

Assumptions, Assessments and Actions:

Plan Sponsor Views of Participant Support and Advisor Partnerships

2014 FINDINGS OF NATIONAL SURVEY OF PLAN SPONSORS

While working Americans are responsible for their financial security in retirement and most expect their workplace savings plans to provide that source of income, employers also place a high premium on their own mission to deliver that vehicle for saving. However, questions about the effectiveness of employee education, the role of automatic programs and the help of service providers all contribute to sponsors' abilities to help participants.

A survey was conducted in the first quarter of 2014 to better understand plan sponsors' perspectives. This study sought to gain insight into how employers view their plan objectives, the support of their advisors and service providers, and their beliefs around employee behavior. A total of 310 plan sponsors were surveyed representing plan assets of less than \$25 million through \$100 million. The study revealed that plan sponsors:

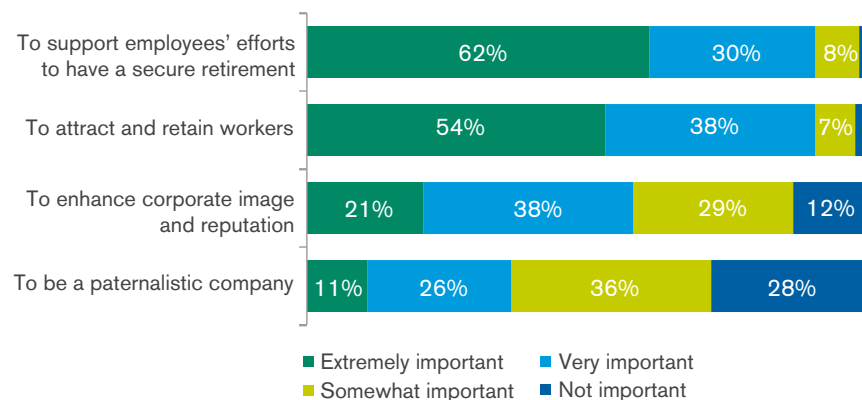
- View their most important goal as striving to ensure financial security for their participants.
- Value participant communication and education programs but feel these efforts have fallen short.
- Underestimate how much intervention participants want and expect from them.
- Count on the expertise of their advisors and will look to advisors for even more help in the future.

Sponsors share top goals and concerns

Plan sponsors are committed to helping their participants achieve successful outcomes and have some concerns about the intricacies in delivering that result.

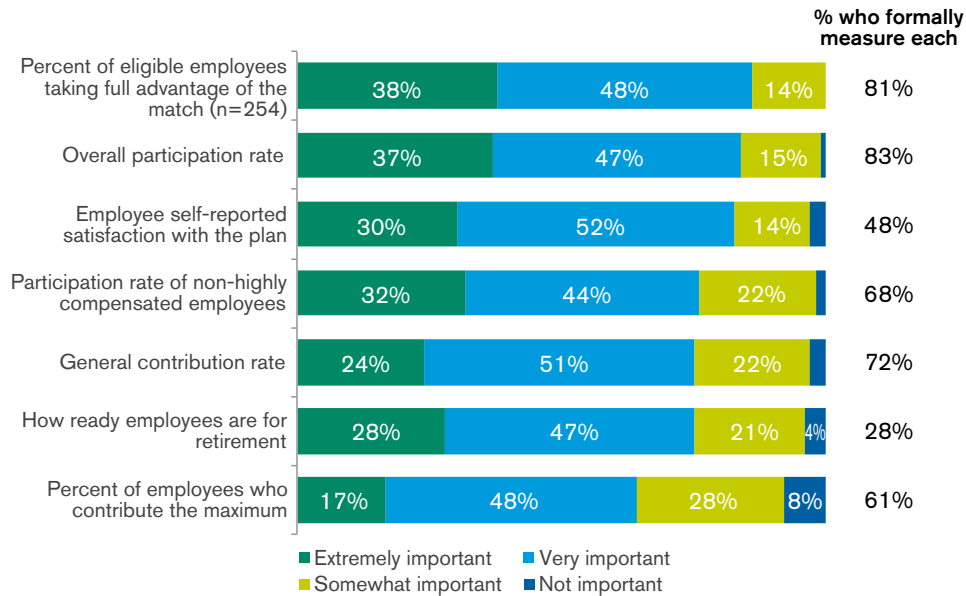
When it comes to goals of offering a retirement plan, employers place much higher importance on striving for a secure retirement for employees and building a solid employee base than they do on corporate image and reputation.

