure provides an additional oversight layer.

Institutional-Quality Access

Investment strategies managed by top-tier asset managers, available only to qualified plans.

Operational Efficiency

Streamlined share-class structure and simplified administration reduce plan complexity.

The Real Cost of Fees

24 bps

Annual fee advantage of CITs over mutual funds

$240,000

Cumulative savings on $1M over 30 years at 6%

6%

Annual return assumption used

Small fee differences compound into significant retirement outcomes.

Source: Illustrative projection; 6% annual return; 30-year horizon; Morningstar 2024

Regulatory Framework

OCC	**Office of the Comptroller of the Currency** Primary regulator under 12 CFR Part 9. Charters and supervises national banks serving as CIT trustees; requires written CIF plan documents, annual audits, and fair-value accounting.
Federal Law	**12 CFR Part 9 / Federal Banking Law** Establishes permissible investment activities, collective fund operating rules, and fiduciary standards for CIT trustees. Exempts CITs from SEC registration requirements.
ERISA	**Employee Retirement Income Security Act** Imposes duties of prudence, loyalty, and diversification on plan fiduciaries. Private-sector plans participating in CITs are fully subject to ERISA's prohibited transaction rules.
IRS / Tax Law	**Internal Revenue Code—Revenue Ruling 81-100** CITs must satisfy IRC §401(a) requirements for participating plans to maintain tax-qualified status. Revenue Ruling 81-100 governs group trust arrangements.

Source: OCC 12 CFR Part 9; ERISA §§ 3(2), 404, 405; IRC §401(a); Revenue Ruling 81-100

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403(b) Access: A Policy Timeline

Pre-2022	Dec 2022	2023–2024	2025+
CITs prohibited in 403(b) plans. Only annuity contracts and registered mutual funds permitted.	SECURE 2.0 Act enacted. Section 128 authorizes 403(b) plans to hold CITs, effective 2023.	Record-keepers and custodians build infrastructure to support CIT access for 403(b) platforms.	Broad adoption expected as platforms mature and sponsors complete fiduciary due diligence.

Source: SECURE 2.0 Act of 2022, §128; DOL; OCC

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Considerations for Plan Sponsors

Duty of Prudence

ERISA §404(a)(1)(B) requires CIT selection through a thorough, documented process—Evaluating investment objectives, fees, risk profile, and manager qualifications.

Duty of Loyalty

All investment decisions must be made solely in the interest of participants and beneficiaries—Not influenced by employer interests or third-party relationships.

Fee Benchmarking

Plan sponsors must document that CIT fees are reasonable relative to services provided, comparing against peer funds and published market data regularly.

Ongoing Monitoring

CIT investments require formal periodic review—At least annually—Covering performance, fee levels, structural changes, and alignment with investment policy.

ERISA §404 Standard

Sponsors must act with the care, skill, prudence, and diligence of a knowledgeable investment professional when selecting and monitoring CITs.

Source: ERISA §§ 404, 405; DOL Field Assistance Bulletins; SECURE 2.0 Act of 2022

The Savings Gap

30-Year Growth on a $500,000 Portfolio • 6% Annual Return

CIT PORTFOLIO

$2,147,000

0.20% expense ratio

+$154K KEPT BY SAVERS

MUTUAL FUND

$1,993,000

0.44% expense ratio

A 24 bps fee gap compounds into six figures over 30 years—Real money that stays in participants' accounts.

Source: Illustrative projection; 6% annual return; 30-year horizon; Morningstar 2024

Takeaways

1 **Cost Efficiency:** CITs consistently offer lower expense ratios than comparable mutual funds—A direct benefit to participant retirement outcomes.

2 **Institutional Rigor:** OCC regulation and bank trustee oversight provide institutional-grade governance and fiduciary accountability.

3 **Expanded Access:** SECURE 2.0 (2022) opened CITs to 403(b) plans—A significant eligibility expansion for public-sector plan sponsors.

4 **Fiduciary Defense:** Selecting CITs through a documented, prudent process directly supports ERISA §404 compliance.

5 **Compounding Impact:** Small fee savings compound significantly—A 24 bps annual advantage can mean $150,000+ more per participant over 30 years.

