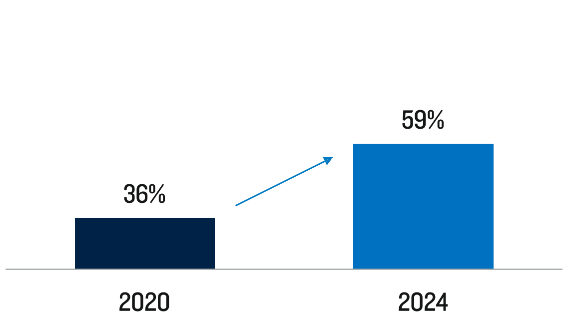
DC SOLUTIONS

DEMYSTIFYING RETIREMENT INCOME

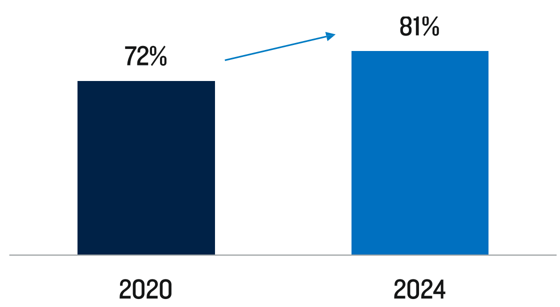
DEFINED CONTRIBUTION (DC) PLAN PARTICIPANTS WANT THEIR PLANS TO HELP MANAGE THE SPEND-DOWN OF THEIR RETIREMENT SAVINGS

- DC plans are now the primary source of retirement savings for American workers, which means that more Americans are relying on their workplace DC plan to help them save for, and then spend down, their retirement savings.
- An increasing percentage of participants are staying in the plan when they retire, taking advantage of high-quality, lower-cost investment options and fiduciary oversight.
- While DC plans have evolved over time to better help participants accumulate assets, they now need to help participants optimally decumulate those assets in retirement: 67% of DC plan participants want their plan to help them spend-down savings in retirement[1]

Participants Staying in DC Plan after Retiring[2]



Plan Sponsor Preference for Retirees Staying in Plan[3]

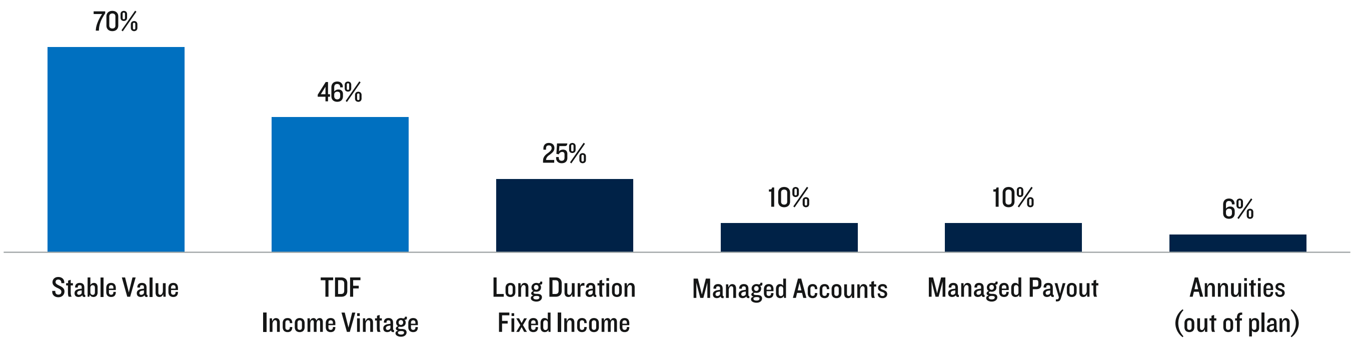


[1]EBRI 2023 Retirement Confidence Survey; [2] Vanguard, Retirement distribution decision among DC participants, February 2023; Vanguard, How America Saves 2023 and 2025; [3] Callan 2024 and 2021 Defined Contributions Trends Surveys

CURRENTLY, THE INVESTMENT OPTIONS THAT PLAN SPONSORS DEEM RETIREE-FOCUSED DO NOT PROVIDE THEM THE HELP THEY NEED

- Stable value and TDFs are most frequently cited by plan sponsors as their plans' "retirement income" options[4]
- However, these options may fall short for many retirees, as they:
  - do not help participant understand how much they can actually spend in retirement
  - are "one-size-fits-all" and do not allow for personal alignment with the wide range of retiree financial pictures, income sources and spending needs among retirees
  - are not responsive to evolving spending needs in retirement
  - may not provide sufficient income in retirement; for example, the average annualized 5-year net return for a stable value fund was 1.99%, as of June 30, 2025[5]

DC Plans' Most Prevalent Retirement Income Options[4]



TO BETTER ADDRESS THE DECUMULATION CHALLENGE FOR RETIRED PARTICIPANTS, PLANS SHOULD CONSIDER A WIDER SET OF RETIREMENT INCOME OPTIONS

While many associate "retirement income" with guaranteed, annuity-based products, the reality is that there's a wide and diverse set of retirement income solutions available to DC plans.