How important is each of the following corporate goals when it comes to offering a retirement savings plan? (n=310)



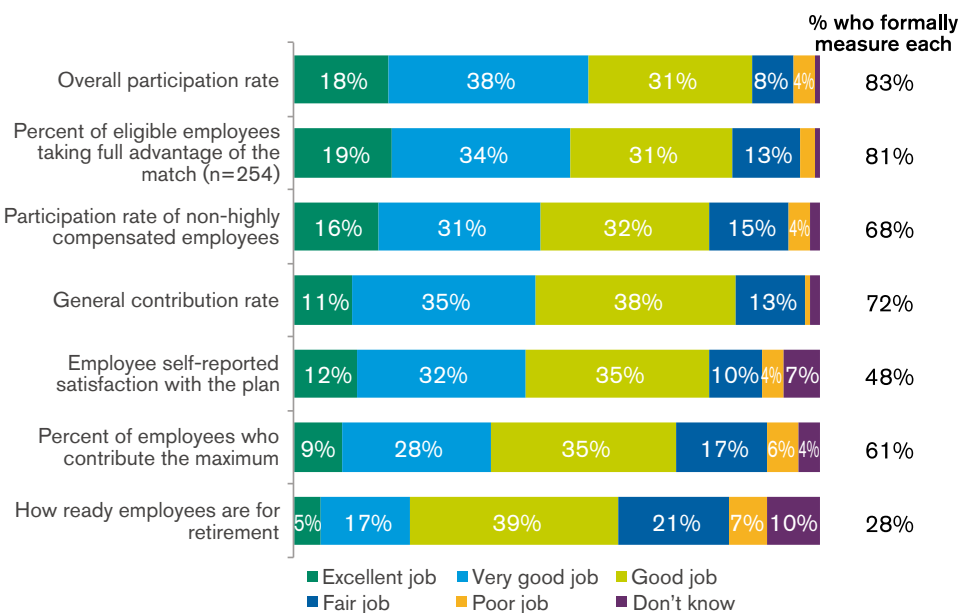
Plan sponsors are generally concerned about their employees' level of retirement readiness and view the company match as the most important indicator of potential success.

How important is the following in assessing the success of your retirement plan? (n=310)

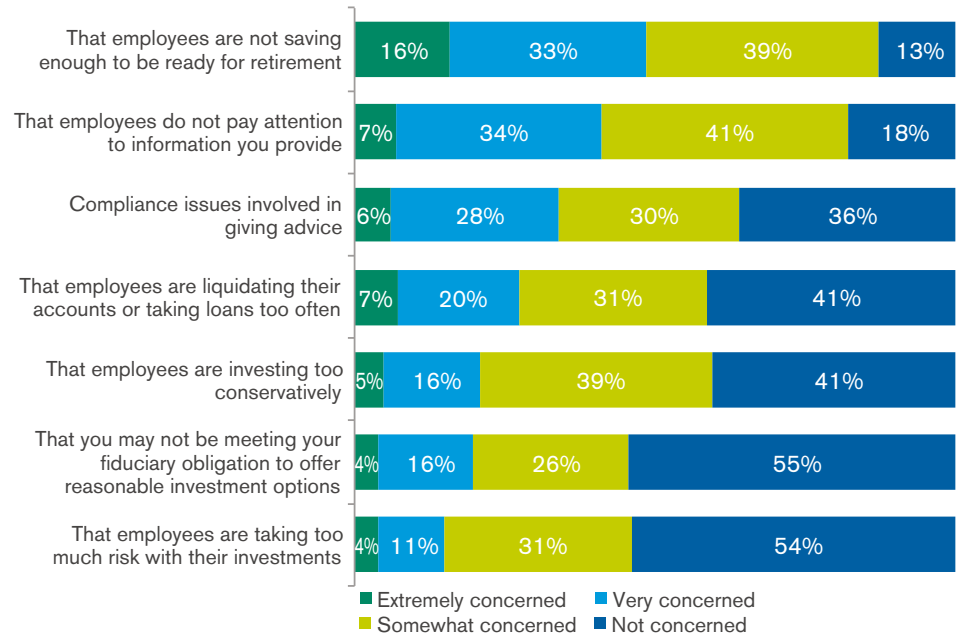


Plan sponsors believe they do a solid job in maintaining plan participation, but their lowest area is their employees' ability to retire. Fewer than 30 percent measure employees' retirement readiness.

How well do you think your company does on each of the following measures given your industry and employee population? (n=310)

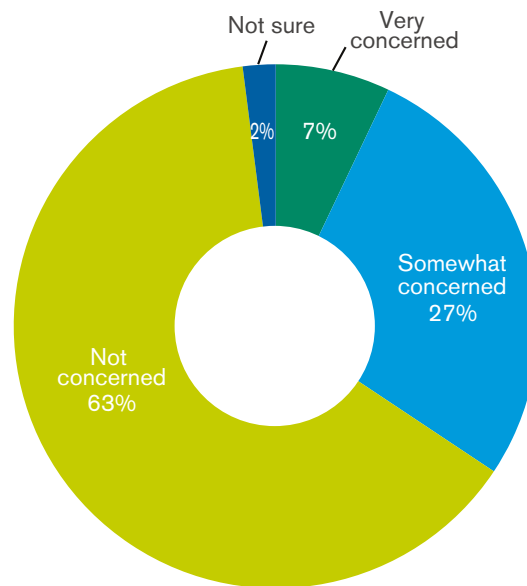


How concerned are you about each of the following? (n=310)

