

Retirement Income Planning Across Pension and DC Systems



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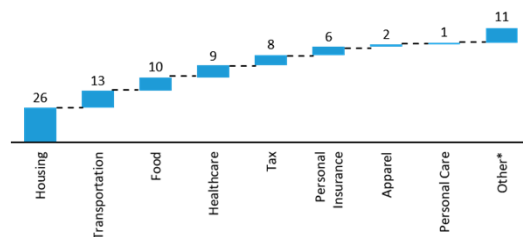
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It's More Important than Ever to Understand the Retirement Income Challenge

[A]

Target Final Salary Replacement Ratio

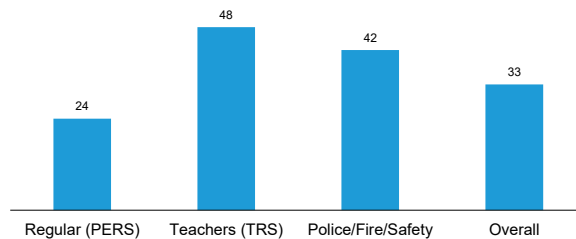
Income and expenditure of 65–74 cohort as ratio to salary of 55–64 cohort (percent)



- Participants need about 80% of their final salary to cover core spending in retirement

Percent Public DB Plans Without Social Security Coverage

Survey of 117 open public DB plans with AUM > \$1 billion as of 2024 FY



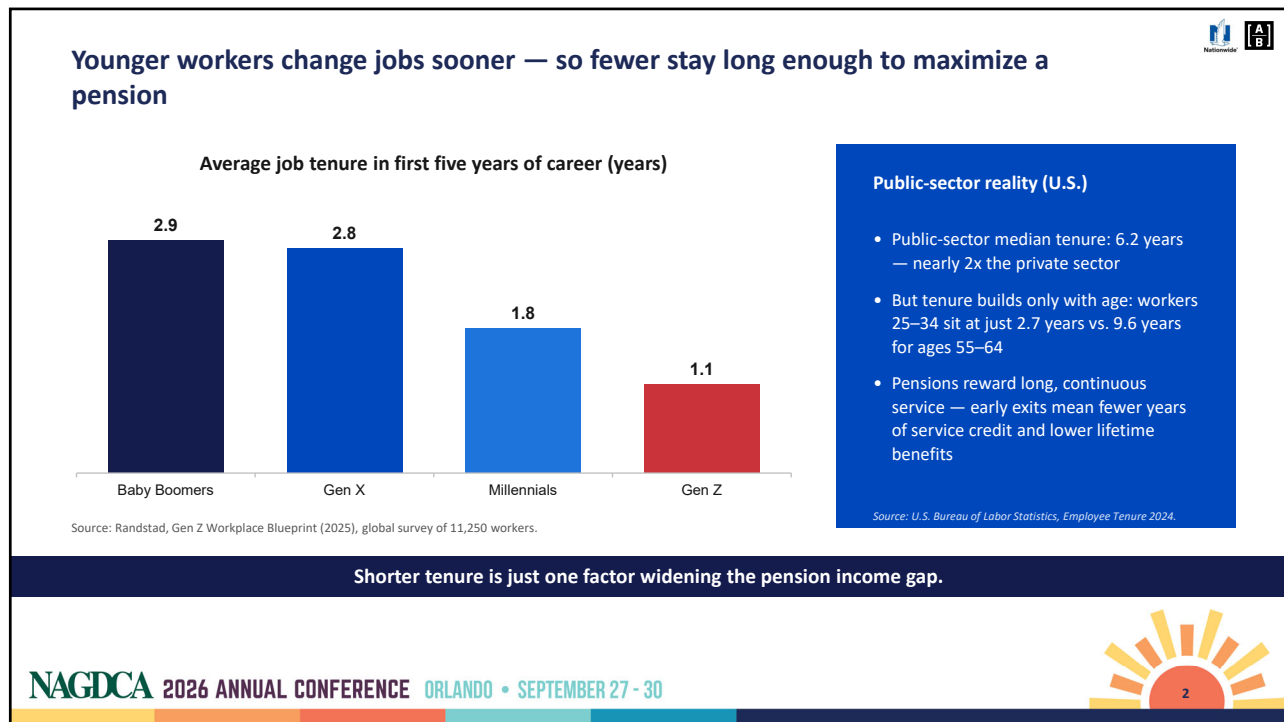
- A significant portion of public DB plan participants do not have Social Security coverage

