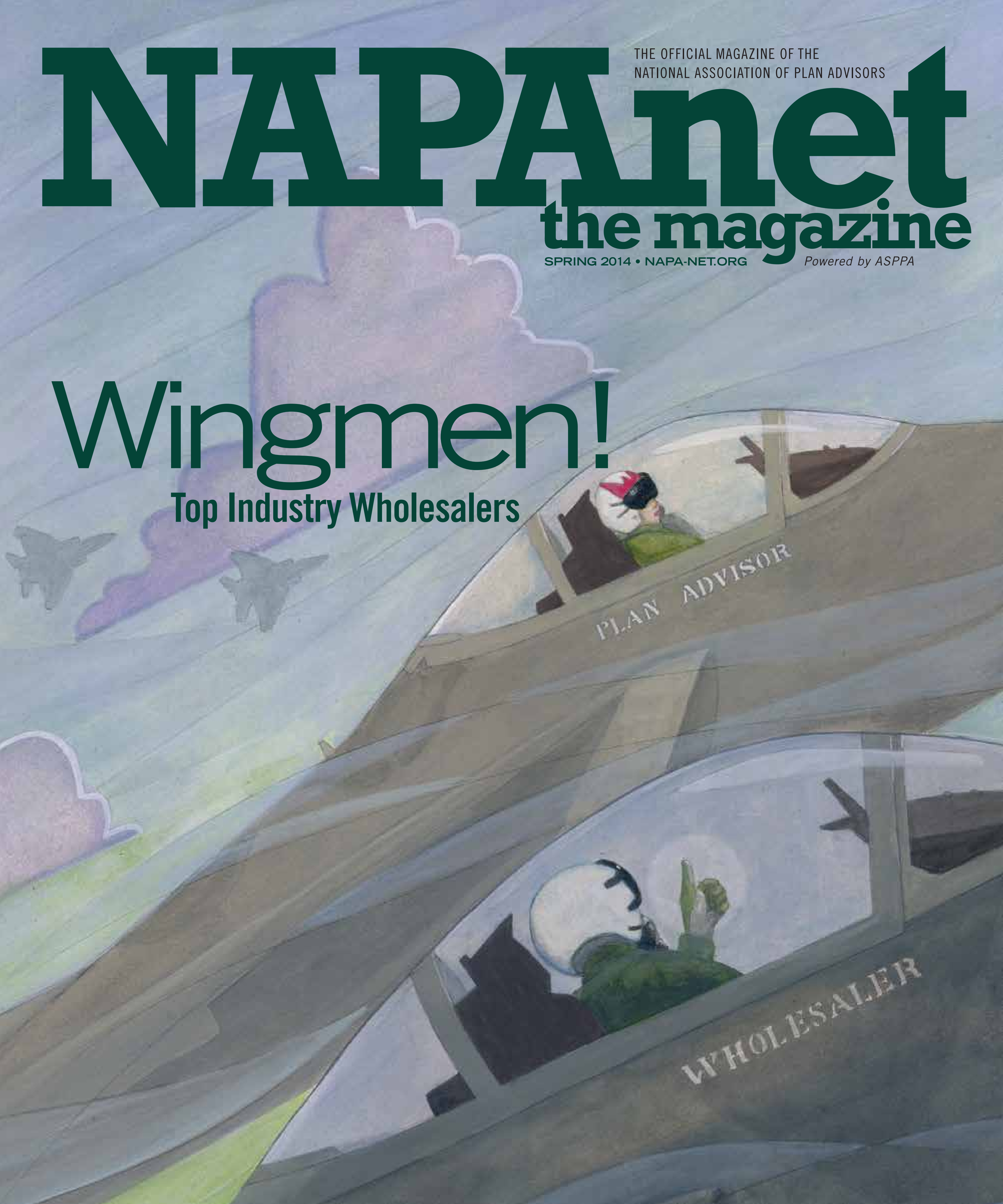
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*Employee Benefit Research Institute, March 2012, No. 369, *The 2012 Retirement Confidence Survey: Job Insecurity, Debt Weigh on Retirement Confidence, Savings*, Ruth Helman, Mathew Greenwald & Associates; and Craig Copeland and Jack VanDerhei, EBRI.

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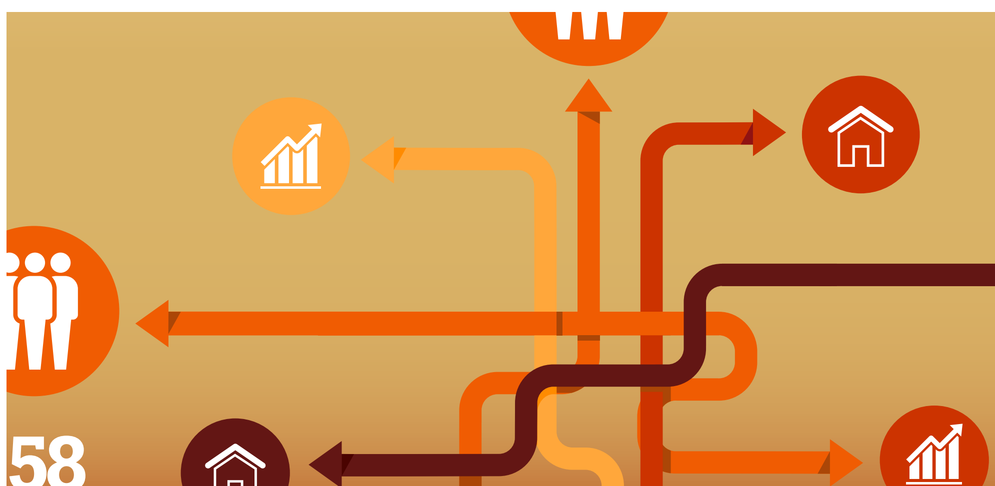

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Conventional Wisdom

This issue of *NAPA Net the Magazine* is especially important. We're publishing in conjunction with the 2014 NAPA 401(k) SUMMIT in New Orleans — the first exclusively NAPA-branded SUMMIT. Why is this so significant? Unlike any other DC plan advisor event, the entire agenda was developed by advisors — focusing on what's happening in Washington and zeroing in on workshop topics that will enable advisors to elevate their individual businesses. With nearly 8,000 members and 150 Firm Partners, NAPA has truly brought together the entire advisor-serviced DC industry, and the SUMMIT now serves as its annual gathering — including a record number of attendees this year. This makes the SUMMIT truly the industry's convention.