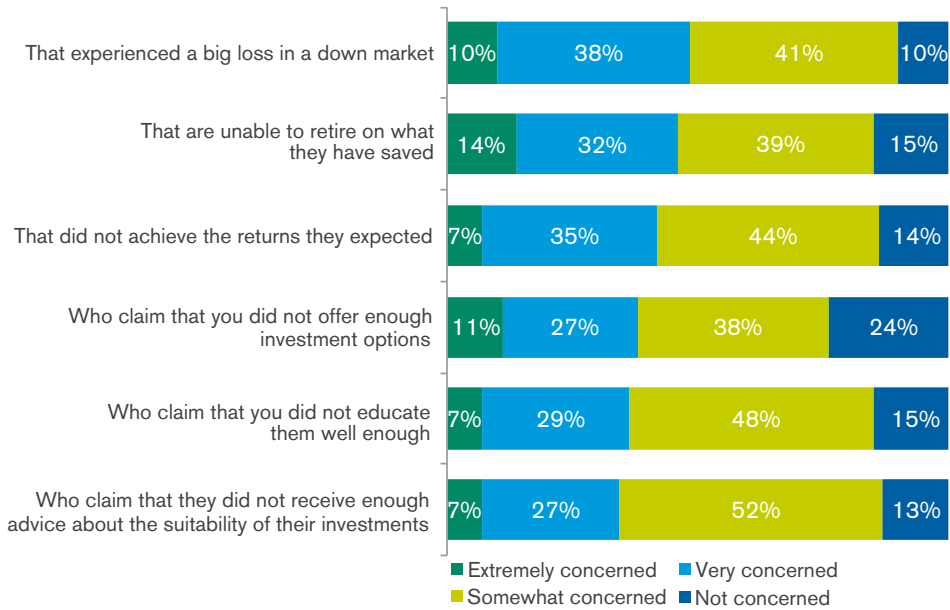


Few employers are very concerned about their liability with respect to the retirement plan. Of those who are concerned, participants' market losses and their inability to retire are the biggest areas of worry.

When you think about your retirement plan, how concerned are you about liability issues – that employees may sue you if they don't achieve the results they feel they should? (n=310)



How concerned are you that you will be sued by one or more employees...?
Of those who are concerned about liability issues (n=129)

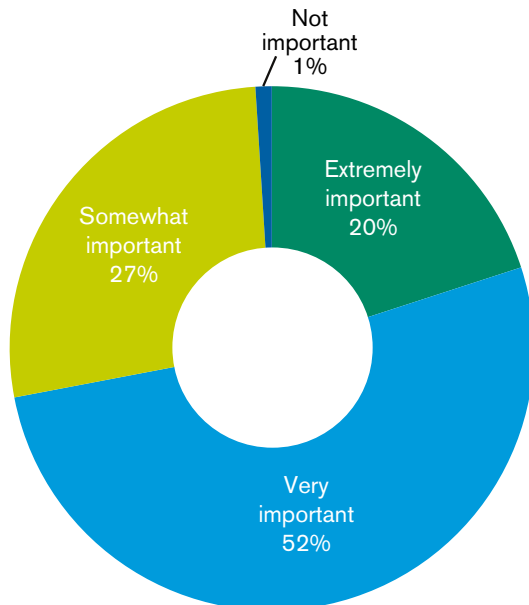


Are communication and education programs effective?

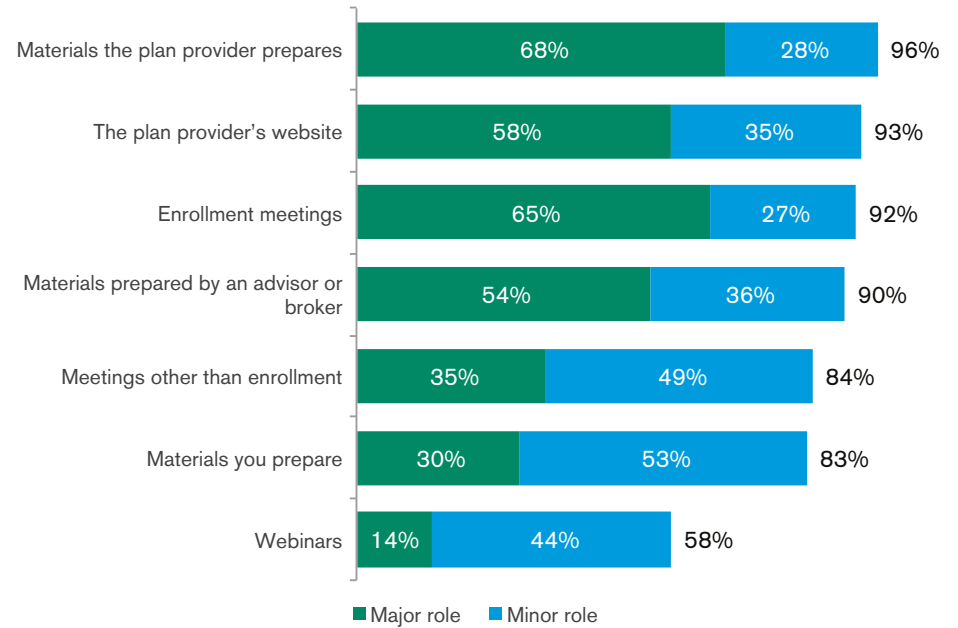
Despite long-standing, significant industry efforts around employee communication, plan sponsors do not see a winning formula.