Left display: Based on U.S. Bureau of Labor Statistics consumer expenditure survey, average of ratios from 2013 to 2022. Other includes the following discretionary spending categories in the survey: Entertainment, Education, Reading, Tobacco & Smoking, Alcoholic Beverage, Cash Contribution and Miscellaneous. Source: AB; Right display: AB analysis of public DB plan database from Public Plans Data (<https://publicplansdata.org>). As of June 2026. Source: AB, Public Plans Data

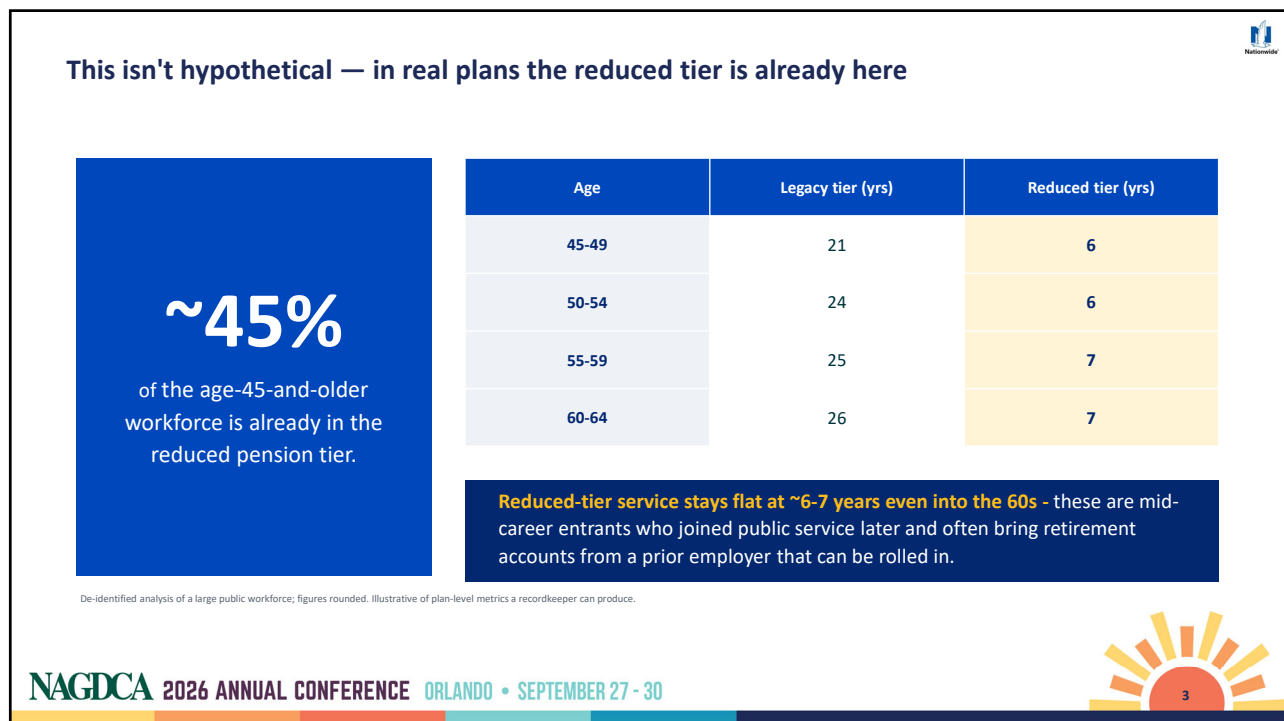
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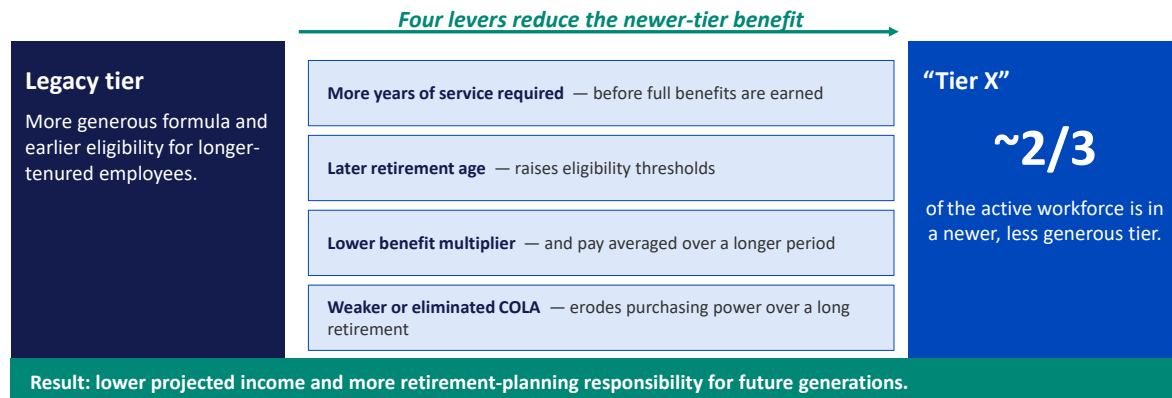