Retirement Income Products Available in the Marketplace Today

TARGET DATE FUND (RETIREMENT VINTAGE)

Participant decides on retirement withdrawal amounts

MANAGED PAYOUT FUNDS

Funds are managed to deliver a consistent annual % withdrawal

FUNDS WITH BUILT-IN ANNUITY FEATURES

Different types of annuity features are embedded into a fund to deliver a guaranteed and consistent income stream over a full retirement

MANAGED ACCOUNTS

Provide personalized allocations to a plan's investment options to help achieve targeted plan balance at retirement. May also provide advice such as personalized withdrawal strategy.

[4] Cerulli, US Retirement Report 2023; [5] Morningstar Direct as of 6/30/2025 for Stable Value Morningstar Category. Past performance does not guarantee future results. For illustrative purposes only.

EACH TYPE OF RETIREMENT INCOME OPTION COMES WITH A SET OF IMPORTANT TRADEOFFS

- For example, those products that provide consistent and guaranteed lifetime income are more expensive, complex and may be difficult for plans to implement and participants to use.
- On the other hand, the easiest products to implement and use may not provide participants with the spending clarity they need.

Tradeoffs for Retirement Income Products

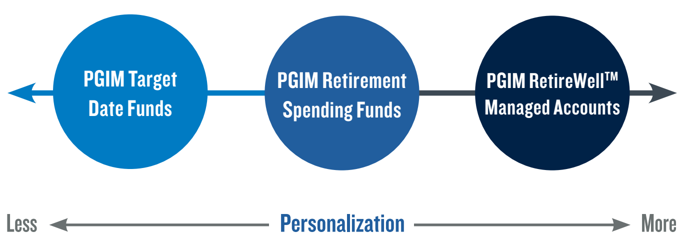
	BENEFITS	DRAWBACKS
Target Date Fund (retirement vintage)	• Simple to use and understand • Easy for plan to implement • Typically low expenses	• Does not provide spending clarity: participant determines how much can be safely spent each year • Retirement income is not guaranteed; risk of running out of money in retirement • "One-size-fits-all": not customized for individual spending objectives
Managed Payout Funds	• Simple to use and understand • Relatively low expense • Provides spending clarity	• Retirement income is not guaranteed; risk of running out of money in retirement • Requires an interface with recordkeeper's systematic withdrawal program • Typically "one-size-fits-all": not customized for individual spending objectives
Funds with Annuity Features	• Provides spending clarity • Consistent income that is guaranteed for life	• May be difficult for participants to understand and plan sponsors to evaluate and monitor • Often requires participants to actively annuitize (otherwise they do not receive benefits they have paid for) • Likely "one-size-fits-all": may not be appropriate for all participants • Requires interface with recordkeeper • Often most expensive of retirement income options • May be limited ability for participants to access funds that have been annuitized
Managed Accounts	• Asset allocation/risk profile/spending profile is customized to participant • If paired with advice (and/or annuity features), there is spending clarity	• Requires interface with recordkeeper or third party • May require tech build-out • Often one of the more expensive of retirement income options • Participants may be charged an additional fee on top of underlying fund expenses

For more information: call the DC Solutions Sales Desk at (877) 275-9786 or email dc@pgim.com

EVALUATING AND SELECTING RETIREMENT INCOME OPTIONS IS A TOP PRIORITY FOR DC PLANS, BUT IT IS A DAUNTING TASK

- A one-size-fits-all retirement income solution may only work for a small number of retired participants.
  - Relative to younger participants, older participants are much more heterogenous in terms of their needs and objectives.
  - A more personalized investment solution may drive more successful outcomes for a larger number of retirees.
- Some retirement income options may require changes to the plan's current QDIA, which can be a complicating factor.
- Advisors and consultants often focus on a handful of key attributes when evaluating and selecting retirement income options for DC plans, including:
  - Expenses
  - Level of customization/personalization
  - Spending clarity: do participants understand how much they can safely spend?
  - Income longevity: is retirement income guaranteed for life?
  - Level of complexity: will participants understand product risks and features?
  - Participant access to funds if need arises
  - Implementation: how easy it is to connect to/interface with the recordkeeper

OUR SOLUTIONS[6]



90%

OF RETIREMENT PLAN CONSULTANTS CONSIDER RETIREMENT INCOME THEIR TOP PRIORITY[7]

PGIM Target Date Funds[8]	PGIM Retirement Spending Funds	PGIM RetireWell™ Managed Accounts
• Low cost • Simple to use for both participants and plan sponsors • Very easy to implement	• Offer more personalization than a target date fund • Specifically designed to help participants spend down their retirement savings • Optimized based on personal sources of retirement income and spending objectives • Provide specific spending guidance	• Fully customized for each unique participant • Provide personalized asset allocation and fund selection • Provide holistic advice for the retiree, including advice on spending rates and social security claiming

[6] DC Solutions aims to help participants achieve their retirement goals through their suite of "PGIM RetireWell™" solutions. These solutions may include a range of investment options including target date portfolios, retirement income strategies, and managed accounts that can be coupled with our proprietary advice engine. There is no guarantee that investment or retirement goals will be achieved. Use of the term "RetireWell" and any related phrase is not intended to indicate that such goals will be achieved; [7] PIMCO 2024 Consultant Survey; [8] The PGIM Target Date Funds and CIT are sub-advised by PGIM DC Solutions LLC.

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