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Investment Menu Objectives

Drive
participant behaviors that are likely to create successful outcomes

Select
the most skillful managers within each investment discipline

Protect
plan fiduciaries

Minimize
employee confusion

Maximize
plan participation *and* at optimal levels

Provide
employees choice and flexibility

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Corporate Culture and Values

Virtually unlimited employee choice → No employee choice

Design	• Employee directed • Virtually unlimited fund menu • Self-directed brokerage	• Employee directed • Focused fund menu • Risk and/or age-based asset allocation strategies • Active strategies • Passive strategies • Cash investments	• Series of five age-based asset allocation funds • Employer directed based on participant age and other demographics
Outcome	• Historically has resulted in exceptionally poor participant outcomes	• Moves "the needle" toward more successful outcomes for participants • Still preserves the paradigm of employee choice	• May create the most successful and optimal outcomes for most participants • Employers very reluctant to eliminate or reduce employee choice

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Efficient Menus Create Better Outcomes

- Too many choices, or "choice overload", can lead to decision-making paralysis, anxiety and stress.[1]
- A focused menu limits participant confusion and drives better participant outcomes.[2]
- Investment menu options are fewer in number, but broader in scope, allowing participants exposure to a broad array of asset classes.

[1]The Paradox of Choice, Barry Schwartz
[2]Save More for Tomorrow, Shlomo Benartzi, UCLA Anderson School of Management, and Professor Richard Thaler, University of Chicago Booth School of Business.

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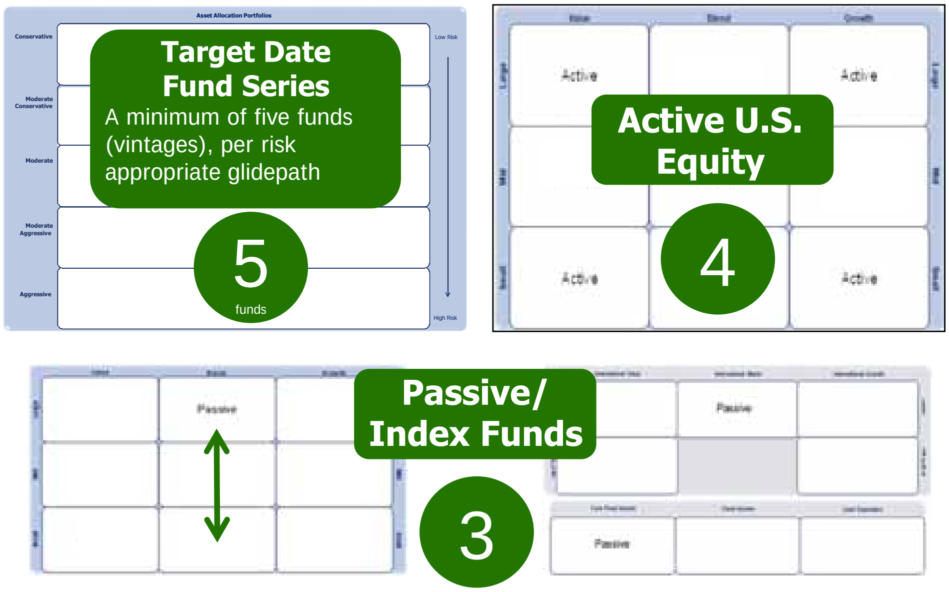
5-4-3-2-1-0 Efficient Menu Design Approach



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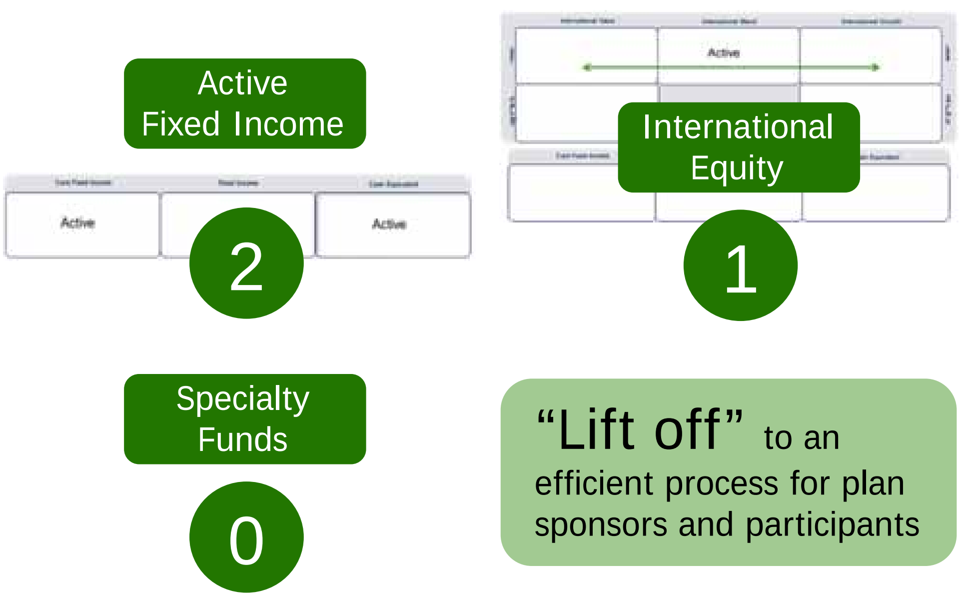
5-4-3-2-1-0 Efficient Menu Design Approach *(continued)*



