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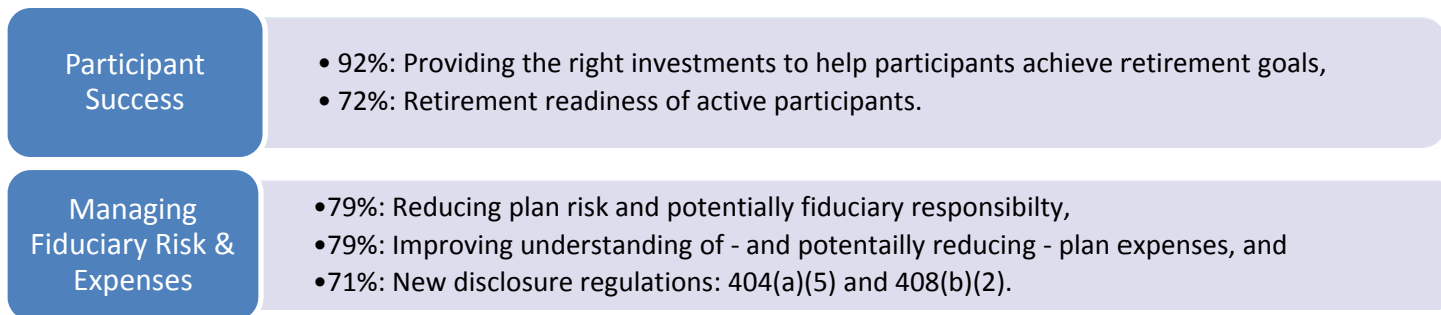
Survey Highlights – Plan Sponsor Priorities and Actions

Deloitte Consulting recently issued the results of its Annual 401k Benchmarking Survey, which explores key areas of interest to 401k Plan Sponsors – from investments to fees, from plan policies to service providers.

Its author suggests that the Survey offers insights into the priorities and associated actions of plan sponsors “at a time during which they have never been under more scrutiny, and their actions have never been more important.”

Highlights

Top Priorities of Plan Committees: Ranked Very Important or Quite Important by Plan Sponsors:



Plan Sponsor concern with participant success is not surprising given **ONLY 15%** believe that most employees will be prepared for retirement.

Leverage to facilitate participant success are:

- Use of auto-features,
- Targeted communication and education that engage participants to act, and
- Single solution investment tools – model portfolios, target date funds, managed accounts.



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Use of Auto Tools

Auto-features are geared to helping participants save and invest more prudently – which is aligned with Plan Sponsors’ stated priorities!

Auto-Enrollment

- Adoption continues to grow: 56%, up from 49% in 2010;
- Initial default rates are higher: 32% are now above 3%, up from 25% in 2010; and
- Plan Sponsors report positive impacts on all fronts: Participation Rate (86%), Contribution Rate (54%) and increased Participant Awareness (68%).

Auto-Increase

- BUT less than half (49%) use auto increase - although 92% that do use it are satisfied with it;
- ONLY 45% that use it, make it automatic; and
- Because it is mostly elective, fewer than 10% of participants use auto-increase.

Targeted Communication and Education that Engage Participants to Act

In the Survey, the top two barriers to making their plan more effective was a lack of understanding and ineffective communications.

Most Effective Communication Medium

- 44% - Meetings, one-on-one's are a preferred approach - just less practical:
 - 24% - Group meetings
 - 20% - One-on-one's
- 26% - Targeted communications

Individual Counseling

- 55% Offer individual counseling or advice - and another 18% are considering adding it.
- Other surveys report that generally over 70% of employees would like their employers to provide them with professional advice on saving and investing (*e.g., Schwab, Rethinking Retirement Survey*).



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Plan Investments

There were two survey findings of note:

Managed Portfolio Solutions

- 30% offer Managed Accounts - up from 25% in 2010,
- And, another 15% are considering offering them.
- Other surveys report that over 70% of plans offer Target Date Funds, Model Portfolios or other managed portfolio solution.

Retirement Income

- There is very little interest in retirement income offerings:
- 74% are NOT considering an in-plan retirement income product, and
- 73% are NOT considering at-retirement income solution (purchase option of selection software).

Plan Sponsor Satisfaction – Provider & Fee Disclosures

Plan sponsors are generally satisfied with their service providers and fees being paid for services received:

Provider Satisfaction

- 91% are satisfied or very satisfied with the level of service provided by their recordkeepers.
- 83% believe that their 401(k) fees are competitive .



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CSIG Observations

The survey results are generally consistent with CSIG's findings and experience:

- In 2010 and 2011,
 - 28% of CSIG's clients added auto-enrollment to their plans; and
 - 72% of CSIG's clients with auto-enrollment increased their default rate past 3%, and added auto-increase to 10%.
- CSIG agrees that meetings are most effective – which is why we partner with service providers to develop meaningful and targeted content to meet the varying needs of our clients' employees.
 - A “standard” meeting – that is presented at too high of a level or is too basic – can turn off employees.
 - We recommend a variety of meeting types to attract participants to a more appropriate meeting – to both enhance their experience and more successfully engage them into taking appropriate actions based on their personal circumstances.
- CSIG strongly believes it is essential that every plan offer best-in-class managed portfolio solutions, like target date funds or model portfolios. However, with an increase in adoption and usage of these investment products, plan sponsors' due diligence, documentation of a prudent selection of these offerings, and robust performance monitoring is increasingly important.
- “Demand” for retirement income products are being driven by vendors – need we say more!
 - HOWEVER, what is important is effective pre-retiree counseling to help employees transition to retirement and understand their retirement investment options so that they make prudent choices.
- We are surprised that such a high percentage of plan sponsors are satisfied with the level of fees they are paying.
 - In 92% of the instances that CSIG benchmarks fees we are able to successfully renegotiate a reduced fee.
 - For the other 8% - we have already reduced fees and are revalidating the pricing.

Perhaps the DOL's 408(b)(2) disclosures will reveal more than what plan sponsors already know about their current fees. We can only hope!

**Capital Strategies Investment Group LLC (“CSIG”) is a fully independent investment and retirement advisory firm focused exclusively on helping Plan Sponsors and Committees execute on their fiduciary duties, and successfully manage their retirement plans and service provider relationships. CSIG also works with Plan Sponsors and Committees to improve plan participants' retirement outcomes and overall financial well-being.*