



SPONSORS
USING PLAN
ADVISERS
RECEIVE MORE
FEATURES, BETTER
OVERSIGHT
AND IMPROVED
OUTCOMES

The Royal Treatment

2012 Adviser Value Survey: Every year, PLANSponsor magazine—PLANADVISER's sister publication—conducts an exhaustive survey of 7,000 defined contribution plans of all sizes across the country, collecting data about such things as provider satisfaction, implementation of plan features, investment options, plan oversight, use of financial advisers, success measurement and outcomes. Detailed results of plan sponsor responses are featured in the PLANSponsor November issue and at plansponsor.com.

This year, we decided to compare responses of plans that use advisers against those that do not, and perhaps not surprisingly to readers of PLANADVISER, the results show that plans using advisers receive better service, have stronger plan oversight procedures and show a corresponding improvement in results.

Information Overloaded. Plan sponsors can face an overwhelming list of choices in terms of features to include in a plan, and to weigh the benefits versus the costs of each is certainly daunting. Advisers can help decide which of these features to use in creating an optimal plan offering for an employer's unique employee population. Plans using advisers are significantly more likely to have a Roth feature, Safe Harbor provision, automatic enrollment and automatic deferral increases. Vesting schedules, interestingly, are about the same for adviser and non-adviser plans.

Out of Sight. Once the plan's features are selected, plan oversight can arguably be an even more monumental task, especially for resource-challenged smaller employers. Again, the use of plan advisers is invaluable when it comes to monitoring and reviewing the plan on a regular basis. The survey results show that plans that use advisers more frequently evaluate their providers (and are more likely to switch providers), evaluate their fees and formally evaluate the plan's investment options. In addition, plans with advisers are more likely to have an investment committee composed of both employees and non-employees of the organization.

Invested Interest. In terms of plan investments, plans with advisers tend to have slightly more investment options in the plan menu—21 on average and a median of 17 for plans with advisers, versus 20 and 16 respectively for plans that do not use advisers—and participants in plans with advisers also hold slightly more options than participants in non-adviser plans. Adviser-utilized plans tend to have fewer of a recordkeeper's proprietary funds; are more likely to use multimanager and custom target-date funds; are less likely to use revenue sharing, and; are more likely to have non-mutual fund vehicles, such as separate accounts and managed accounts, than plans not using advisers.

Gauging Success. Plan outcomes and success can be measured in many ways and to varying degrees, and plans with advisers are much more likely to use specific ways to gauge plan success. The overall participation rate in a plan among eligible employees is the most commonly used—and obvious—success measurement for all plans. Plans with advisers have higher plan participation—71% on average,

versus 68% in plans not using advisers. Another way to measure plan success, in addition to overall participation, is the quality of that participation—i.e., the percentage of participants saving enough to receive the full value of the match offered by the plan. Those plans using advisers have a median of 75% of participants who get the full match, versus 72% of participants in plans not using advisers.

Methodology: From July through late August 2011, approximately 7,000 defined contribution plans responded to the PLANSPONSOR Defined Contribution Survey, consisting of more than 60 questions pertaining to satisfaction with providers, plan design, monitoring/oversight, investment options, outcomes and use of financial advisers for the plan. For purposes of the results published herein, the survey results were analyzed to compare plans using financial advisers with plans not using them. For more information, please contact surveys@assetinternational.com.

Implementation of plan features

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Roth 401(k) provision	43.1%	32.8%	31.3%
Safe Harbor	45.8%	37.4%	22.5%
Auto-deferral increases	18.0%	15.4%	16.8%
Written IPS	64.5%	57.1%	13.0%
Custom target-date funds*	24.4%	18.1%	70.3%

*using or considering

Plan outcomes

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
% of partic. w/ max. match (avg)	66.2%	65.4%	1.3%
% of partic. w/ max. match (median)	75.0%	72.0%	4.2%
# of inv. options offered (avg)	21.0	20.2	4.3%
# of inv. options offered (median)	17.0	16.0	6.3%
# of inv. options held (avg)	5.7	5.0	13.2%
# of inv. options held (median)	5	4	25.0%

Length of relationship with DC provider

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Less than 1 year	4.5%	4.1%	10.9%
1-3 years	15.6%	13.1%	19.3%
3-5 years	19.8%	14.8%	33.2%
5-7 years	15.4%	14.6%	5.5%
More than 7 years	42.7%	51.1%	-16.5%
Don't know	2.0%	2.3%	-11.3%

Frequency of formal evaluation of DC provider

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Annually	34.4%	32.5%	5.9%
Every 1 to <2 years	13.0%	11.5%	13.0%
Every 2 to <3 years	17.4%	15.5%	12.5%
Every 3 to <5 years	19.6%	19.8%	-1.2%
Every 5+ years	11.1%	12.7%	-13.0%
Never	4.5%	8.0%	-43.4%