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Managing Investment Oversight

- **Internal Oversight**
  - Impact on Asset Allocation Strategy
    - Comparison of Public/Private Sector
    - Impact of DB Plan on Asset Allocation
  - Review of Asset Allocation Strategy
    - Communication with Plan Participants
    - Use of Calculation Models

GBA/RPA 3
Module 6
Objectives
1-4

Source: InFre Publication—*Rethinking Public Sector Asset Allocation Models*

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Managing Investment Oversight

- **Internal Oversight**
  - Development of Investment Policy
  - Characteristics of Investment Policy
    - Statement of Investment Philosophy
    - Investment Categories
    - Fund Characteristics
    - Investment Selection
    - Standards of Performance

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Managing Investment Oversight

- **Internal Oversight**
  - Characteristics *(continued)*
    - Evaluation Criteria
    - Disclosure of Fees/Commissions/Charges
    - Prohibition or Limitations on Funds
    - Communication Strategy
    - Investment Education
    - Investment Policy Review

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Managing Investment Oversight

- **External Oversight**
  - Coordination of Policy with Providers
    - Familiarity with Provider(s) Investment Review Process
    - Provision of Draft Policy to Provider(s)
    - Annual Solicitation of Provider Review
    - Written Assurance that Provider Review Follows Employer Policy

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Managing Investment Oversight

- **Investment Performance Reviews**
  - At Least an Annual Review of All Funds
  - Provider vs. Third-Party Review
  - Review of Policy and Funds
  - Probation/Termination of Under-performing Funds
    - Number of Participants/Assets
    - Adherence to Policy
  - Communication to Participants
    - Asset/Not Fund Strategy

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Managing Investment Oversight

- **Use of Third-Party Investment Advisors**
  - Selection Criteria
  - Fiduciary Guidelines
  - Pricing

Reference Material, page 134: Joint DOL/SEC publication—*Selecting and Monitoring Pension Consultants*

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Managing Investment Oversight

- Impact of Financial Downturn
  - Migration of Assets to Stable Value Fixed Accounts
  - Extension of Time Horizon for Retirement
  - Increased Employer Communication
  - Increased Scrutiny of Provider Financial Status
  - Increased Focus on Stable Value/Fixed Income Risk Characteristics

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Developing Educational Programs

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Developing Educational Programs

- **Education Policy Statement**
  - Decision-Makers
  - Participants
  - Process for Developing
    - Plan Adviser
    - Providers
    - Plan Sponsor

Reference Material, Sample Education Policy Statement, page 157

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Developing Educational Programs

- **Decision-Maker Education**
  - New Personnel
    - Basic Responsibility
    - Fiduciary Responsibility
    - Key Legislative/Regulatory/Legal Changes
    - Employer Response to Responsibility/Changes
    - Provider Training (Workbook)

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Developing Educational Programs

- **Decision-Maker Training**
  - Ongoing Education
    - Determine Training Frequency
    - Identify Training Recipients
    - Assess Internal/External Resources
    - Develop Topics
    - Record Training

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Developing Educational Programs

- **Potential Education Topics**
  - Review of Fiduciary Responsibility
  - Overview of Legislative and Current Issues
  - Overview of Fund Performance Evaluation Methodology and Process
  - Investment Guidance/Advice
  - Development of Participant Education

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Developing Educational Programs

- **Participant Education**
  - Categories of Participants
    - New Employees
    - Mid-Career Employees
    - Pre-Retirement Education
    - Retirement Education

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Developing Educational Programs

- **Participant Education—New Employees**
  - Types—Start/End of Career
  - Fundamental Investment Characteristics
    - Term of Investing
    - Diversification
    - Dollar Cost Averaging
  - Plan Characteristics
  - Investment Options/Preferences
    - Risk Tolerance/Objectives/Time Horizon

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Developing Educational Programs

- **Participant Education—Mid-Career Employee**
  - Investment Maintenance
    - Contribution Amounts
    - Review of Preferences (Risk Tolerance, etc.)
    - Re-Balancing
  - Investment Strategies

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Developing Educational Programs