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Pension reform improves sustainability, but newer tiers often deliver less income



Source: NASRA; Congressional Research Service; run-of-show research notes.

Defined Benefit, Defined Contribution, and Social Security now have to work together to support adequacy and flexibility.

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AB Research: Evaluating the Impact of Pension Reform on Public Plan Participants



Our Goal:

Measure the participant impact of pension-benefit changes using real plan data, in partnership with Still River Research Group — identifying gaps and the opportunity for a DC lifetime income solution to close them.

The Study

180+ Public Plans Evaluated

More than 1/3
of all public plans are not covered by Social Security

80%
Recommended Income Replacement Ratio

AB Reviewed Reductions to Pension-Benefit Formula: Average Final Salary x Years of Service x Benefit Multiplier

Plan 1:

Healthy plan with adequate income replacement for Tier X

Plan 2:

50% reduction in benefit multiplier results in a large income replacement gap for Tier X

Plan 3:

Subtle changes to benefit multiplier and minimum retirement age cause income replacement gap for Tier X

Sources: AB, Still River Research Group, Publicplansdata.org

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Some Plans Continue to Provide Strong Income Replacement Through DB and Social Security Alone



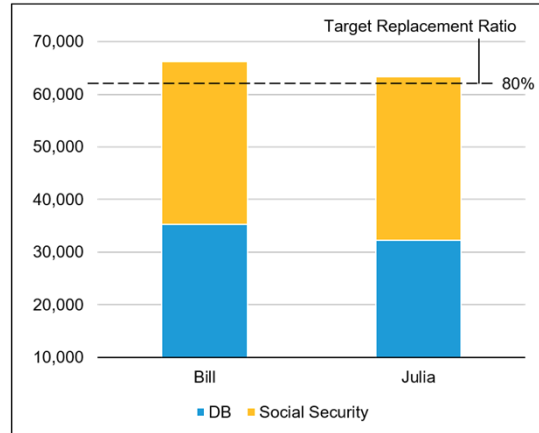
- Tier 1 participant
- **45.5% income replacement ratio**
- 1.82% multiplier
- Retirement age 60 with 25 years of service
- COLA in place

Meet Bill



- Tier X participant
- **42% income replacement ratio**
- 1.67% multiplier
- Retirement age 65 with 25 years of service
- No COLA

Meet Julia



Data shown is real, anonymized plan data.
As of June 30, 2026
Source: AllianceBernstein and Still River Research Group

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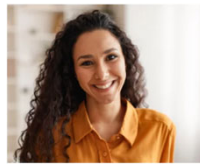
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Reductions in Benefit Factor Have the Largest Impact on Participants



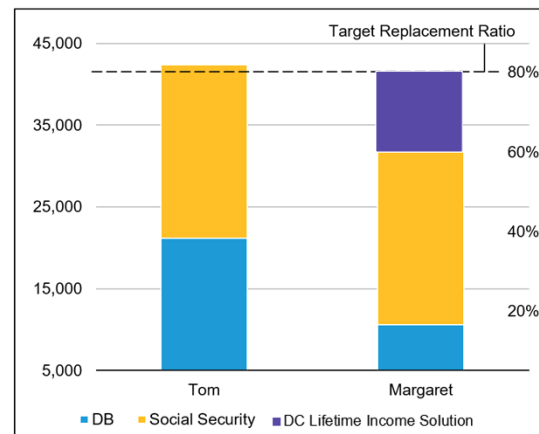
- Tier 1 participant
- **40% income replacement ratio**
- 2% multiplier
- Retirement age 65 with 20 years of service
- COLA in place

