

Sample Language for Adding Guaranteed Income to Your Investment Policy Statement

When adding a guaranteed income solution into a retirement plan, we recommend updating some key terms. While it's not necessary to overhaul the entire Investment Policy Statement (IPS), we outlined a couple of recommended edits in red to a sample IPS statement below. The following sample statements provide examples of potential language that can be used directly or adapted for various IPS statement formats.

► Purpose:

In the purpose or objective section, it's important to incorporate the term "guaranteed income".

Sample language

*The primary purpose of the "COMPANY A" 401(k) Plan is to provide a retirement benefit for Plan participants and their beneficiaries by offering the opportunity for long-term capital accumulation and **future guaranteed income***.*

► Performance:

Given the recent introduction of guaranteed income solutions, it's essential to address the 3 or 5 year annualized period and highlight the exceptions.

Sample language

With few exceptions, all actively managed investment options should rank in the top 50% of their given peer group for the 3 or 5 year annualized period at the time of their selection. While past performance is not indicative of future returns, peer-relative performance offers the Committee perspective on how the investment option has performed over a reasonably demonstrative period relative to other choices. In addition to performance, the Committee should consider other variables including (but not limited to) fees, investment style purity, and risk management practices, in order to develop a holistic view about a strategy and its appropriateness within the plan. Passively managed options do not need to meet the same ranking criteria; rather, measures such as tracking error to the stated benchmark are more important measures of performance for these options.

Further, within the context of performance evaluation, the Committee will additionally consider the return characteristics of insurance-like features provided in order to secure future guaranteed income* for participants.

*Subject to insurer's claims-paying ability.

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► Additional factors:

In this section, we recommend mentioning how insurance-like product features are evaluated.

Sample language

*The Committee will also consider other factors, which may be less tangible, including fund specific situations and anomalies in the capital markets or in the plan's unique situation. **For investment or fund products that include insurance-like features, the credit rating of the corresponding carrier will be evaluated (including for example, an assessment of the associated AM Best rating).***

► Replacement of Selected Investment Options:

Investment changes may be necessary, and when they are, it's important to mention future guaranteed income*.

Sample language

*Since the intention of the plan is to provide opportunities for long-term asset accumulation **and future guaranteed income* generation** for participants and beneficiaries, it is not expected that either the investment asset classes or specific investment options will be changed or deleted frequently.*

*Subject to insurer's claims-paying ability.

This guide was created as an example and may not provide all necessary information.
If you have more questions, please reach out to our sales team.



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