- **Participant Education—Pre-Retirement**
  - Changes in Preferences/Contributions
  - Focus on Overall Strategies
    - Change in Investment Type
    - Expectations for Distribution
  - Assessment of Catch-up Options
    - Age 50+
    - “Normal” Catch-up

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Developing Educational Programs

- **<u>Participant Education—Retirement</u>**
  - Importance of Ongoing Education
    - Account Balances
    - Target for Individual Brokers
    - Discussion of Rollover Options
  - Length of Retirement
    - Asset Allocation Changes
    - Distribution Options/Preferences

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Developing Educational Programs

- **<u>Participant Education—Retirement</u>**

11,400
Number of Baby Boomers in the US turning 65 each day in 2026 (Kiplinger)

71.6 Million
Number of people aged 65+ by 2030, up from 62.7 million in 2025 (S&P Global)

- DC plans have far surpassed Defined Benefit plans as the primary savings vehicle
- Average balance of participants age 60-64: $246,500 Highest average balances help economies of scale.
- Most solutions in the plan help address accumulation and portfolio diversification, few specifically address distribution strategies.
- The SECURE Act provided greater flexibility and fiduciary protections for in-plan income solutions.
- Participant complexities increase near and in retirement, requiring more personalized solutions to meet near retirement and decumulation needs.

The Retirement Tier is a suite of products, investments, and services that help plan sponsors better support participants that are nearing or are in retirement. These products can help participants as they begin to withdraw assets.

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Developing Educational Programs

- **Plan Sponsor Challenges with Retirement Income Solutions**

Say they're too administratively complex | **Say fees are too high** | **Say current products are too complex or unproven** | **Worry that participants may face portability restrictions** | **Say fees are not sufficiently transparent**

1) Complexity
Different types of solutions include different levels of complexity. Some products require additional contracts, infrastructure, portability restrictions, etc. making integration and ongoing administration complex.

2) Fees
Depending on the product or solutions, additional fees may apply and increase the plans sponsor's responsibility to oversee and ensure reasonableness.

3) Transparency
Many annuity based solutions lack transparency with fees and structure. This creates a challenge for plan sponsors to accurately understand and evaluate these products.

Source: 2019 Willis Towers Watson Retirement Income Study

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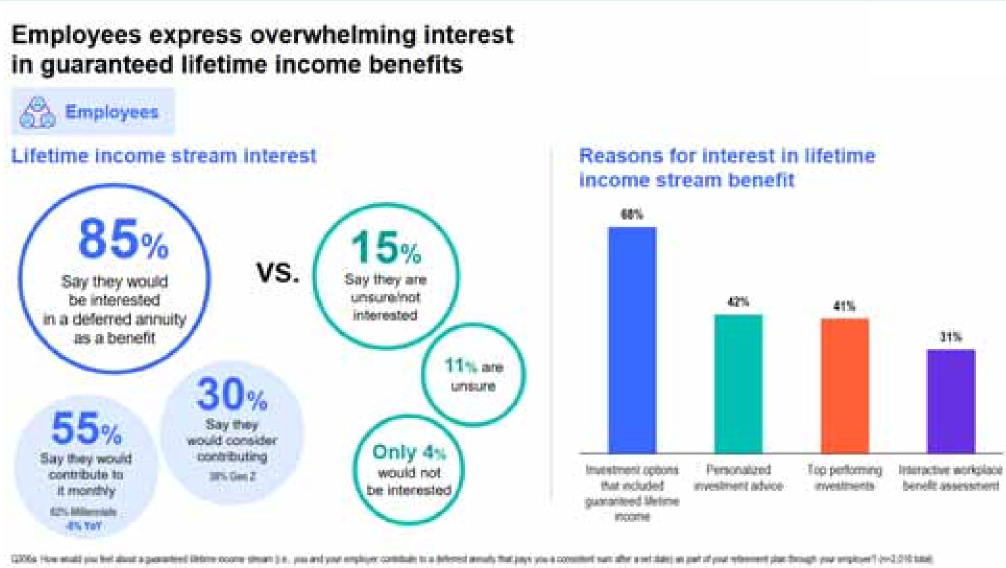
Interest in Guaranteed Lifetime Benefits



Source: 2025 Franklin Templeton Survey "Voice of the American Workplace" Survey

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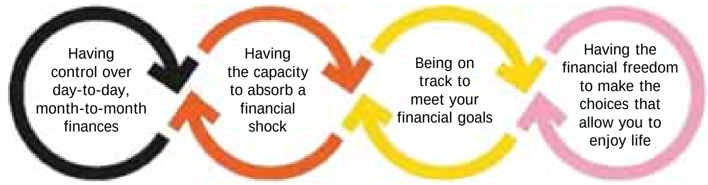
Developing Educational Programs

- **Participant Challenges with Retirement Income Solutions**

92%
The percentage of participants are interested in a guaranteed lifetime income stream[1]



1) Market Risk
As participants enter the retirement income phase, their tolerance of volatility reduces substantially. Many are looking for a stable source of income that doesn't fluctuate with markets.