Our cover story focuses on the 1,500 DC wholesalers who are the glue that bring together plan advisors and home office personnel to deliver an exceptional experience and service to plan sponsors and their employees. Additionally, it's important to note that our inaugural "Top 75 DC Wholesalers" list is based on voting by NAPA members.

Recognizing the top professionals and elevating the profession will put plan advisors in a better position to help their clients improve their retirement plans, as well as attracting more plans to the experienced plan advisors who can do the most good. To that end, we cover the growing importance of advisor teams in the DC market. These teams are now becoming prevalent in the mid and large markets; they will inevitably infiltrate the small DC plan market as well.

With research from Johns Hopkins, Legg Mason's Gary Kleinschmidt, an industry thought leader and founding member of NAPA's Leadership Council, covers how the changing demographics of aging in America will dramatically alter how we think about retirement planning — especially regarding the cost of housing.

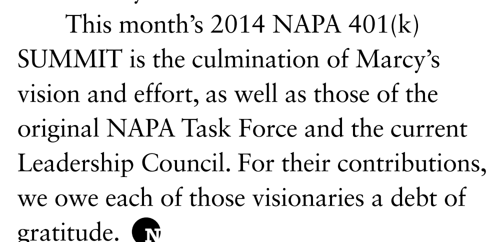
As always, this issue features the insight of our all-star roster of columnists (present company excluded): Jerry Bramlett on investing, Don Trone on stewardship, David Levine on the law, Steff Chalk on plan sponsors, Warren Cormier on participants, Nevin Adams on research and Brian Graff on what's going on in Washington.

Finally, I'd like to thank Marcy Supovitz, NAPA's inaugural president, who ends her two-and-a-half-year tenure at the opening session of the 401(k) SUMMIT this month. Marcy spent countless hours over the last four years working to bring the NAPA concept to reality. She was instrumental in convincing ASPPA leadership to devote the resources necessary to make that happen. Without her foresight, devotion and passion, NAPA might not exist.

Think about how much NAPA has changed and improved the DC industry. In just a little more than two years, NAPA has provided plan advisors with a voice in Washington at a time when their crucial role in helping working Americans achieve retirement security is under attack. From an industry driven by divergent commercial enterprises, we have created a truly unified community. Previously that community existed only as an abstract ideal.

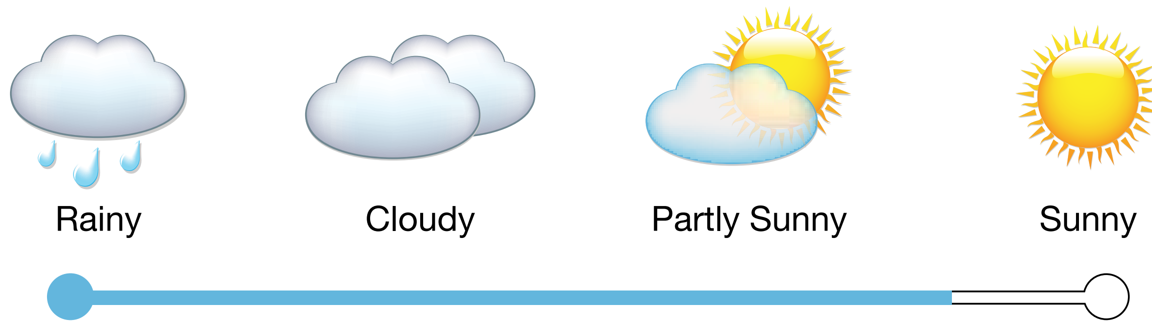
> "With nearly 8,000 members and 150 Firm Partners, NAPA has truly brought together the entire advisor-serviced DC industry. This makes the NAPA 401(k) SUMMIT truly the industry's convention."

This month's 2014 NAPA 401(k) SUMMIT is the culmination of Marcy's vision and effort, as well as those of the original NAPA Task Force and the current Leadership Council. For their contributions, we owe each of those visionaries a debt of gratitude.



FRED BARSTEIN » Editor-in-Chief

clear view of retirement, improving outcomes



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It's the Top of the Third … and the Bases are Loaded

BY MARCY SUPOVITZ

Three years of growth and success? That's just the beginning.

As NAPA begins its third year, I'm reminded of countless pearls of wisdom from Yankees catcher Yogi Berra. (And this coming from a diehard Red Sox fan!) Yogi was one of those rare individuals who could capture the essence of the moment with a simple reflection. So what better way to reflect on NAPA's evolution than with some memorable Yogi-isms?

'We Have Deep Depth'

I'm often asked about the early thinking that led to the formation of NAPA. Well, think about this: In 2011, there were plenty of membership organizations for financial advisors, but none that focused exclusively on the interests of retirement plan advisors. It was time. We needed to give definition to this important, emerging profession — one that was still being shaped by evolving regulations and market forces. We needed a community where we could all work together to improve our businesses and retirement outcomes, as well as effectively present and protect our interests in Washington.

Having been an active member of ASPPA for the better part of 30 years, I knew first-hand that ASPPA was one of the most effective advocacy and educational organizations in the retirement plan industry. It seemed to me that by aligning with ASPPA, the plan advisor community could start from a position of strength. The ASPPA board agreed. And ASPPA's CEO, Brian Graff, quickly became a champion for the cause.

So NAPA came to bat with ASPPA's expertise, infrastructure, energy and political power behind it. To my mind, that's the kind of deep depth that would have made Yogi proud.

The result: In its first two years, NAPA attracted more than 7,000 individual members and 110 firm partners, making it one of the fastest growing professional organizations in our industry's history.

'Ninety Percent of this Game is Half Mental'

Based on this quote alone, Yogi has to be considered one of the best sources of leadership insight ever. Many organizations are quick to develop visions and missions, but developing and carrying out a game plan to get there is a different mental exercise.

