CASE STUDY

# Going beyond the limits of target date funds

Research shows at least 80% of employees desire some form of guaranteed income,[1] and 64% think target date funds provide it.[2] But we know that's not true. In the case of one prominent plan sponsor, this led them to alter their plan to provide every employee with a more secure retirement for the rest of their lives—and their partners' lives. After careful consideration, the plan sponsor chose to replace their default target date index funds with model portfolios tailored to their employee demographics through TIAA RetirePlus Pro®.

## The plan sponsor:

- Worked with a 3(38) investment manager to simplify the menu as well as select funds and annuities for the model portfolios. This enabled them to leverage their existing due diligence process and lower their costs.
- Used the TIAA Traditional fixed annuity as part of the bond allocation since returns are historically similar—on top of offering income for life.[3]
- Re-enrolled all 27K+ employees into the models, taking each of their legacy annuity balances into account when determining asset allocations. (91% of participants are still using the models.[4])

### Two years after implementation, the key results speak for themselves[5]

↑ $87K
AVERAGE PROJECTED BALANCE AT RETIREMENT[6]

↑ 41%
INVESTING AT THEIR APPROPRIATE RISK LEVEL[7]

100%
SAW IMPROVED RISK-ADJUSTED RETURNS[8]

↑ 2.7x
MORE PARTICIPANTS WITH LIFETIME INCOME ACCESS[9]

↑ 24%
AVERAGE PROJECTED ANNUAL INCOME

44%
AVERAGE GUARANTEED INCOME BEYOND SOCIAL SECURITY[10]

**And the institution won the Plan Sponsor of the Year award and other industry awards for its commitment to participant financial health and retirement success.[11]**

This case study reflects adoption of TIAA's RetirePlus Pro by comparing participants before and after the implementation (9/30/2018 to 12/31/2020).

## Build a smarter default option with TIAA RetirePlus®

Create model portfolios that combine the simplicity of target date investing with the flexibility to select investments, lower costs and provide your employees with lifetime retirement income.

Contact a TIAA representative to see how.

TIAA

[1] DC and Financial Wellbeing Employee Survey, Aon and Ipsos, 2018 (via Driving DC Plan Success, Aon, 2020).

[2] TIAA Lifetime Income Survey, September 2019.

[3] Over the long term, the credited interest rates on TIAA Traditional, a guaranteed annuity, have been similar to long-term average returns of intermediate-term corporate and treasury bonds, with less volatility. TIAA Traditional credited rates include a guaranteed rate stated in the contract, and may include additional amounts which are discretionary. There are other material differences between a guaranteed annuity and a bond. TIAA Actuarial Department calculations use average annual returns for the TIAA Traditional Annuity Retirement Annuity (RA) and Supplemental Retirement Annuity (SRA) contracts each year. 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. Any guarantees under annuities issued by TIAA are based on the claims-paying ability of TIAA.

[4] As of 6/30/21.

[5] This information is based on data obtained from TIAA's Plan Outcome Assessment. TIAA measures retirement income replacement ratios by calculating the projected stream of distributions from participants' assets and estimated Social Security benefits in current dollars as a percentage of employees' current salaries. Using the participant's actual salary and/or compensation, current contribution rates and asset allocation, TIAA leverages the advice engine from Morningstar, an independent expert retained by TIAA, to perform a sophisticated Monte Carlo analysis (500 total simulations) to project the retirement income replacement ratio. Dates 9/30/18 through 12/20/20.

[6] This analysis compares each participants' holdings and projected balance at retirement for 11,366 active participants common for both 9/30/2018 and 12/31/2020, using the Morningstar Advice engine. Risk-level changes are based on Morningstar Advice recommendation.

[7] There were 1,163 fewer participants three-risk levels off advice target (compared to 2,832).

[8] As measured by the Sharpe ratio. This was primarily driven by TIAA Traditional's better risk/return characteristics relative to a bond.

[9] 94% of participants have an allocation to TIAA Traditional compared to 35% prior to the re-enrollment.

[10] Assuming a participant annuitizes 30% of their annuity assets.

[11] Nonprofit DC >$500MM category.