Seven out of 10 plan sponsors view participant communication and education programs as extremely or very important, and they rely heavily on support from their plan providers. At the same time, only two in five think programs are effective, and 58 percent of plan sponsor agree that participants won't take advantage of support that's offered to them.

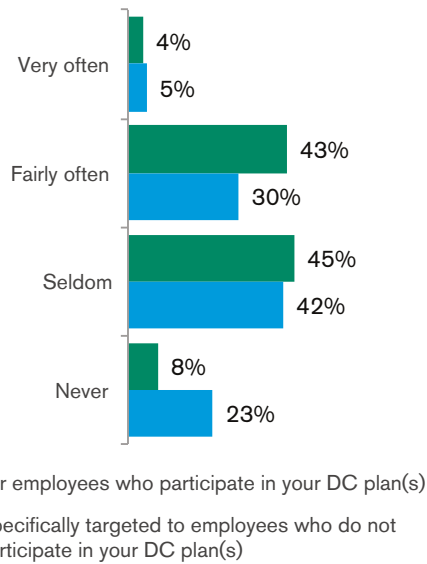
In general, how important is participant education to your company? (n=310)



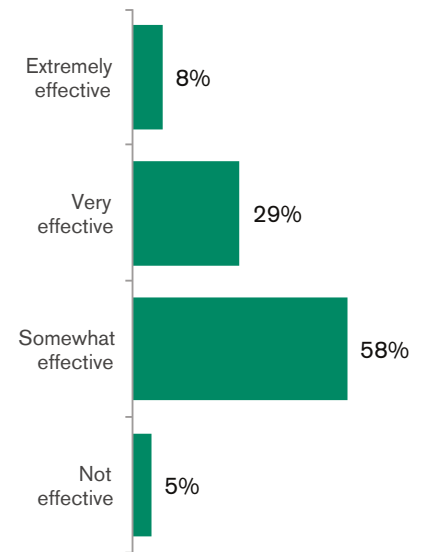
How big a role does each of the following play in educating participants? (n=310)



How often does your company offer retirement planning seminars/webinars...? (n=310)

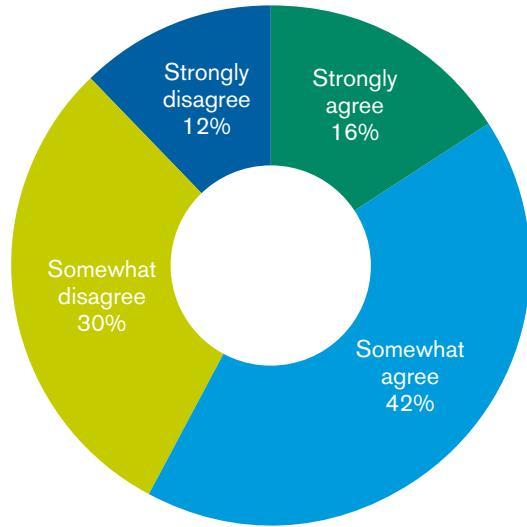


In general, how effective do you think your participant education program is? (n=310)



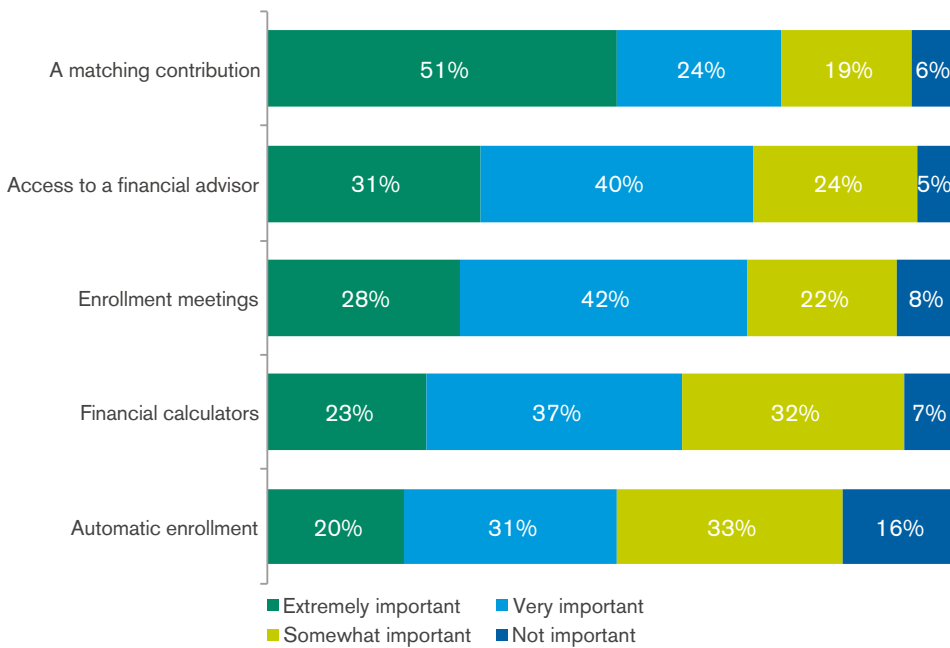
To what extent do you agree or disagree with the following statement?

