



NEWS RELEASE

T. ROWE PRICE LAUNCHES INNOVATIVE FRAMEWORK TO AID EVALUATION OF RETIREMENT INCOME SOLUTIONS

Five-dimensional framework offers retirement plan sponsors the ability to identify 'best-fit' retirement income solutions for their defined contribution (DC) plan participants

BALTIMORE (June 18, 2024) – T. Rowe Price, a global investment management firm and a leader in retirement, unveiled a new, patent-pending framework to help defined contribution (DC) plan sponsors evaluate retirement income offerings and quantify which solutions may best fit the needs and preferences of their plan participants. Today, most DC plan sponsors describe their participant demographics as aging, and they express a desire to retain retired participants in the plan throughout retirement.¹ Both factors are contributing to the interest in evolving the DC plan to better accommodate the needs of pre-retirees and retired participants.

T. Rowe Price's global retirement strategy team and global multi-asset research team collaborated on developing the framework, recognizing that the industry lacked a common, unbiased method to help plan sponsors evaluate the growing universe of retirement income products. The five-dimensional (5-D) framework fills this gap. It offers DC plan sponsors, their advisors, and consultants a standard language to understand how different retirement income products require tradeoffs to meet specific plan participant objectives.

Investments solutions used during the savings phase are generally evaluated on a two-dimensional basis, focusing on a certain level of return for a given level of risk. This new 5-D framework for the decumulation phase identifies a wider range of objectives unique to the spending phase, namely:

- Longevity risk hedge: how many years will retirement savings last?
- Level of payments: what will the amount of annual income be?
- Volatility of payments: how much can "paychecks" change from year to year?
- Liquidity of balance: if a need arises, how much savings can be accessed?
- Unexpected balance depletion: how high is the risk of money running out earlier than planned?

Quantifiable metrics assess how well various retirement income solutions may help plan participants achieve these objectives.

"We are continuously evolving our retirement research and offerings to facilitate choice and personalized solutions that can best fit retirees' needs," said Sebastien Page, Head of Global Multi Asset and Chief Investment Officer at T. Rowe Price. "It is our hope that the 5-D framework and supporting research will become a standard for how in-plan retirement income solutions are evaluated. Our team has created an unbiased and uniform model that allows plan sponsors to visualize, compare, and contrast retirement income products."

"Much of the retirement income research conducted to date focuses on identifying participant preferences, for example, 'I want a guaranteed stream of income.' However, it fails to consider the other side of the ledger, 'I am willing to give up X% in monthly income' to achieve that preference," said Jessica

¹ T. Rowe Price, 2024 [DC Plan Sponsor Considerations and Actions on Retirement Income](#). Specifically, 71% of respondents "strongly agree" or "somewhat agree" with the statement, "The demographics of our plan participants are older now versus 10 years ago," and 69% of respondents "strongly agree" or "somewhat agree" with the statement, "We want more participants to keep their DC balances in our plan after they retire."

Sclafani, Global Retirement Strategist at T. Rowe Price. “The interconnected nature of the 5-D framework examines and quantifies these tradeoffs that are uniquely inherent to retirement income needs. It offers a common method to compare and evaluate retirement income solutions.”

For more information, [an article](#), “A five-dimensional framework for retirement income needs and solutions”, by Berg Cui, senior quantitative investment analyst, and Jessica Sclafani, further explores the framework and includes a hypothetical case study on how plan sponsors can apply its learnings.

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