We launched NAPA in October of 2011 with a far-reaching vision — to become the universal membership organization for retirement plan advisors, much like the AICPA is for accountants and the ABA is for attorneys. Our mission was to be a leader in the evolution of the national retirement system in an effort to improve retirement outcomes for participants.

The first step was to form a leadership council made up of talented and committed volunteers from the advisor community. Next, we needed a plan that was flexible enough for ideas to germinate and flourish. And finally, we needed funding for all those great ideas. There was just no getting around the fact that progress would take time. Or so I thought.

It was surprising how quickly NAPA gained momentum. In fact, within three months, we knew we were on to something special. Many of the industry's largest broker-dealers, RIAs, record keepers and DCIO firms had already signed on as firm partners. It was quite a prestigious list. It was like the entire industry was in the same mental state — NAPA was an organization whose time had come. And that mental state was 90% of the battle.

Thanks, Yogi, for providing such an inspiring quote. And thank you to all the early adopters who helped get NAPA off the ground.

'We're Lost, but We're Making Good Time'

Translation: Activity is not the same as progress. True progress happens only when activities are in line with the overall vision.

NAPA Net is a prime example. Early on, there were many activities we could have pursued to get the word out about NAPA. But NAPA Net was the mouse that

roared. In record time, this valuable resource made NAPA a household name in the plan advisor community, and played a major role in the continuing membership surge. Now joined by *NAPA Net the Magazine*, our media efforts are in full swing. A hearty thank you to Fred Barstein, NAPA Net's Editor in Chief.

Another activity that furthered our vision was the NAPA DC Fly-In Forum, a new conference last year. Featuring a lineup of high-ranking IRS and DOL officials as well as key members of Congress, this event showcased NAPA's unique role as a professional group that's working to improve retirement outcomes, and helped solidify NAPA's growing influence on the Hill. Many thanks to Gary Kleinschmidt for this winning idea, and to the ASPPA/NAPA government affairs and conferences staff for bringing it to fruition.

We're now in the midst of developing new educational programs for retirement plan advisors. So stay tuned. We're surely not lost, and we're making good time.

'Nobody Goes There Any More — It's Too Crowded'

When Yogi made this statement, he must have been speaking of the NAPA 401(k) SUMMIT. Attendance has broken records since the formation of NAPA. In fact, the event has evolved from conference to convention — easily the largest gathering of its type in our industry.

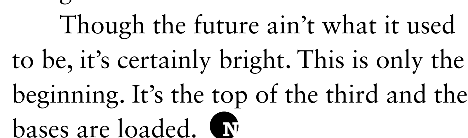
There are many reasons why the SUMMIT continues to grow. Those of you who regularly attend know the value this event provides in the form of business-building ideas, new approaches to your practice and interaction with the brightest minds in our industry. There's just no substitute for being there and experiencing it.

More importantly, the SUMMIT is a chance for NAPA Nation to come together as a group to protect and strengthen the industry we've worked so hard to build. Indeed, the crowds come for good reason.

'The Future Ain't What it Used to Be'

Looking back on my time as NAPA president, I can say that we've had our share of challenges, opportunities, victories — and yes, growth! Now I will have the honor and privilege of serving as immediate past president for the 2014-2015 term. My trusted colleague, Steve Dimitriou, will take over the charge.

Though the future ain't what it used to be, it's certainly bright. This is only the beginning. It's the top of the third and the bases are loaded.



» Marcy Supovitz, CPC, QPA, QKA, AIF, ChFC, CLU, is the founding president of NAPA. She also serves on the board of directors of ASPPA. Marcy is a principal with Boulay Donnelly & Supovitz Consulting Group, Inc., a retirement plan consulting and investment advisory firm in Worcester, MA.

DIMITRIOU TO SERVE AS 2014–2015 PRESIDENT

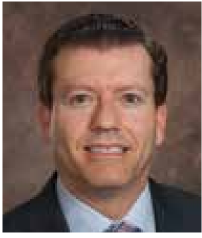
At the opening session of the 2014 NAPA 401(k) SUMMIT this month, Marcy Supovitz, NAPA's founding president, will pass the gavel to Steven Dimitriou, AIF, AAMS, PRP, who will serve as president for 2014-2015.

Dimitriou, a managing partner at Mayflower Advisors, LLC, in Boston, has more than 20 years of experience in the retirement plan industry, with a particular focus on participant directed plans. Prior to forming Mayflower Advisors, he was a managing director at H. C. Wainwright & Co., a vice president at BT Alex Brown, and one of the original members of the retirement sales team at MFS, Inc. in Boston.

Steve has been named PLANSPONSOR magazine's Retirement Plan Adviser of the Year (2009), one of the 40 Most Influential Advisors in Defined Contribution by The 401kWire (2010) and a semifinalist for the 2010 ASPPA-Morningstar Leadership Award. In 2011, he was inducted into the inaugural class of the PLANADVISER Hall of Fame.

An original member of NAPA's Leadership Council, Dimitriou also serves on several volunteer committees.

In its first two years, NAPA has enjoyed significant success, Dimitriou noted in a recent interview with *NAPA Net the Magazine,* as evidenced primarily by its membership numbers (currently approaching 8,000) and industry support in the form of nearly 150 Firm Partners. But as in so many things, past performance is not an indicator of future results. In his view, the challenge that lies ahead is ensuring that NAPA's core mission — being the respected voice of the retirement plan advisor in Washington, DC — is fulfilled. Equally important, though, is meeting the challenge of proving the organization's value to its members and Firm Partners in all elements of NAPA's mission, not just via its role in Washington. Look for that theme to be center stage during his year as president. — J.O.



BY BRIAN H. GRAFF

The Coming War on Income Inequality

Regrettably, income inequality as (mis)applied to retirement policy is a theme that our industry will need to get accustomed to hearing.

