INSTITUTIONAL RETIREMENT INCOME COUNCIL

Stable Value Funds as an In-Plan Retirement Income Strategy:

A Principal Protected Path for Retirement Income

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Executive Summary

As the defined contribution (DC) system increasingly takes responsibility for retirees' lifelong financial security, plan sponsors and providers are seeking scalable, low-friction solutions to deliver retirement income. One less acknowledged but emerging option is stable value funds, which are already widely used in DC plans for capital preservation.

This white paper explores how stable value funds, combined with systematic withdrawal features, can serve as an effective in-plan retirement income tool. This combination provides predictable, principal-protected retirement income to participants without the complexity and commitment of annuity-based solutions. It also offers administrative simplicity for recordkeepers and clear fiduciary guidance for plan sponsors, consultants, and advisors.

With over $850 billion in stable value assets held across DC plans[i] and more than 80% of large plans offering stable value options[ii], these funds are a compelling and underused choice for meeting the growing demand for in-plan income strategies. Recordkeeper data shows that stable value allocations increase significantly among participants nearing or entering retirement, strongly indicating that many retirees are already using these funds as an informal decumulation vehicle, even without a formal income structure in place.

I. Introduction: Rethinking In-Plan Retirement Income

Defined contribution plans primarily address the savings challenge by enabling millions of workers to accumulate substantial retirement funds. However, the decumulation—or drawdown—phase is still underdeveloped. Most retirees must independently manage their finances and convert their balances into sustainable income, which can lead to risks such as outliving their assets, underspending, or making poorly timed withdrawals.

Although the industry has heavily invested in exploring annuitization, target date solutions with the option to annuitize, and retirement income middleware platforms, few scalable and participant-friendly solutions have gained widespread adoption. This paper presents an alternative approach: using stable value funds—already a core part of many plans—as a basis for delivering predictable, flexible retirement income through systematic withdrawals.

II. The Prevalence and Strength of Stable Value in DC Plans

Stable value funds are some of the most popular capital preservation options in workplace retirement plans.

- Used by about 80% of large DC plans (Callan DC Survey, 2024)
- Over $850 billion in stable value assets are held in DC plans nationwide
- Often selected due to higher long-term returns and insurance protection

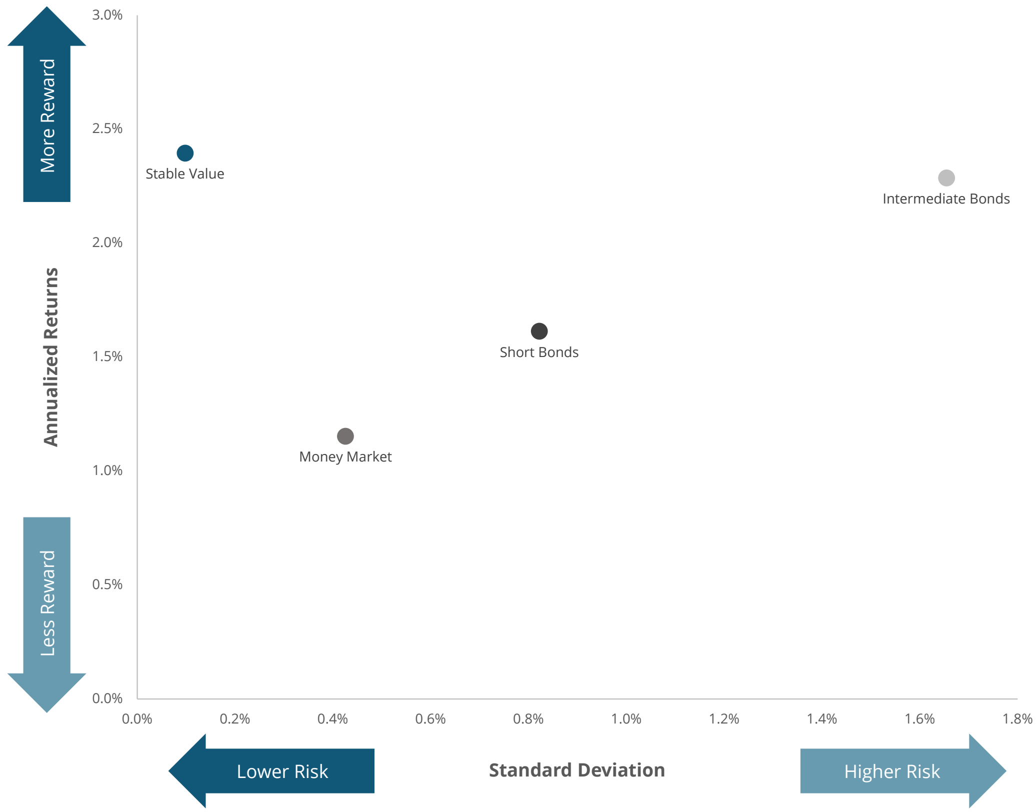
These funds provide:

