Institutional Investor

Retirement Income Symposium

Retirement Income: Assessing and Implementing the Right Solution for Your Plan

November 11, 2009 • Metropolitan Club • New York

To many plan sponsors as well as their employees, the 401(k) system has shown itself to be an unreliable source of retirement income. And while many companies were looking at the disaccumulation phase and considering their options previously, the recent economic and financial crisis has driven home the need for viable solutions.

The most commonly discussed "solution" – annuities – has not delivered on the promise, only about 3% of retirees opt for them. This leaves many plan sponsors unsure of how to provide their employees with adequate income throughout their retirement. Designed for and led by plan sponsors, **Institutional Investor's Retirement Income Symposium** is an intensive, one day, hands-on tutorial of the solutions that are available.

Over the course of this day, minimal time will be spent "examining the issues" – most plan sponsors know them. Maximum time will be devoted to hearing how plan sponsors are dealing with the issue of retirement income, assessing the options, and devising plans of action.

Sponsoring Organizations:

AXA EQUITABLE
BARCLAYS GLOBAL INVESTORS
METLIFE
PRUDENTIAL RETIREMENT

Preliminary Program as of October 26, 2009

8:30-9:15am Breakfast
Library (Second Floor)

9:15-9:20am Opening Remarks and Introductions
James Room (Second Floor)

Sessions Chairman:
Bernard C. Knobbe, *Vice President, Strategic Benefits*, **Affiliated Computer Services, Inc.**

9:20-9:50am Guest Speaker: **Laying the Foundation and Framing the Discussion**
James Room (Second Floor)

An Interview With:
Peng Chen, Ph.D, *President*, **Ibbotson Associates**

Interviewer:
Harvey D. Shapiro, *Senior Advisor*, **Institutional Investor**

9:50-10:35am <u>Panel Session</u>: **Scale, Scope, and Specifics: How Can Plan Sponsors Best Empower their Participants to Address Retirement Income Needs?**
James Room (Second Floor)

Moderator:
Bernard C. Knobbe, *Vice President, Strategic Benefits*, **Affiliated Computer Services, Inc.**

Panelists:
Kristi Mitchem, *Head of Defined Contribution*, **Barclays Global Investors**
Marc S. Pester, *Senior Vice President*, **Prudential Retiremen**t
Bill McDermott, *Executive Vice President, Corporate Markets*, **AXA Equitable**

- Can market risk be managed? If so, how?
- Should employers take a more aggressive approach to automating post-employment income streams?
- Putting retirement income into plans versus at distribution
- How can retirement income solutions help those who are being moved out of DB into DC?
- Measuring success and failure

10:35-11:00am Coffee Break
Library (Second Floor)

11:00-12:00pm <u>Panel Session</u>: **Let's Be Frank: What Solutions Are Out There, and What Are the Differentiators?**
James Room (Second Floor)

Moderator:
Chris Lyon, *Partner*, **Rocaton Investment Advisors, LLC**

Panelists:
Chip Castille, *Head of Defined Contribution Research*, **Barclays Global Investors**
Steve Quackenbush, *Senior Vice President, Product Development Corporate Markets*, **AXA Equitable**
Jody Strakosch, *Director*, **MetLife**
Brent Walder, *Senior Vice President, Director of Institutional Income Innovations*, **Prudential Retirement**

- Expenses ratios / fees
- Inflation protection
- Tiered annuities

- Peeling off the bells and whistles; what's truly vital?
- Default risk of the insurers
- Modeling

12:00-12:45pm <u>Panel Session</u>: **How Plan Sponsors Are Addressing Retirement Income Programs**
James Room (Second Floor)

Moderator:
Clark Frese, CPC, AIFA, *Principal*, **Asset Strategy Retirement Plan Consultants**

Panelists:
Sandra McCarthy, *Retirement Business Leader*, **Mercer, US Outsourcing Business**
Judith Mares, *Vice President - Chief Investment Officer*, **ATK**
Jil Galloway, *Vice President & Human Resources Director*, **Mitsubishi Int'l Corporation**

- Defining the boundaries of paternalism v. fiduciary responsibility
- Employee communications
- Retirement income v. TDFs
- Managing the benefits committee
- Role of record-keeping in effective implementation

12:45-2:00pm Lunch
Library (Second Floor)

2:00-3:00pm <u>Working Groups</u>: **Putting the Pieces Together – What Would the Ideal Retirement Income Program Look Like?**
Governor's Room and James Room (Second Floor)

Next, we are hosting a series of workshops. This workshop breakout session is unique in that we are inviting each working group to appoint one "spokesperson" at the beginning of the session. Then, directly following the workshops, we will conduct a 30 minute "report out" with working group leaders and spokespeople to share what they have learned from each workshop with the entire audience. This will allow us to evenly fill each workshop without concerns that attendees may feel they are "missing something" by choosing one workshop over another. The goal of this workshop segment of the program is to engage sponsors on their view points, hear your questions and concerns, and share solutions.