It doesn't matter if employers offer support; most employees don't take advantage of it. (n=310)



Employers believe that providing a matching contribution is the most important action that they can take to encourage employees to save.

How important do you believe each of the following actions are for an employer to take in encouraging employees to save for retirement? (n=310)



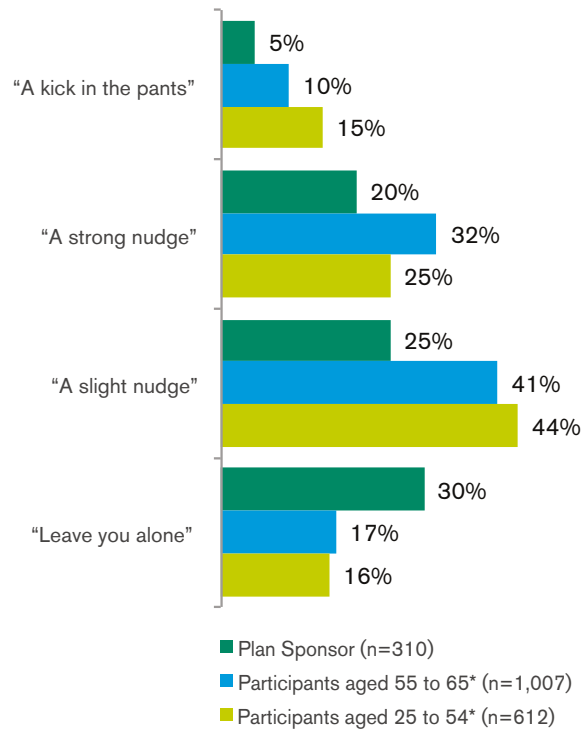
Sponsors and participants differ on intervention

There is a difference between what plan sponsors and participants believe regarding the appropriate level of intervention around plan behavior. While sponsors still look for participants to become educated about saving and investing, participants are amenable to automatic programs and defaults, recognizing their own tendencies.

Employers underestimate how much of a push employees want. Employers assume that 30 percent of their employees prefer to be left alone, when in fact only about 16 percent of their employees actually feel this way.

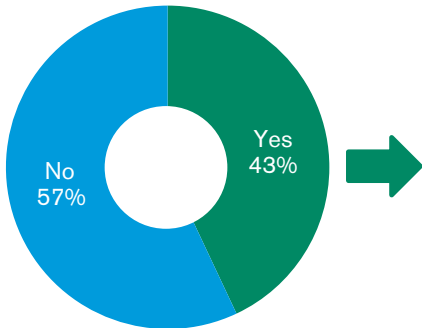
When it comes to encouraging employees to save more for retirement, what percent of employees in your company do you think prefer each of the following?

Median responses reported

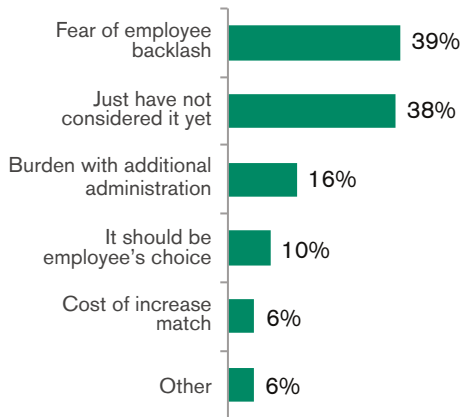


** % of employees saying that each item best describes what they want their employer to do for them when it comes to saving*

Do you currently offer automatic enrollment to your employees? (n=310)

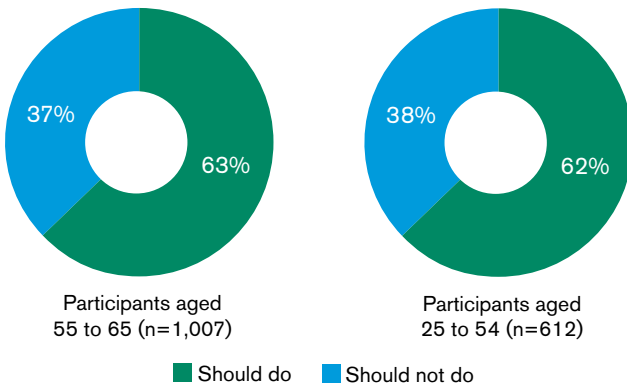


Reasons why automatic enrollment is not offered (n=153)