- Principal protection supported by investment contracts from insurance providers
- Stable crediting rates that periodically reset and reduce short-term market volatility
- Daily liquidity for participant-directed transfers or distributions

These qualities make stable value funds a natural choice not only for risk-averse savers but also an appropriate vehicle for retirees seeking a low-volatility, income-generating option while retaining control over their savings and liquidity during retirement.

Because stable value is a low-risk asset class, it can strengthen portfolios along the efficient frontier. In other words, its lower risk allows participants to increase allocations to riskier assets while keeping the same overall risk profile they had before adding stable value. Alternatively, participants can use stable value to lower their risk profile while still targeting the same growth objective as before.

15 Year Risk Vs Return as of 3/31/2025[iii]



Compared to other conservative fixed income instruments such as CDs, money market funds, TIPS, or short-term bonds, stable value funds offer a unique blend of daily liquidity, principal protection, and attractive net returns relative to volatility. Unlike TIPS, stable value does not offer explicit inflation protection, but its crediting rate structure provides higher returns than money markets or CDs over most time periods while also avoiding the mark-to-market volatility found in bond funds.

INVESTMENT TYPE	PRINCIPAL PROTECTION	LIQUIDITY	INTEREST RATE RISK	RETURN POTENTIAL
Stable Value Funds	Yes	High	Low	Moderate
Bank CDs	Yes	Low (penalties)	Low	Low
Money Market Funds	Yes	High	Low	Low
TIPS Funds	No	High	High (market value volatility)	Moderate
Short-Term Bonds	No	High	Moderate to High	Moderate

III. How Stable Value + Systematic Withdrawals Work

A systematic withdrawal program helps retirees generate a steady income from their plan account, usually on a monthly or quarterly schedule. When paired with stable value as the funding source, participants receive dependable income payments while being safeguarded against market losses.

Key Features

Predictable Payments: Stable crediting rates ensure a more consistent withdrawal experience.

Liquidity and Control: Participants can stop, start, or change withdrawals at any time.

No Irreversible Elections: Unlike annuities, withdrawals can be adjusted based on life events or market conditions.

Simple Administration: Many recordkeepers already provide this feature as a capital preservation option, so there is little overall need for additional infrastructure.

This approach enables retirees to remain in the plan, receive a reliable income, and maintain access to their balance while remaining flexible to adjust to changing needs — though it does not provide guaranteed lifetime income, and participants must still determine an appropriate withdrawal amount based on their personal goals and time horizon.

IV. Comparison with Annuity-Based In-Plan Solutions

While annuities can provide guaranteed lifetime income and may be appropriate for many plans, they may have trade-offs that may reduce participant interest and complicate plan management.

CRITERIA	STABLE VALUE + WITHDRAWALS	TDF + ANNUITY[iv]
Principal Protection	Yes	Varies; typically lacks full principal protection
Liquidity/Flexibility	Full liquidity	Varies by product
Income Stability	Yes, through stable crediting rates	Yes, but linked to annuity market rates
Fiduciary Simplicity	Existing investment review process	Requires new investment review process
Administrative Complexity	Low – no middleware needed	High – requires annuity integration and middleware
Participant Familiarity	High, long standing investment options in plans	Evolving – new investment structure
Cost Transparency	Varies by product	Varies by product

While annuities may offer higher nominal payouts due to risk pooling and the illiquidity premium, these benefits are highly sensitive to the interest rate environment at the time of purchase.