In January, the world's political, academic and business elites gathered in Davos, Switzerland to attend the World Economic Forum. The main theme of this year's forum was the global threat of growing income inequality. Putting aside the irony that individual registrations cost $20,000, the forum did focus media attention on the issue. Widely publicized highlights included reports from Oxfam International that almost half of the world's wealth is now owned by just 1% of the world's population, and that the annual income of the richest 100 people in the world would be enough to end global poverty four times over.

Of course, the issue of increasing income disparities has not gone unnoticed in Washington D.C. In a recent speech, President Obama said that increasing inequality and decreasing social mobility present "the defining challenge of our time," and that "making sure our economy works for every working American" would be a central focus of his remaining time in office. Senate Majority Leader Harry Reid (D-NV) joined in: "There is no greater challenge this country has than income inequality, and we must do something about it," he declared.

So what are they going to try to do about it?

The issue of income inequality can be viewed from both a policy perspective and a political perspective. From a policy point of view, it is hard to argue with the proposition that we can do more as a society to provide lower-income individuals better access to the tools they need to succeed. Examples include improved primary education, greater access to college, access to small business start-up loans, etc.

The problems start when the issue is used as a political weapon — and, unfortunately, it is now this perspective that appears to be most prominent. Viewed politically, the issue of income inequality is seen as an opportunity to portray successful, wealthy individuals as those "denying" others their rightful share of the pie. In that portrait, the "pie" of total wealth is presented as finite and the wealthy are hoarding an unreasonably fair share. Leveraging such a powerful populist message is what makes the issue so politically attractive to liberals and progressives.

"Viewed politically, the issue of income inequality is seen as an opportunity to portray successful, wealthy individuals as those "denying" others their rightful share of the pie."

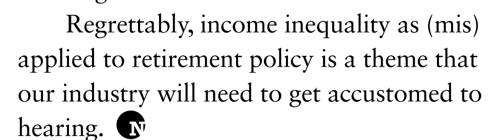
If you look at the current state of U.S. politics, it is not unreasonable to imagine a split-government political dynamic for the next 10 years. The White House could easily remain in the hands of the Democrats; the House of Representatives districts seem well-designed to retain Republican control; and the Senate appears likely to be so closely split that party control could change a few times over the next decade. With such a tight political balance, the likelihood that the issue of income inequality would be used for political purposes only increases.

Going forward, then, we should expect to see almost any issue being discussed in Washington, whether fiscal or social policy, to be framed in terms of income inequality. For example, we need to provide pre-K education to lower-income families not because it is a good idea, but because "only the wealthy can afford pre-school."

The same argument can easily be applied to tax and retirement policy. In fact, it already has. In the president's recent State of the Union address, he talked about the importance of expanding retirement savings coverage for American workers as part of his "myRA" initiative. It's a good thing for any president to talk about the importance of having a retirement savings plan at work. Unfortunately, however, he chose to contrast his retirement initiative by attacking the current system as primarily benefitting the wealthy: "[W]hile the stock market has doubled over the last five years, that doesn't help folks who don't have 401(k)s … if this Congress wants to help, work with me to fix an upside-down tax code that gives big tax breaks to help the wealthy save, but does little to nothing for middle-class Americans," he declared.

The president's FY 2015 budget is expected to include (once again) a lifetime cap on retirement savings and other restrictions on retirement tax incentives for the "wealthy." Such proposals reflect the political desire to present every policy initiative as being necessary to correct perceived failures of the current system, as opposed to simply trying to expand access to what is — based on actual facts — a good system that is working for the middle class.

Regrettably, income inequality as (mis) applied to retirement policy is a theme that our industry will need to get accustomed to hearing.



» Brian H. Graff, Esq., APM, is the Executive Director/CEO of ASPPA and NAPA.

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BY DAVID N. LEVINE

DOL Investigations – Don't Be Afraid, Just Be Ready

With the proper preparation, a DOL investigation does not have to be a fear-inducing event.

Ten years ago, if you mentioned Department of Labor investigations being focused on advisors, you may as well have been talking in the wilderness. Sure, these investigations were going on back then, but there was a lot less public talk about them and they definitely seemed less common. Flash forward to today: Now, it seems, everyone talks about advisors being the focus of DOL investigations.

DOL investigations can be time consuming, expensive, and potentially damaging to your reputation if the DOL concludes you may have violated an ERISA requirement. But DOL investigations don't have to be about fear at all. As an advisor, while your clients are the center of your world, a significant amount of your time is probably focused on managing the risks, rewards and challenges of running your business. To be ready for a DOL investigation, you just need to be prepared. So let's go over some key questions to help you prepare for and work through a DOL investigation.

Why Does the DOL Care About Advisors?

The DOL has a key national enforcement project (the Fiduciary Service Provider Compensation Project) that is specifically focused on advisors and how they disclose their compensation and conflicts of interest to their clients. In addition, advisors can become part of other ongoing national enforcement projects, such as the DOL's ongoing focus on ESOPs.

In reality, most advisors work hard to play by the book. But as is always the case, some bad apples have helped to raise the profile of advisors on the DOL's radar. Furthermore, in this era of budget austerity, a focus on advisors can serve as a more efficient use of the DOL's resources. Rather than pick one random plan, looking at an advisor can allow the DOL to "touch" all of the advisor's plans.

What Can You Do to Prepare?

Here are some basics to consider:

- **Plan for Investigation Costs.** The business resource and outside legal costs of working through a DOL audit can be significant. You might evaluate whether to maintain financial reserves or fiduciary liability insurance that specifically covers the cost of a DOL investigation.
- **Create Quality Internal Controls.** You may already have processes that you established to comply with other non-ERISA regulatory requirements. Creating similar internal controls for your ERISA duties can help document a strong ERISA procedural process. But try to keep them as simple as possible — you don't want to create processes you won't actually follow.
- **Conduct an Internal Review.** Some advisors, either on their own or through counsel, conduct "mock DOL investigation" reviews of their procedures and process to help identify potential compliance concerns. Remember to keep in mind potential attorney-client privilege concerns.