**You should consider the investment objectives, principal strategies, principal risks, portfolio turnover rate, performance data, and fee and expense information of each underlying investment carefully 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, educational or non-fiduciary sales opportunities and/or activities only and does not constitute investment advice (e.g., fiduciary advice under ERISA or otherwise), a securities recommendation under all securities laws, or an insurance product recommendation under state insurance laws or regulations to invest through a model or to purchase any security or advice about investing or managing retirement savings. It does not take into account any specific objectives or circumstances of any particular customer, or suggest any specific course of action.

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.

No guarantee—Neither the models nor any investment made pursuant to the models are deposits of, or obligations of, or guaranteed or endorsed by TIAA or their affiliates (except with respect to certain annuities sponsored by TIAA or its affiliates), or insured by the Federal Deposit Insurance Corporation, or any other agency. There is no guarantee that the underlying investments will provide adequate income at and through retirement and participants may experience losses. Participants should not allocate their retirement savings to the underlying investments unless they can readily bear the consequences of such loss.

Assets allocated to the underlying investments based on the model will be invested in underlying mutual funds and annuities that are permissible investments under the plan. Some or all of the underlying investments included in the model may be sponsored or managed by TIAA or its affiliates and pay fees to TIAA and its affiliates. In general, the value of a model-based account will fluctuate based on the performance of the underlying investments in which the account invests. For a detailed discussion of the risks applicable to an underlying investment, please see the prospectus or disclosure document for such underlying investment.

TIAA RetirePlus Select℠ and TIAA RetirePlus Pro® are administered by Teachers Insurance and Annuity Association of America ("TIAA") as plan recordkeeper. TIAA-CREF Individual & Institutional Services, Member FINRA distributes securities products. 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 models on behalf of the plan participants are executed through TIAA-CREF Individual & Institutional Services, LLC, Member FINRA.

### TIAA RetirePlus Select

TIAA RetirePlus Select is an asset allocation program that includes asset allocation models that a plan participant may choose to guide the investment of his or her account into underlying investment options selected by the plan sponsor (the "underlying investments"). The plan sponsor selects the specific underlying investments available under its plan to represent the various asset classes in the models. An independent third-party advisor engaged by Teachers Insurance and Annuity Association of America ("TIAA") developed the target asset class ratios for the models and the TIAA RetirePlus Select is administered by TIAA as plan recordkeeper. In making TIAA RetirePlus Select available to plans, TIAA is not providing investment advice to the plans or plan participants.

The target asset class ratios for a plan participant's model-based account will become more conservative over time as the plan participant's years to retirement decreases. For information regarding the changes to the target allocations please contact TIAA. An account's actual allocation percentage to an underlying investment may vary from the target allocations due to the performance of the underlying investments or other factors. Accounts invested in accordance with the models will be rebalanced to the applicable target allocations periodically. The underlying investments included in a model are subject to change and may not be representative of the current or future underlying investments for the model. Some or all of the underlying investments included in a model may be sponsored or managed by TIAA or its affiliates, and pay fees to TIAA and its affiliates.



### TIAA RetirePlus Pro

TIAA RetirePlus Pro, a model-based service, is administered by Teachers Insurance and Annuity Association of America ("TIAA") as plan recordkeeper.

The TIAA RetirePlus Pro models are asset allocation recommendations developed in one of three ways, depending on your plan structure: i) by your plan sponsor, ii) by your plan sponsor in consultation with consultants and other investment advisors designated by the plan sponsor, or iii) exclusively by consultants and other investment advisors selected by your plan sponsor, whereby assets are allocated to underlying mutual funds and annuities that are permissible investments under the plan. Model-based accounts will be managed on the basis of the plan participant's personal financial situation and investment objectives (for example, taking into account factors such as participant age and risk capacity as determined by a risk tolerance questionnaire).

The plan fiduciary and the plan advisor may determine that an underlying investment(s) is appropriate for a model portfolio, but not appropriate as a stand-alone investment for a participant who is not participating in TIAA RetirePlus Pro. In such case, participants who elect to unsubscribe from the service while holding an underlying investment(s) in their model-based account that has been deemed inappropriate as a stand-alone investment option by the plan fiduciary and/or plan advisor will be prohibited from allocating future contributions to that investment option(s).

Established Restrictions: Each plan participant may, but need not, propose restrictions for his or her model-based account, which will further customize such plan participant's own portfolio of underlying investments. The plan fiduciary is responsible for considering any restrictions proposed by a plan participant, and for determining (together with plan advisor(s)) whether the proposed restriction is "reasonable" in each case.



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