In contrast, stable value funds provide market participation with controlled volatility, enabling retirees to dollar-cost average interest rates and reduce the risk of locking in poor payout terms at a single point in time. Combined with systematic withdrawals, this provides an attractive middle ground: income predictability and downside protection without sacrificing flexibility or requiring irrevocable elections.

The recent whitepaper "Stable Value and the Retirement Tier" outlines how stable value funds are well-suited for short- and mid-term income needs in retirement, while being paired with other investment options designed for growth and longevity. This combination enables participants to draw reliable income in early retirement while continuing to invest for the longer term.

Similarly, the SVIA paper "Using Stable Value in Retirement to Protect Against Portfolio Depletion" highlights how stable value compares to traditional investment portfolio drawdowns by mitigating sequence-of-returns risk and supporting more predictable, behaviorally sound decumulation, offering a blend of protection and flexibility that bridges the gap between annuities and fully market-exposed strategies.

V. Administrative and Fiduciary Benefits

This approach benefits not only participants but also provides advantages to plan sponsors, recordkeepers, and advisors.

RECORDKEEPER SIMPLICITY

- Higher level of existing product integration with recordkeeping platforms than lifetime income products
- No middleware or insurance integration needed
- Compatible with current recordkeeping technology infrastructure
- Compatible with existing participant mobile, web, and other communication channels

EASIER FIDUCIARY OVERSIGHT

- Stable value funds are already reviewed and monitored by plan investment committees, industry consultants, and retirement plan advisors
- Stable value funds provide transparent, observable information, allowing for more fiduciary clarity for investment committees, consultants, and advisors
- Systematic withdrawals are a well-established, plan-permitted distribution feature
- Easier to benchmark than proprietary annuity terms or insurance provider ratings
- Ability to change your stable value provider for all participants, but you cannot change your annuity provider for past participants who have already taken an annuity

For retirement consultants and advisors, there is significantly more experience and there are more existing investment review tools and processes for evaluation of stable value funds. As evaluation frameworks for annuity-based solutions mature, evaluation may become more streamlined; however, stable value's transparency, liquidity, and participant familiarity continue to make it an attractive default.

VI. Solution Designs: Flexible Pathways for Plans

The stable value plus systematic withdrawal approach is not a one-size-fits-all model. It can be tailored into various structures depending on the plan design and participant demographics.

Target Date with Stable Value

- Introduce a stable value sleeve in late-stage vintages (e.g., TDF 2025–TDF Income)
- Transition participants, either by default or participant election, to income-appropriate allocations at or after retirement
- Enable embedded systematic withdrawal triggers based on retirement age or plan elections
- Seamlessly integrates with existing Qualified Default Investment Alternative (QDIA) structures

Hybrid Managed Account Solution

- Managed account providers allocate part of retiree portfolios to stable value
- Personalized withdrawal strategies are tailored for income needs, longevity, and risk tolerance
- Stable value provides the income-generating "floor" of the portfolio
- Highly customizable and guided by advisors

Standalone "Income Tier" Offering

- Create a dedicated income option using stable value as the main investment
- Market it as a "retirement paycheck option" or "secure income pool," building on existing participant familiarity with stable value
- Participants can either choose or be automatically enrolled in this option at retirement age
- Designed for simplicity and broad participant appeal

VII. Policy Alignment and Industry Support

The regulatory and policy environment is becoming more supportive of in-plan income strategies.

- SECURE 2.0 encourages plan sponsors to offer income-focused investments and default distribution options
- DOL guidance highlights the importance of income options that are clear, flexible, and aligned with participants' best interests

Stable value, with its built-in protections and widespread adoption, fits well with these policy changes and may offer a more straightforward fiduciary and administrative path compared to the complexities involved in offering annuity-based income products.

Additionally, emerging industry trends in co-manufacturing, where investment managers partner with recordkeepers to develop exclusive age-based solutions, have shown growing interest in incorporating stable value, often through the recordkeeper's general account products. This model has the potential to accelerate the integration of stable value into retirement income strategies by embedding it directly into default pathways. Raising awareness of stable value's utility in decumulation early in this product development cycle may ensure that co-manufacturing serves as a complement rather than a competitor to broader adoption efforts.