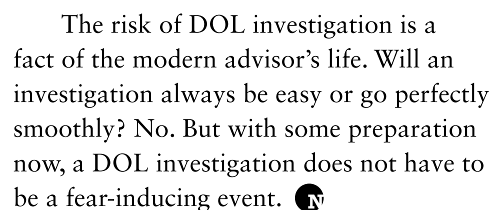
What Should You Do if the DOL Contacts You?

Of the many investigations our firm has been involved in, each one has unique characteristics. However, there are some common themes:

- **Have Proper Counsel.** Although not every person involves outside legal counsel in a DOL investigation from the start, my colleagues and I find that being involved at the beginning can often help manage and minimize the intrusiveness of the investigation into your day-to-day business activities. Also, should the DOL find issues of concern, experienced counsel can help manage the process of working to a resolution.
- **Be Professional.** A DOL investigator is a professional like you. Though there are always stories floating around about aggressive investigators, the vast majority of DOL investigators do not fit that stereotype.
- **Be Responsive.** The DOL has a lot of tools in its pocket to obtain information, and it can definitely tax your resources. However, if you work with a DOL investigator to be responsive, the process can often go a lot smoother than if you try to create barriers for barriers' sake.
- **Have a Plan.** Try to understand what the DOL is focused on. Try to have a plan for communication. If you have areas of your business that may raise DOL concerns, have a plan ready for addressing any concerns that arise.

Conclusion

The risk of DOL investigation is a fact of the modern advisor's life. Will an investigation always be easy or go perfectly smoothly? No. But with some preparation now, a DOL investigation does not have to be a fear-inducing event.



» David N. Levine is a principal with the Groom Law Group, Chartered, in Washington, DC.

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BY JERRY BRAMLETT

An Emerging Challenge to Target Date Funds and Managed Accounts

A shift in influence from the fund manufacturer/record keeper to the fee-based independent advisor will put the advisor in the position to tie together the core fund line-up and the best asset allocation program using custom asset allocation models.

In today's DC plans, a number of means are available for plan sponsors to implement broad-based asset allocation programs. However, there are two options that dominate:

- target date funds (TDFs), which exist alongside a plan's core fund lineup; and
- managed accounts, which utilize a plan's core fund lineup.

Let's compare the differences between these two different methods of effectuating asset allocation at the individual participant level and the emerging challenge created by custom asset allocation models.

Three Different Providers, Three Different Perspectives

Three DC providers — Vanguard, Fidelity and Schwab — emphasize different approaches to the use of TDFs and managed accounts:

- Vanguard's position is that TDFs should be the "cornerstone of DC plans," while managed accounts can best serve as a "complement" to TDFs (Vanguard, 2012).
- Fidelity has taken a stronger position regarding managed accounts: "[T]he rapid growth we've seen through our workplace managed account solution, PAS-W, reinforces our belief that a growing interest in adding managed accounts to workplace plans will continue for some time to come" (Fidelity, 2013). Even though in the same publication, Fidelity discusses TDFs as an alternative to managed accounts, they do not go so far as to characterize TDFs as the cornerstone option or indicate that managed accounts are mostly complementary.
- Schwab recently introduced Schwab Index Advantage™, which "builds in ongoing professional management called Schwab Retirement Planner™ … unless [the participant] chooses to opt out" (Schwab, 2012).

In summary, Vanguard views TDFs as core and managed accounts as complementary, while Fidelity views TDFs more on par with managed accounts. Lastly, Schwab views managed accounts, at least through the Schwab Index Advantage™ offering, as the only alternative to offer participants.

Target Date Funds vs. Managed Accounts

Let's take a look at the differences between TDFs and managed accounts.

- TDFs are simple to implement and maintain but offer little by way of customization beyond time to retirement. Managed accounts are more challenging to implement but offer greater flexibility in terms of customization.
- TDFs do not utilize a plan's core fund lineup and, thus, add to the oversight work required of plan fiduciaries. Managed accounts utilize the plan's core fund lineup in building out an individual's asset allocation strategy.
- TDFs typically do not have additional expenses beyond the underlying expense of the funds. Managed account fees range from 15 to 70 basis points on top of the underlying expense of the funds.

Given that managed accounts require that participants go through a planning process involving an analysis of how much they will need to retire, DC investors, by and large, tend to save more in them than if they are defaulted into a TDF or choose a TDF from a menu. However, it is exactly this need to engage participants that has hindered the uptake of managed accounts by DC investors.

Custom Asset Allocation Models

Custom asset allocation models overlay the plan's core fund options much like a managed account program and, thus, create what is essentially a fund of funds. This simplifies the lineup as well as the fiduciary workload as it relates to overseeing and managing the plan's core fund lineup.

Models are not funds and generally do not create a unit value for what is, in essence, a virtual fund. However, the way in which the record keeping and communications platforms present asset allocation models to DC investors creates the experience of investing in a single fund. In reality, the plan's record keeper and/or the plan's custodian do the maintenance of the model structure behind the scenes. From a cost standpoint, given that models are essentially generic in nature and require minimal participant input much like TDFs, they tend to cost less than a managed account. On the other hand, they cost more than TDFs, which typically do not charge for the cost of the glide path overlay.

Mass Customization of Asset Allocation Strategies

As noted above, TDFs are significantly less flexible than managed accounts when

it comes to customization. For this reason, many plan sponsors and their advisors support the structure whereby TDFs serve as the core asset allocation funds as well as the qualified default investment alternative (QDIA) while managed accounts serve those investors who want the option of an individualized custom approach. Of course, it is common knowledge that without the managed account serving as QDIA or as the core asset allocation offering, the expected uptake of the managed account offering is likely to be less than 5%. When it comes to mass consumption, there is little disagreement in the industry that managed account vehicles experience major challenges as it relates to expediting the broad-based adoption of asset allocation solutions.

The only customization that most TDFs provide is the time to retirement that the glide path structure facilitates. With increasing numbers of participants, bolstered by well designed communication programs focused on investing in a single age appropriate fund, TDFs have contributed significantly to helping participants appropriately align their risk tolerance with a suitable asset allocation strategy. Though many advisors assume that the next step will be individual customization, a significant number of industry observers view "mass customization" as the next wave in the DC space.