2) Longevity Risk
A large concern for many participants is outliving their assets. Even with a disciplined drawdown approach, without a guaranteed benefit this is a valid concern.

3) Flexibility and Control
Different solutions can limit the ability for participants to access savings. Most guaranteed solutions offer less liquidity and could include surrender charges. Most participants struggle with giving up upside and control of their life savings.

[1] 2026 Franklin Templeton Survey "Voice of the American Worker Survey"

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Developing Educational Programs

- **Retirement Tier Education**

Step 1 Education
- Educate committee on types of solutions in marketplace
- Benefits and considerations around each solution
- Recordkeeper/plan limitations

Step 2 Plan suitability analysis
- Outline a process to evaluate workforce needs and determine if retirement tier is prudent for plan
- Decision tree process for aligning appropriate solutions for plan sponsors

Step 3 Implementation
- Document decision to implement a retirement income solution or defer until more development in marketplace leads to solutions that offer more alignment with plan demographics and committee objectives

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Developing Educational Programs

- **Participant Education—Others**

Lower Income	Women
• New Tax Incentives/Saver's Credit • Issue of Discretionary Income	• Reduced Earning Power • Longer Retirement Years

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Developing Educational Programs

- **Communication/Medium**
  - Communication Frequency/Content
  - Coordination of Communication
    - Involvement of Others (Providers/Labor)
    - Timing with Events
  - Knowledge of Participant Media Preferences
    - Face-to-Face (Individual/Group)
    - Print Material (Provider/Employer/Labor)
    - Internet

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Monitoring Education Programs

- Education is a Means to an End, **Not an End**
- Purpose of Education is to:
  - Increase Participation (Especially Early)
  - Improve Diversification of Assets
  - Increase Deferral Amounts ($ and %)
  - Determine Rebalance Frequency and Follow Through
  - Take Distributions Wisely

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Monitoring Education Programs

- Measure Education Outcomes Not Education Process

Outcome Measurements	Process Measurements
Participation Rate Changes	Number of Group Sessions
Asset Diversification Changes	Number of Individual Meetings
Changes in Deferral Amounts	Website Hits

- Key Question—Does Education Change Investment Behavior? How?

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Retirement Savings Contributions Credit (Saver's Credit)

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Adjusted Gross Income (AGI) Determines Amount of Credit

- The saver's credit is worth 10%, 20%, or 50% of participant's AGI:
  - Elective salary deferral contributions to a 401(k), 403(b), governmental 457(b), Traditional or Roth IRA contributions SARSEP, or SIMPLE plan
  - Voluntary after-tax employee contributions made to a qualified retirement plan.

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Adjusted Gross Income (AGI) Determines Amount of Credit

- Who's eligible for the credit?
  - Age 18 or older,
  - Not claimed as a dependent on another person's return, and
  - Not a student.

Form **8880**
Department of the Treasury
Internal Revenue Service

Credit for Qualified Retirement Savings Contributions
Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form8880* for the latest information.

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2026 Adjusted Gross Income (AGI) Determines Amount of Credit

Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contributions	AGI not more than $48,500	AGI not more than $36,375	AGI not more than $24,250
20% of your contributions	$48,501 - $52,500	$36,376 - $39,375	$24,251 - $26,250
10% of your contributions	$52,501 - $80,500	$39,376 - $60,375	$26,251 - $40,250
0% of your contributions	More than $80,500	More than $60,375	More than $40,250

* Single, married filing separately, or qualifying widow(er)
Source: www.irs.gov

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SECURE 2.0 Act Introduced a Savers Match

- The **SECURE 2.0 Act** introduced a **Savers Match**, set to replace the **Saver's Credit** in **2027**. Instead of a tax credit, eligible individuals will receive a **government match of up to 50% of their retirement contributions**, deposited directly into their **401(k), 457(b), 403(b) or IRA.**

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Case Study

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Key Takeaways

- A fast-changing field shaped by federal policy and market offerings; fiduciaries must track evolving options to meet their responsibilities.
- Retirement readiness matters—Equip employees to achieve it.
- Challenging, yet manageable
- Grasp the fundamentals
- Bring in experts as needed

Your Feedback Is Important. Please Scan This QR Code.

Day Two and Overall Evaluation