VIII. Strategic Recommendations

FOR PLAN SPONSORS

- Evaluate stable value funds for both accumulation and decumulation options
- Adopt plan design that allows for withdrawals/investment option hierarchy
- Consider adding stable value to retirement tiers, income-focused QDIAs, or default withdrawal plans (for example, Required Minimum Distributions)

FOR RECORDKEEPERS

- Enhance participant tools for setting up systematic withdrawals
- Emphasize the stable value fund as a retirement income option in planning materials
- Implement functionality to allow systematic withdrawals to be funded with specific investment options

FOR CONSULTANTS AND ADVISORS

- Incorporate stable value income strategies into retirement income analysis
- Highlight existing fiduciary investment evaluation process and participant familiarity
- Use stable value-based strategies as a bridge and a standalone solution for participants hesitant about annuitization
- Ensure the recordkeeper can integrate systematic withdrawal transactions with the stable value investment portfolio as the funding source
- For stable value products that generate implicit fees, such as those offered through insurance general accounts, evaluate the appropriateness of these fees as part of a prudent fiduciary process
- Ensure alignment between managed account providers and stable value managers regarding protocols for reallocations or extraordinary liquidations, including predefined procedures that support book value treatment and avoid disruptions to market-to-book ratios

FOR POLICYMAKERS AND INDUSTRY ASSOCIATIONS

- Continue promoting flexibility and innovation regarding in-plan income solutions
- Provide safe harbor guidance for default decumulation elections used in systematic withdrawals
- Improve education around principal-protected income options

IX. Conclusion: A Scalable and Practical Retirement Income Strategy

Stable value funds have long been a low-risk, principal-protected investment option for DC participants. However, as decumulation needs quickly grow, their role should expand to serve as a foundation for steady and predictable retirement income.

When combined with systematic withdrawals, stable value funds can provide retirees with a dependable income stream while offering flexibility, liquidity, and ease of use. Compared to hybrid annuity models, they are more affordable as well as simpler to manage, explain, and implement. An income stream incorporating stable value can be a complement to other retirement income options available in the plan (such as a target date with annuity or stand-alone annuities).

As the retirement system shifts toward incorporating income into plan design, stable value offers a transparent, scalable, and participant-friendly option — one that builds on proven methods.

Endnotes

i Stable Value Investment Association, Stable Value at a Glance (https://www.stablevalue.org/stable-value-at-a-glance/), August 2025

ii Callan 2024 DC Trends Survey (https://www.callan.com/blog-archive/2024-dc-survey/)

iii "Stable Value" is represented as a composite of the historical returns derived from data collected by the SVIA for its four stable value market segments (individually managed accounts, pooled funds, insurance company general accounts, and insurance company separate accounts). Historical return data is presented as both a range (with the top and bottom deciles removed) and as an average. Data from 1989 to 2008 was collected from stable value managers to form a composite for use in research conducted by David Babbel and Miguel Herce, and data from 2008 to present is sourced from the SVIA's Quarterly Characteristics Survey with the period from 2008 to 2015 derived from reported crediting rate data. Returns are gross of stable value management fees but net of fees necessary to deliver the product, such as stable value wrap, third party fixed income management, trust, custody, and fund administrative fees. This composite is composed of varying types of stable value products and, as such, should not be used as a comparison to a specific product.

"Money Market" is a simulation of money market returns from the iMoneyNet MFR Money Funds Index. Returns illustrated are gross before any fees.

"Intermediate Bonds" is a simulation of market value bond fund returns from the Barclays Intermediate Government/Credit Bond Index. Returns illustrated are gross before any fees.

"Short Bonds" is a simulation of market value bond fund returns from the Barclays Capital U.S. 1-3 Year Government/Credit Bond Index. Returns illustrated are gross before any fees.

iv TDF + Annuity refers to a target-date fund structure that includes an annuity component, typically introduced as participants near retirement age. These hybrid solutions may either embed a guaranteed income product within the glidepath or provide a mechanism for participants to convert a portion of their balance into an annuity at or near retirement. These structures vary significantly by provider in terms of cost, liquidity, and participant flexibility.

For more information please visit:

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