There has been a growing discussion among researchers as to whether the typical TDF's glide path is optimally designed. This is supported by the fact that the traditional glide path methodology of winding down equity exposure while winding up bond exposure over time is being brought into question by new research. This point is underscored by a recent NAPA Net portal post (Bramlett) in which I wrote:

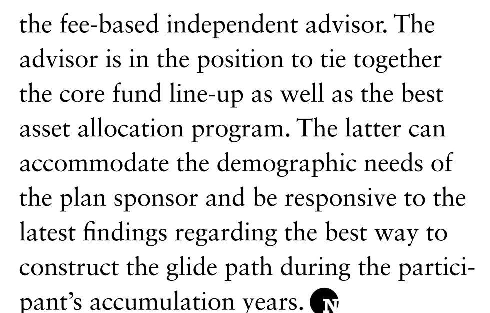
> *Arnott, Sherrerd and Wu present what they deem to be an optimal strategy: maintaining a 50/50 mix that is rebalanced annually. Additionally, they begin shifting bond duration 20 years before retirement to 10-year bond indexes, smoothly, one year at a time for 10 years; and then, 10 years before retirement, making another 10-year linear transition to T-bills. On the equity side, 20 years before retirement they shift from book-value weighted indexes to low-volatility indexes at the rate of 5% a year. At least on a back-tested basis (1927- 2011), this strategy produces superior investor outcomes when compared with a typical 80/20 wind-down strategy.*

It would be difficult to implement this strategy within a TDF suite of funds and, no doubt, impractical with a managed account program. However, given the advancement in technology as it relates to record keeping systems, it is indeed possible on a mass basis to implement such a program. The challenge in implementing the type of glide path described above is the annual bond duration wind-down and the annual wind-down to low volatility equities. This creates the need for 20 different portfolios during the last 20 accumulation years before retirement.

Additionally, there is an increasing need to tailor the target-date constructs to the demographics of the plan sponsor. A company's average employee turnover, pay level and type of industry, as well as other company-sponsored retirement programs, all play into the need for customization at the individual plan level. All of the information that the plan sponsor collects on an individual level as a matter of employment can be utilized to build model constructs without requiring participants to provide additional data about themselves via a web-based questionnaire.

In PIMCO's 2013 "Defined Contribution Consulting Support and Trends Survey," which is based on a survey of 51 investment advisory consulting firms with more than 6,600 clients and aggregate DC assets in excess of $2.4 trillion, virtually all (98%) believe that clients should offer a target-date or target-risk tier. Furthermore, the study identified a noticeable trend toward a decoupling of target-date strategies from their record keeper's proprietary products. Rather, the trend is for custom solutions, particularly for plans over $500 million. The study also found that of DC investment advisors, 90% said they offer custom strategy consulting and 82% can act as fiduciaries for custom services such as managing a plan's glide path. Finally, 70% of the advisors either support client interest or actively promote creating custom target-date strategies.

Perhaps the biggest driver to a model structure will be the shift in influence from the fund manufacturer/record keeper to



the fee-based independent advisor. The advisor is in the position to tie together the core fund line-up as well as the best asset allocation program. The latter can accommodate the demographic needs of the plan sponsor and be responsive to the latest findings regarding the best way to construct the glide path during the participant's accumulation years.

» Jerry Bramlett was the founder, president and CEO of The 401(k) Company, the CEO of BenefitStreet and the founder/CEO of NextStep. Currently he is engaged in industry consulting and preparing for his next venture.

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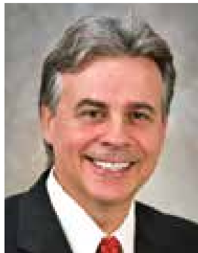


BY STEFF C. CHALK

The Plight of the Plan Sponsor Fiduciary

To effect positive change, plan sponsors must come to grips with their new three-part role: visionary, leader and responsible party.

Sponsors of qualified retirement plans accept favorable tax treatment as they simultaneously accept responsibility for the oversight of plan assets, plan-related procedures and the plan participants' retirement security. Whether knowingly or cloaked within a shroud of ignorance, the plan administrator accepts the task of performing to a standard of care that is the highest level defined by law — the fiduciary standard of care under ERISA. The benchmark measurement today is that of a prudent expert — a tall order for any individual in any situation.

The spectrum of knowledge required of retirement plan committee members is wide, encompassing law, regulation, asset allocation, investment theory, human behavior and actuarial concepts. Moving beyond the breadth of the knowledge spectrum, the discussion becomes one of the depth of knowledge that a plan committee member possesses in each of the topics. Investment advisors and pension consultants benefit by having access to proven and relevant options for obtaining qualified and appropriate training or education. Options available to advisors and consultants make each of the programs stronger than if there were only a single source.

> "Most retirement plan oversight duties fall to a small core of employees who accept fiduciary responsibility for the company retirement plan but are often completely lacking any formalized training or education."

Plan Sponsor Education

There are few choices available to plan sponsors when seeking a comprehensive education program along the spectrum of qualified plan topics. Surface-level education does exist; however, plan sponsor fiduciaries have limited options for acquiring in-depth fiduciary training or education.

Contrast the education opportunities available to the plan sponsor to those available to the plan advisor, where curriculums are mature, programs are credentialed and results are proven. You'll find that corresponding content-rich training and certifications available to plan sponsor fiduciaries are limited. The programs are limited, the content is limited and the depth levels of the education are inconsistent. If the plan sponsor fiduciary desires a deep dive into any of the spectrum topics, they must seek multiple sources and are often forced to cobble together their own programs.

Typical Talent-pool Development

With the exception of large to mega plans (those plans with assets in excess of $750 million), most retirement plan oversight duties fall to a small core of employees who accept fiduciary responsibility for the company retirement plan but are often completely lacking any formalized training or education. In many cases, a new retirement committee member is appointed by virtue of either his or her job title or the departure of a colleague who had served on the committee, irrespective of the knowledge base or ability of the incoming committee member.