- Let's start with what we know doesn't work so we can move that off the table
- What is the appropriate role for government in this issue?

- Fees
- Communication
- What is the appropriate menu of options to offer?
- Dealing with the Risks: Timing, sequence of returns, market, longevity
- Benchmarking
- Staffing and resources

Working Group A: **How to Avoid the Next DC Armageddon: Simplicity, Scientific Glidepath and Guarantees**

Working Group Leaders:
James A. Lyday, *Senior Vice President*, **Prudential Retirement**

In the wake of the Pension Protection Act and an industry-wide move toward simplification, target date approaches have become a mainstay of DC investing. But they have also attracted some sharp criticism in the wake of enormous 2008 losses. In fact, the Department of Labor was even charged with investigating Target Date losses. Are we exposing pre-retirees to excessive market risk? What about longevity risk? Does solving for one mean neglecting the other? And what about sponsors, consultants and advisors? Are there fiduciary implications to an absence of guarantees? How can they incorporate the advantages of a target date approach without over-exposure to market risk and longevity risk?

A generation of retirees is at enormous risk and changes must be accomplished.

In this workshop we'll look at industry trends that will transform the Defined Contribution plan from free-for-all accumulation vehicle, to a reliable source of guaranteed lifetime income
--- a DC vehicle that employs DB discipline.

Working Group B: **Overcoming In-Plan Barriers**

Working Group Leaders:
Rebecca Cohen, *Vice President, Corporate Markets*, **AXA Equitable**
Steve Quackenbush, *Senior Vice President, Product Development Corporate Markets*, **AXA Equitable**

Most agree that providing predictable, secure retirement income for life as an outcome of saving in a company 401(k) plan would be of value to participants. So why haven't more plan sponsors adopted retirement income solutions? What are the barriers to implementing a guarantee solution? Has the market yet evolved enough to address these key concerns? What types of due diligence can a plan sponsor do? Is there any benefit to being an early adopter? These are just a few of the questions which will be explored in this breakout session.

Working Group C: **Making Change a Positive: How to deliver income without disruption**

Working Group Leaders:
Alan Mason, *Global Head of Client Solutions Portfolio* Management, **Barclays Global Investors**
Fredrik Axsater, *Head of Defined Contribution Investment Strategy*, **Barclays Global Investors**

Since the Pension Protection Act in 2006, plan sponsors have worked diligently to improve DC plans with auto-features and quality defaults while also enduring one of the most tumultuous markets in decades. Given the last couple years, plan sponsors may be asking themselves, how do I approach another phase of change in our DC plan, such as including guaranteed income? In this facilitated workshop, you and your peers will explore concerns, discover opportunities and share solutions regarding the inclusion of retirement income in your DC plan. We will facilitate the discussion to assist you in articulating the pros and cons, and to begin to map out action steps. We'll also help you prepare a plan for educating your benefits committee on why income is important. Finally, we'll share some tips on how to talk with your participants about retirement income.

Working Group D: **Best Practices for Creating Lifetime Income Streams at Retirement**

Working Group Leaders:
Jody Strakosch*, National Director, Strategic Alliances*, **MetLife**
Jay Vivian, *Principal***, Korn Hill Associates**

Many participants take a lump sum at retirement. How can plan sponsors and the industry help participants turn a portion of these balances into a lifelong income stream? There are several public policy proposals circulating in Washington DC that are gathering attention from decision makers. Should a portion of a retiring employee's 401(k) assets should be swept automatically into a lifetime income annuity, giving retirees an opportunity to test drive the benefits of receiving "retirement income paychecks"? This session will give you and your peers time to examine these proposals and discuss the pros and cons from the sponsor's perspective. Are there best practices that you can implement today for your participants?

3:00-3:30pm Working Group Wrap Up**: What Did We Discover?**
Governor's Room and James Room (Second Floor)

A spokesperson from each working group will report back to the general audience on the action plan developed at each workshop. Delegates will have the opportunity to pose questions to both the spokespeople and the group leaders.

3:30-4:30pm Panel Session: **Eyes on the Horizon: What Does the Future of Retirement Income Look Like?**
James Room (Second Floor)

Moderator: Chantel Sheaks, *Principal - Government Affairs*, **Buck Consultants, an ACS Company**

Panelists:
Mark J. Ugoretz, *President & CEO*, **The ERISA Industry Committee**
Melissa Kahn, *Vice President, Government & Industry Relations*, **MetLife**

- Examining the cost of not acting: financial, social, and personal
- The government – again: taxes, healthcare policy, regulation
- Consumption patterns
- Which insurers will be the survivors?

4:30pm Cocktail Reception

5:30pm Program Concludes