Frequency of formal evaluation of admin. costs/fees

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Annually	71.4%	69.2%	3.1%
Every 1-2 years	9.7%	9.6%	1.1%
Every 2-3 years	7.3%	7.7%	-4.9%
Every 3-5 years	4.2%	4.5%	-6.0%
Every 5+ years	1.9%	2.5%	-22.4%
Never	5.5%	6.5%	-16.0%

Frequency of formal evaluation of investment options

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Quarterly	36.2%	29.1%	24.4%
Twice a year	18.7%	16.8%	11.4%
Annually	32.1%	35.3%	-9.3%
Every 1-2 years	3.0%	4.8%	-37.1%
Every 2-3 years	2.5%	3.0%	-16.8%
Every 3+ years	1.8%	3.0%	-40.2%
Never	4.0%	6.0%	-33.8%
Other	1.8%	2.0%	-11.5%

Default investment for auto-enrollment

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Retail target-date fund (active)	28.0%	33.1%	-15.3%
Retail target-date fund (indexed)	14.0%	16.2%	-14.1%
Custom target-date fund	9.4%	7.5%	25.9%
Risk-based lifestyle fund	8.1%	6.0%	34.0%
Balanced fund	14.6%	12.7%	15.0%
Managed account	5.1%	4.8%	5.5%
Stable value fund / GIC	5.4%	5.5%	-0.9%
Money market fund	7.5%	7.6%	-2.0%
Other	8.0%	6.6%	21.2%

When participants are 100% vested in the match

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Immediately on enrollment	29.6%	32.2%	-8.2%
6 months	0.9%	0.8%	9.1%
1 year	5.7%	5.9%	-2.4%
2 years	3.7%	4.4%	-16.3%
3 years	12.3%	12.3%	0.5%
4 years	3.1%	3.1%	1.3%
5 years	24.4%	23.5%	4.0%
After more than 5 years	20.3%	17.9%	13.4%

Approximate average expense ratio of all the investment options in the DC plan

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Less than .25% (<25 bps)	11.5%	12.2%	-5.3%
.25-.50% (25-50 bps)	18.1%	19.9%	-9.3%
.51-.75% (51-75 bps)	16.3%	17.6%	-7.5%
.76-1% (76-100 bps)	19.8%	18.4%	7.7%
1%-1.5% (101-150 bps)	11.0%	8.1%	35.3%
1.6%-2.0% (160-200 bps)	1.1%	1.0%	18.5%
2.1%-2.5% (210-250 bps)	0.1%	0.2%	-47.3%
More than 2.5% (>250 bps)	0.0%	0.1%	-70.7%
Don't know	22.0%	22.5%	-1.9%

Investment vehicles used in DC plans

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Mutual Funds	91.5%	90.4%	1.1%
Separate account	22.5%	19.7%	14.6%
Managed account	39.1%	32.1%	21.7%
Commingled Pool	7.5%	8.4%	-11.2%
Collective Trust	10.3%	11.6%	-11.5%

Types of target-date funds used

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Single-manager funds	32.5%	38.4%	-15.3%
Multi-manager funds	13.1%	10.7%	21.8%
Two or more of the above	10.5%	9.5%	10.3%
Not sure	30.4%	32.1%	-5.3%
Other	4.7%	3.5%	34.9%

% of DC provider's proprietary funds in the plan

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
0%-20%	52.7%	42.4%	24.4%
21%-40%	10.5%	11.1%	-5.8%
41%-60%	5.9%	7.8%	-24.2%
61%-80%	3.8%	5.4%	-30.4%
81%-100%	3.7%	6.4%	-42.8%
Don't know	23.4%	26.8%	-12.7%

% of funds in DC plans offering revenue sharing to pay for plan administrative expenses

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
0%-20%	24.2%	22.1%	9.3%
21%-40%	4.2%	4.4%	-4.3%
41%-60%	4.4%	4.5%	-1.7%
61%-80%	4.7%	5.1%	-9.0%
81%-100%	13.9%	11.4%	22.5%
Don't know	48.6%	52.5%	-7.4%

Investment committees for DC plan

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Yes—employees only	40.3%	47.5%	-15.0%
Yes—only external to our company	1.7%	1.7%	1.6%
Yes—a mix of internal and external	32.2%	20.3%	58.4%
Yes—unsure of composition	0.8%	1.3%	-36.7%
No investment committee	23.6%	27.0%	-12.4%
Don't know	1.3%	2.2%	-42.2%

Success measures used

	WITH ADVISER	WITHOUT ADVISER	% DIFF W/ADVISED
Participation rate	67.6%	61.7%	9.6%
Employee segment deferrals	35.8%	30.9%	15.6%
% participants saving to match	27.6%	22.3%	24.0%
"Appropriate" asset allocation	15.4%	12.6%	21.7%
Increased deferral rates	13.7%	10.4%	31.8%
Use of advice tools/seminars	16.5%	10.4%	58.6%
Employee satisfaction (surveys)	28.3%	22.1%	28.4%
Benchmarking of plan design	25.3%	19.9%	27.1%
No formal success measures	26.8%	31.6%	-15.4%