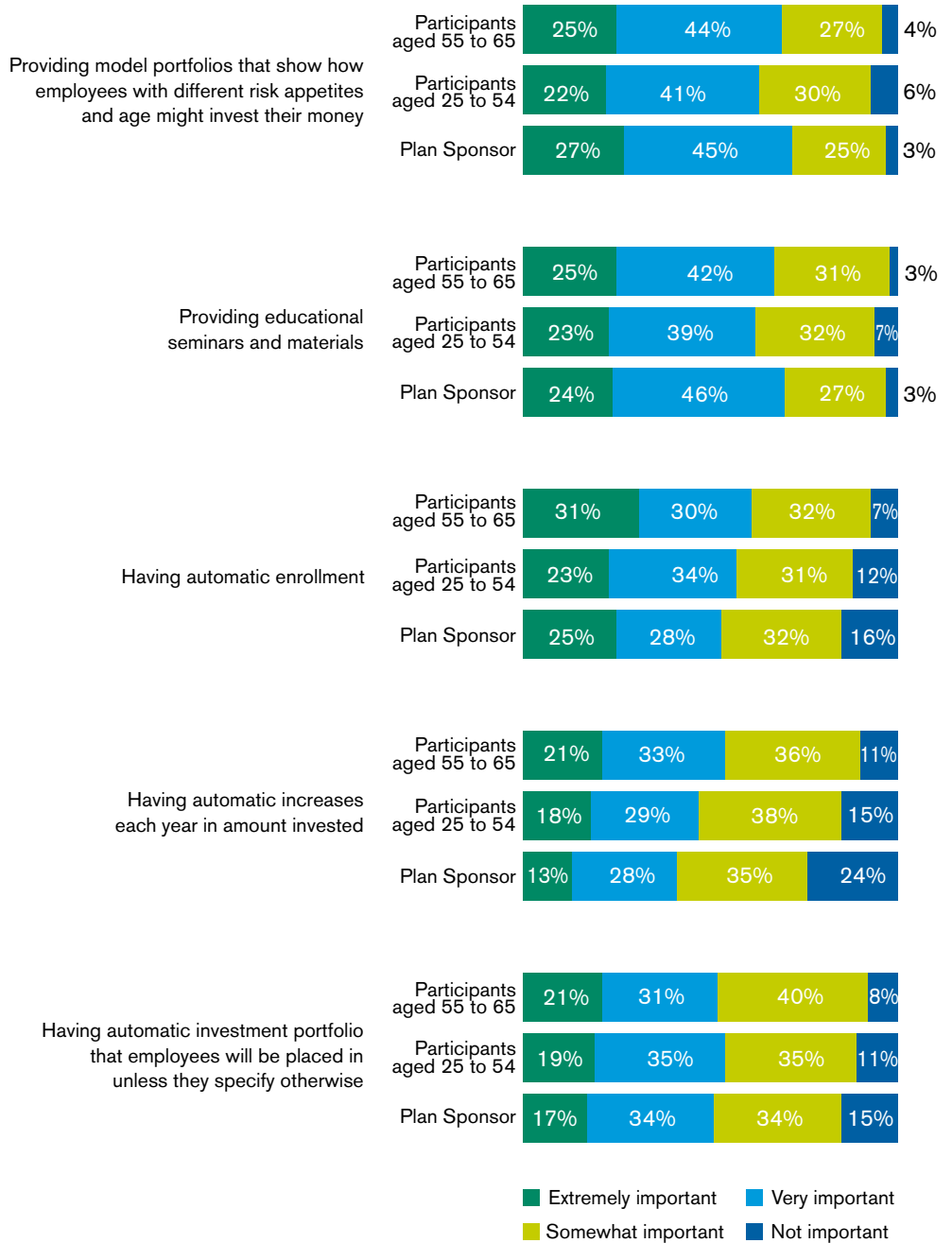
More than 60 percent of employees support employers implementing automatic enrollment as a way to encourage saving.

Suppose the company you worked for has an automatic enrollment option where 6% got taken out of employees' paychecks automatically for their retirement plans. Is this something the company:



Plan sponsors view model portfolios and seminars as slightly more important than employees do. Employees place more importance on automatic enrollment and increases than employers.

How important do you think each of the following employer actions are in encouraging employees to save more for retirement?



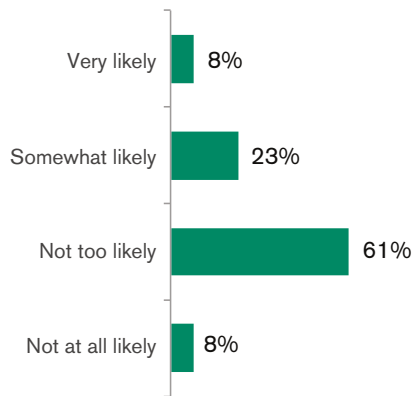
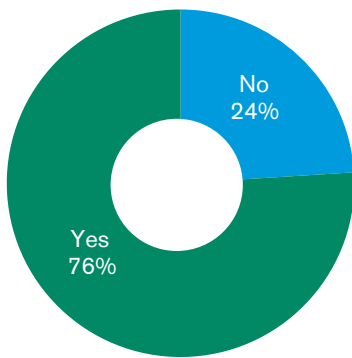
Advisors are viewed as key partners, especially for investment selection and monitoring

Retirement plan advisors are mainly sought for investment selection and monitoring responsibilities, but there is opportunity for greater plan involvement.