Newly appointed committee members are often advised by fiduciaries — who should know better — to "come to a few meetings; you'll get an idea of what this committee is all about after about six to nine months." (Such advice cannot be comforting when *Forbes* is publishing an article, "4 Reasons to Sue Your 401(k) Plan Administrator" (Forbes.com, Oct. 7, 2013), that concentrates on fees, prudence of decisions, conflicts of providers and conflicts of fund administrators.)

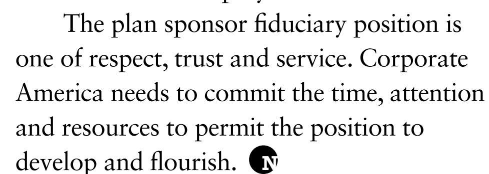
The Development of the Professional Plan Sponsor Fiduciary

Data from the Employee Benefit Research Institute and Greenwald and Associates, Inc. (from prior studies and the 2013 Health and Voluntary Workplace Benefits Survey) reflect employees' perceived value of health care coverage as a company benefit and the waning perceived value of the 401(k) as a company benefit over the last 15 years.

That presents a challenge for the plan sponsor fiduciary to address the 401(k) savings plan as the important benefit structure that it has become, when plan participants are distracted from the significance and value that such a self-funded retirement plan delivers.

Where will the next generation of plan sponsor fiduciaries be developed? Is it sufficient to have new fiduciaries spawned from the ranks on an "as-needed" basis? Why is the role of plan sponsor fiduciary perceived as something of an inconvenience? Why is it treated as a hardship by some?

The plan sponsor fiduciary position is one of respect, trust and service. Corporate America needs to commit the time, attention and resources to permit the position to develop and flourish.



» Steff C. Chalk is the executive director of The Retirement Advisor University and The Plan Sponsor University.

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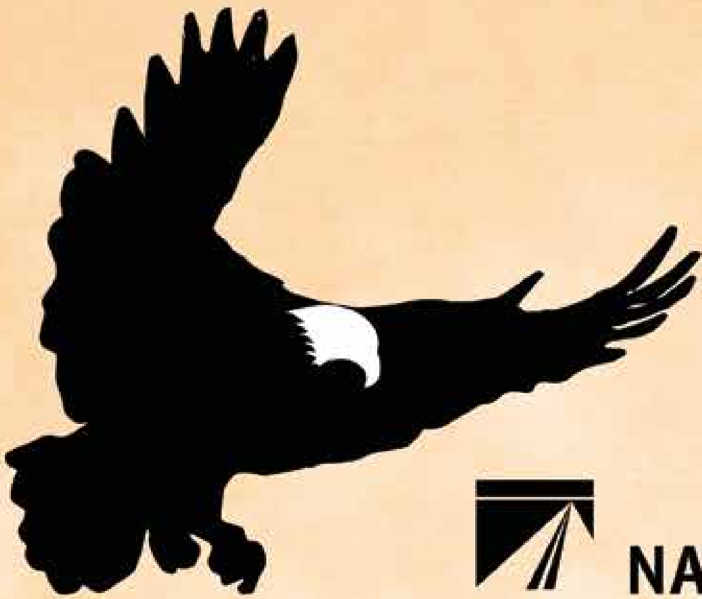

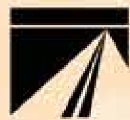

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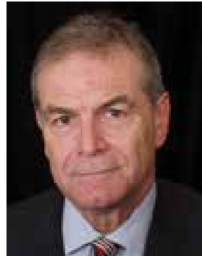
The Impact of Overconfidence on Participants' Financial Behavior


WARREN CORMIER

As change agents, advisors need to show participants the impact of their past decisions by giving them regular and unambiguous feedback on how they are doing so they can incorporate that into their sense of confidence.

A great deal of discussion in the DC industry is focused on participants' lack of financial literacy. Many studies on its impact have also been completed, often with inconclusive results. A corollary subject is participants' fairly low confidence in making financial decisions. Over the past 15 years I have been measuring participants' confidence and have seen little or no progress in participants' confidence in financial decision making or even in their confidence in their ability to retire. Obviously, this is a subject of concern.

Recently I completed a study[1] in collaboration with the National Association of Retirement Plan Participants (NARPP) that looked very closely at this issue of confidence in decision-making. But the study was not intended to measure confidence alone. It was also intended to answer two central questions: Does confidence really matter, and how does it matter?

My literature search on the subject identified a variety of scholarly studies focused on how to measure confidence. Essentially, measuring confidence comes down to comparing one's objective knowledge on a subject compared with how much one feels they are proficient in that same topic. In the case of financial decision-making, three levels of confidence are identified:

- justifiably confident;
- underconfident; and
- overconfident.

In our study, we compared participants' objective financial literacy with their self-reported views of confidence (that is, proficiency) in making good financial decisions as well as their feelings of their knowledge on certain financial concepts and terms. Those who scored higher on a financial literacy index (consisting of 10 commonly used questions on financial concepts) than on their self-reported knowledge and proficiency index (using standardized index scores) were categorized as underconfident. That is, they actually know more than they think they do. Justifiable confidence and overconfidence were measured similarly.

> "Education focused strictly on facts and data has limited behavioral impact unless the participants' confidence is elevated at the same time."

The data show that one in five participants (20%) are extremely overconfident (9%) or moderately overconfident (11%). Conversely, 23% are extremely (2%) or moderately (21%) underconfident (that is, they actually know more than they think they do). The remaining 57% have self-reported financial knowledge and proficiency that is roughly consistent with their objective financial literacy — that is, about half of participants have a fairly realistic view of their financial acumen and half have a distorted view of themselves in this regard. But does a participant's distorted view of her or his ability to make wise financial decisions matter? And does it affect the participant positively or negatively?

Analysis of the data shows that the answer to the first question is yes; confidence matters and can affect participants both positively and negatively. Specifically, we find that as people are more and more overconfident in their ability as financial decision makers, they are more likely to take actions. Of course, this can be both positive and negative depending on the seriousness of the consequences of the action. Within the typical DC plan, however, we see relatively restrictive boundaries of what participants can do to hurt themselves. Therefore, in the context of a DC plan, it is relatively positive to be more proactive rather than less proactive. In fact, the study showed that that overconfidence is causally related to participants' taking three important steps:

- contacting the record keeper to ask questions or get information and guidance;
- purchasing more products from the record keeper; and
- determining how much in assets must be accumulated to have a secure retirement.

