

# 2014 Pension Research Council Symposium

## Reimagining Pensions: The Next 40 Years

### Session IV: Practicalities of New Plan Design

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Prudential Retirement

# Prudential Retirement

## A business of Prudential Financial

- Providing pension solutions for over 85 years
- Serves nearly 3.7 million active workers and retirees
- \$323 billion in retirement workplace account values<sup>1</sup>
- Largest Stable Value provider (17% market share<sup>2</sup>)
- Largest in-plan guaranteed lifetime income provider (52% market share<sup>3</sup>)
- Largest manager of US pension buy-outs<sup>4</sup>
- Advocate for coverage solutions including multiple employer defined contribution plans<sup>5</sup>

<sup>1</sup> As of 12/31/13.

<sup>2</sup> Based on Prudential's estimates of the SVIA approximately \$701 billion Stable Value market size as of December 31, 2013.

<sup>3</sup> LIMRA In-Plan Guarantee Availability and Election Tracking Survey, April 2014.

<sup>4</sup> LIMRA Group Annuity Risk Transfer Survey, 4Q 2013. Based on assets of single premium buy-outs, which are group annuity contracts used to assume certain benefit liabilities of a terminating pension plan or, in some cases, a plan settlement of specific groups.

<sup>5</sup> "Leveraging Multiple Small Employer Plans to close the Retirement Coverage Gap," Prudential Retirement, March 2012.

# A Common Question – Different Answers

## “Retirement Shares Plan: A New Model for Risk Sharing”

Don Fuerst,  
American Academy of Actuaries

## “Portfolio Pension Plans”

Richard Shea,  
Covington & Burling LLP

## “Back to the Future: Hybrid Co-op Pensions and the TIAA-CREF System”

David Richardson and  
Benjamin Goodman, TIAA-CREF Institute

**How to Best Deliver  
Guaranteed Lifetime  
Income to Retirees?**

**1. “Fix” DB Plans**

**2. Require annuitization  
of DC Plans**

# Observations on Papers as “New” Plan Design

## All Proposals

- All deliver guaranteed retirement income with participant investment control
- Difficult to predict guaranteed income amount in advance; retirement timing therefore difficult to plan
- Papers could:
  - Compare stochastic outcomes vs. alternatives for participant and sponsor
  - Discuss challenges and opportunities to transition from current plans to new

## Retirement Shares Plans and Portfolio Pension Plans

- Retains potential for unfunded liability
- Longevity risk is a function of investment results; implies significant constraints
- Implications for PBGC insurance?
- How do these proposals compare to GLWBs in DC plans?

## TIAA-CREF

- TIAA Fund is a Stable Value fund; commonly used by 50% of plan sponsors
- Expansion may be difficult without homogenous plan sponsors and participations
- Participant portability difficult outside TIAA-CREF ecosystem

# An Alternative: Multiple Employer DC Plans with Stable Value and GLWBs

## Standardized DC Plan Design Featuring:

- Pooled purchasing by multiple employers
- Professional investment management; institutional pricing at scale
- Automatic Enrollment and Automatic Escalation
- No loans; strict hardships
- Employer match
- Default investment with a “through retirement” glide path
- Default investment includes Stable Value
- Default distribution of Guaranteed Lifetime Withdrawal Benefit or Deferred Annuity
- Portability to other DC plans or IRA

## Common Elements of 6 Federal Bills Required to Enable

- Remove “commonality of interest” requirement to enabling pooling & lower costs
- Transfer fiduciary responsibility to professional
- Remove “One-Bad-Apple” rule to remove joint liability

# Additional Information

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