Three in four employers use an advisor, and three in ten of those who do not are likely to use one in the future. Nearly all are satisfied with their current advisor, and more than half have been with their advisor for at least five years.

Do you currently have a professional financial advisor that advises you on your plan? (n=310)

How likely is it that you will get a professional financial advisor in the future? (n=77)

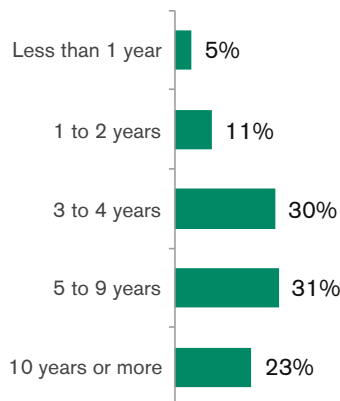
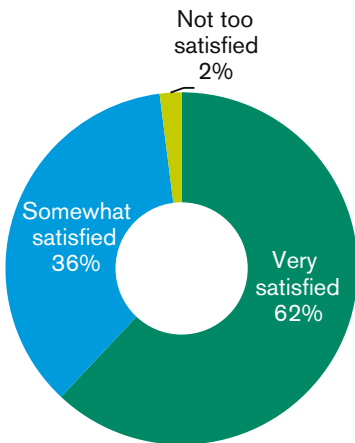


Overall, how satisfied are you with your current advisor? (n=233)

Among those with an advisor

How long have you been working with your current advisor? (n=233)

Among those with an advisor



Advisors are heavily used; close to nine in ten use them for investment selection, and at least seven in ten utilize their advisor for employee education, meeting fiduciary obligations, compliance issues, employee communication and plan administration. At least half of those with advisors who do not currently use them for these services report they are likely to do so in the future for investment selection, employee communication, and education.

Investment selection stands out as the main reason for using an advisor, though large majorities use them for a variety of purposes.

Are you using the advisor for any of the following? (n=233)

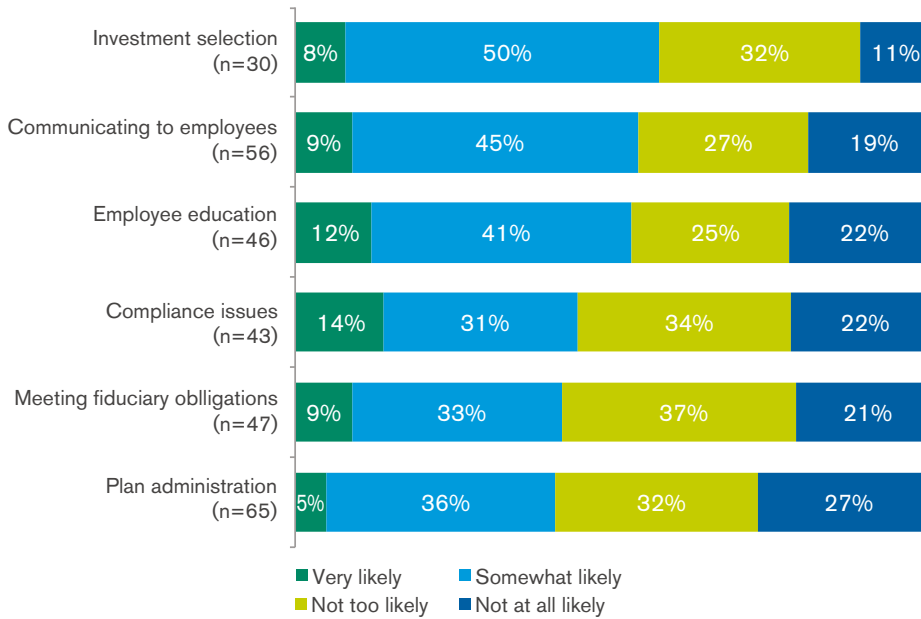
% Yes among those who have a financial advisor



Plan sponsors are most likely to use advisors in the future for investment selection, employee communication, and education.

How likely are you to use the advisor for any of the following in the future?