Meet Tom



- Tier X participant
- **20% income replacement ratio**
- 1% multiplier
- Retirement age 65 with 20 years of service
- No COLA

Meet Margaret



Data shown is real, anonymized plan data.
As of June 30, 2026
Source: AllianceBernstein and Still River Research Group

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Seemingly Subtle Reductions to the Pension Equation Can Have a Big Impact



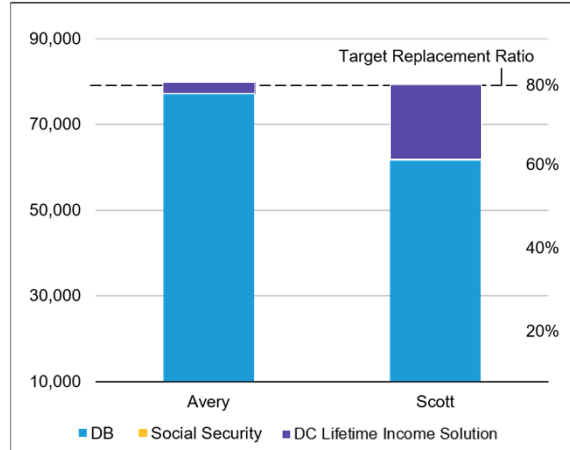
- Tier 1 participant
- **78% income replacement ratio**
- 3.1% multiplier
- **Retirement age 65 with 25 years of service**
- No Social Security

Meet Avery



- Tier X participant
- **63% income replacement ratio**
- 2.5% multiplier
- **Retirement age 67 with 25 years of service**
- No Social Security

Meet Scott



Data shown is real, anonymized plan data.

As of June 30, 2026

Source: AllianceBernstein and Still River Research Group

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Women face unique challenges

As they are less likely to be taking protective actions related to investing or retirement

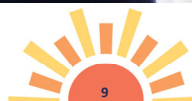
	Women	Men
Believe they are knowledgeable about investing and money matters ¹	36%	64%
Feel confident funding a comfortable, on-time retirement ¹	32%	52%
Took steps to plan for retirement income ²	19%	26%
Increased contributions to retirement accounts ²	14%	25%
Have a plan for retirement income beyond Social Security ²	30%	49%

¹ AllianceBernstein 2026 Inside the Minds of Plan Participants

² 2026 Nationwide Financial Growth & Protection Index, in partnership with Edelman Intelligence



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The American Dream has shifted

Americans still believe in financial progress, but goals are changing:

Then	Now
Building wealth	→ Financial stability
Advancement	→ Predictability
Upside	→ Protection
Future plans	→ Immediate needs

Source: 2026 Nationwide Financial Growth & Protection Index, in partnership with Edelman Intelligence



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Participants are optimistic about their future — but many are not financially prepared

- **70%** believe they can significantly improve their financial situation over the next five years
- **80%** worry rising costs will reduce their standard of living in retirement
- **61%** worry about outliving their savings
- **Just 22%** took steps to plan retirement income in the past year

81% prefer guaranteed, predictable income
in retirement over investments with
higher growth potential

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The path forward: Help participants stretch savings to close the gap

In-plan lifetime income solutions leverage target date funds with guaranteed lifetime withdrawal benefits to offer greater downside protection on future income streams, which is especially helpful for older savers who may be behind. They:



Manage the downside exposure that puts savers at risk



Offer similar growth potential while introducing risk management techniques



Help savers protect and stretch what they have already saved

*This figure is based on an individual with full retirement age of 67; it compares early filing at age 62 and receiving reduced benefits of 71% of the primary insurance amount vs. delayed filing at age 70 and receiving credits to increase benefits by 25% over and above the primary insurance amount.



When EY tested over 1,000 scenarios, they learned that **retirement income needs can be met with lower balances at age 65 when leveraging a target date fund with a guaranteed lifetime withdrawal benefit.**¹

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Key takeaways

With longer lifespans and an evolving retirement landscape, intentional planning has never been more important.

-  Educate participants about longer lifespans
-  Shift their mindset from retirement planning to holistic income planning
-  Reassess your DB and DC plan offerings to cover a 35-year retirement journey
-  Offer in-plan investment solutions to help savers close the income gap
-  Include advice & automatic features in your plan to set up future generations for success

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Questions?

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2. Select "External QA/Survey."
3. Type your question and tap send.

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