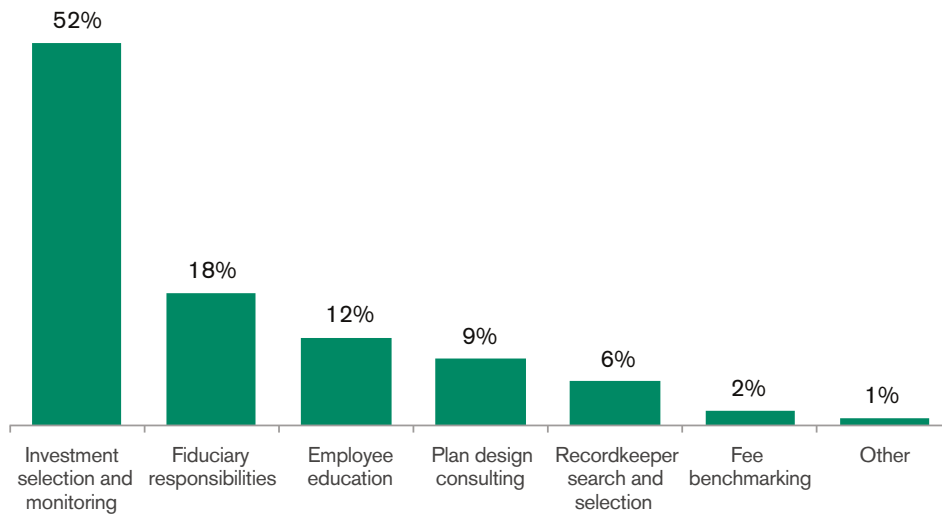
Among those who are not using any of the following



Investment selection and monitoring is by far the most important duty of advisors.

What is the most important duty your advisor performs? (n=233)

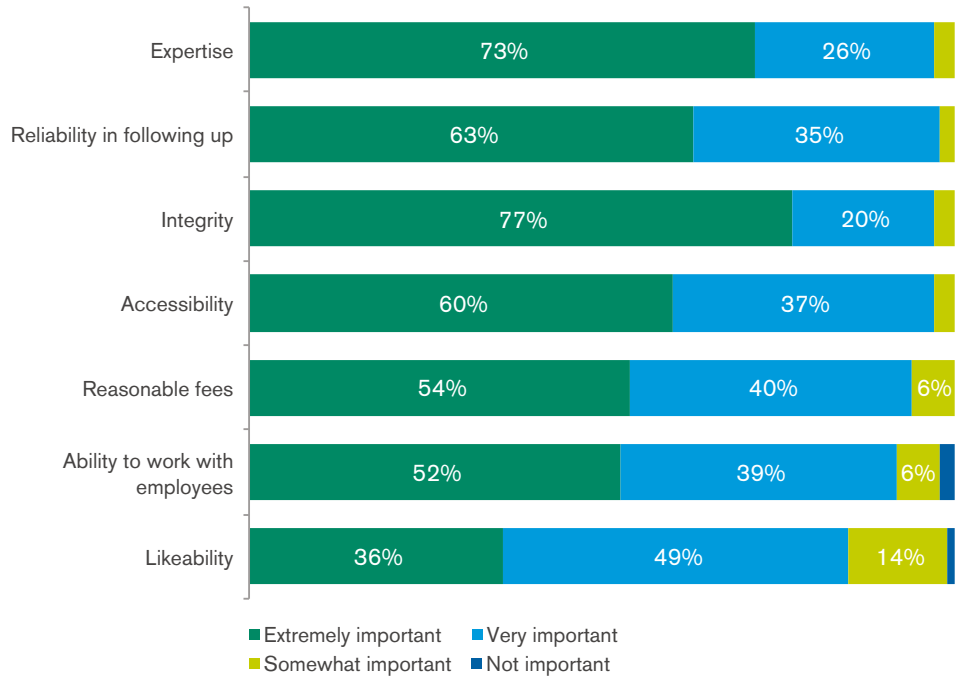
Among those with a financial advisor



Employers are most apt to value expertise, reliability, integrity, and accessibility in their advisors. At least three in five view these traits as extremely important.

How important are each of the following qualities in an advisor? (n=233)

Among those with a financial advisor



Summary

Plan sponsors recognize the important role they play in helping their participants prepare for retirement, and they place a priority on communication and education programs. However, they are generally dissatisfied with the results of these efforts and are somewhat reluctant to fully implement automatic programs. Although most frequently used for investment lineup consulting, retirement plan advisors can expand their client relationships by offering expertise around typical participant behavior and the effective use of defaults. Given the value plan sponsors place on their advisors, advisors have an opportunity to work with their clients to proactively and progressively improve participants' retirement readiness, a critical goal shared by most plan sponsors.



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Performance is what our clients expect, and we believe the ultimate measure of our performance is the quality of the relationship with our clients. Our culture is firmly rooted in the principles of discipline, integrity and teamwork. We relentlessly focus on delivering superior investment performance and building long-term client relationships. Four foundational characteristics help us deliver on our commitment:

- Performance focus for 55 years
 - Pure play business model
 - Privately controlled and independent
 - Profits with a purpose
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Survey Methodology

The survey was conducted between February 8 and March 3, 2014. Respondents were screened to include only those who currently work for a private or publically-held company or organization that was founded prior to 2010 and offers a defined contribution plan with plan assets of less than \$100 million for which the respondent has considerable influence. A total of 310 sponsors participated including 104 whose company has plan assets under \$25 million, 78 between \$25 million and \$50 million, 75 between \$50 million and \$75 million, and 53 between \$75 million and \$100 million. The data were balanced to reflect the makeup of the total defined contribution population by plan asset size.

Data collection and analysis were completed by Mathew Greenwald and Associates, Inc., of Washington, D.C.

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