Conversely, participants who lack confidence are more likely to be frozen by indecision and therefore less likely to take the actions cited above.

Knowledge and Confidence

In a recent RAND Behavioral Finance Forum webinar (http://www.rand.org/pubs/

presentations/PT117.html), Dr. Andrew Baker of RAND spoke on the topic of the effects of confidence on financial retirement planning behavior. Dr. Baker concluded from his studies that confidence is actually measuring something very different from knowledge. Knowledge is a measure of retention of facts and other information. However, confidence, he hypothesized, is related to a greater willingness to act and engage in financial retirement planning. That is, confidence can free up people to act and take greater risks. Conversely, under-confidence can cause people to hesitate to take action.

In another academic paper, "Subjective Knowledge in Consumer Financial Decisions" (by Liat Hadar, Sanjay Sood and Craig Fox) the authors draw a distinction between objective and subjective knowledge and their different effects on confidence and willingness to take action. They explain the difference between the two types of knowledge:

> *The term objective knowledge (OK) has been used to refer to accurate product-related information stored in memory; the term subjective knowledge (SK) has been used to refer to consumers' assessment of their knowledge, or the metacognitive feeling of knowing.[2] For example, recognizing that a mutual fund is a diversified investment is a manifestation of OK, whereas a consumer's feeling that she understands mutual fund investment is a manifestation of her SK.*
>
> *Empirical research across a wide range of domains has found that OK and SK are distinct constructs that do not always coincide. OK is more strongly related to ability and expertise; SK is more strongly related to product-related experience and consumers' confidence in their ability to make effective decisions.[3]*

"Does a participant's distorted view of her or his ability to make wise financial decisions matter? And does it affect the participant positively or negatively?"

Hadar, Sood and Fox concluded that:

> *In particular: (1) consumers who felt more knowledgeable (i.e., subjective knowledge) about investment options were more likely to choose a riskier investment option; (2) consumers who felt more knowledgeable about complex retirement saving plans were more willing to invest in them; (3) consumers were more likely to invest in a mutual fund that shifts its balance between stocks and bonds over time if its description was basic compared to when its description was elaborated and more technical; and (4) consumers were more likely to allocate money to an investment about which they felt more knowledgeable, regardless of how much objective investment information was presented. Moreover, the effect of additional investment information on allocation was mediated by its impact on subjective knowledge.*

Additionally, the NAARP study showed that confidence is strongly related to age in that the younger one is, the greater the likelihood of being overconfident. That is, at younger ages, participants have a far more positive perception of their skills in making financial decisions.[4] On the surface, this may seem relatively benign. However, the impact of overconfidence can be negative in that it tends to also be causally related to lower deferral rates and smaller overall DC balances.

The Takeaway

So what are we to do with these insights? Clearly there are educational implications. One of the goals of financial education (according to my discussions with advisors and record keepers' education directors) is to help participants improve their financial literacy and competence while, at the same time, keeping them realistically apprised of their financial decision-making proficiency.

Consequently, it is necessary to keep in mind that education focused strictly on facts and data has limited behavioral impact unless the participants' confidence is elevated at the same time. As educators and behavioral change agents, we need to ensure that the education is not only giving them more objective knowledge, but improving their subjective knowledge (leading to greater knowledge and propensity to act) as well.

And as Dr. Baker points out in his BeFi webinar, we need to train calibration — to show participants the impact of their past decisions by giving them regular and unambiguous feedback on how well they are doing so they incorporate that into their sense of confidence. This feedback loop is missing. It needs to become part of the participants' education.

» Warren Cormier is president and CEO of Boston Research Group, author of the DCP suite of satisfaction and loyalty studies, and director of the NAPA Research Institute. He also is cofounder of the Rand Behavioral Finance Forum, along with Dr. Shlomo Bernartzi.

Footnotes

1. The study included observations of 5,000 active DC participants surveyed in Q3 2013.
   The survey instrument was designed by NARPP in collaboration with Boston Research Group and professors at Stanford University. Online data collection was done through SSI. The data were analyzed by Boston Research Group in collaboration with Dr. James Watt, University of Connecticut. A sample of 5,000 observations taken from a universe of 70 million DC participants has a maximum sampling error of +/- 1.4 percentage points at a 95% confidence level. All multivariate analyses were done at a 95% confidence level.
2. Alba and Hutchinson 1987; 2000; Bettman and Park 1980; Brucks 1985; Carlson et al. 2009; Moorman et al. 2004; Park and Lessig 1981; Park, Mothersbaugh, and Feick 1994.
3. Brucks 1985; Carlson et al. 2009; Moorman et al. 2004; Park et al. 1994; Radecki and Jaccard 1995; Alba and Hutchinson 1987; Bearden et al. 2001; Park et al. 1994; Parker et al. 2011; Radecki and Jaccard 1995.
4. Coincidentally, they also have a far rosier view of their likelihood of reaching their retirement goals.

The 10 Attributes of Highly Effective Retirement Industry Professionals

These attributes can be used to substantiate the duality of the roles we typically have with our clients, where we are both leader and decision-maker.

BY DONALD B. TRONE

Take a moment and think about the attributes of the top men and women who work in our industry. The cover story in this issue is about the top DC wholesalers. What attributes do you think most of these professionals share in common?

Recently, the Leadership Center for Investment Stewards and our affiliated coaching company, 1920 West, completed research on 10 attributes that are shared by highly effective leaders and decision-makers. Most researchers look at either the attributes of a leader, or of a decision-maker — but have not attempted to identify attributes that are common to both.

Why would this research be of significance to the retirement industry? Simple: Most professionals in our industry serve in both capacities — as a leader *and* a critical decision-maker. In the eyes of your clients, you serve in an important leadership role, and your clients are highly dependent upon your decision-making expertise.

> "It is through both words and observable actions that we inspire others to follow."

By way of background, the research on the attributes builds upon the work we have been conducting for more than 27 years. In 1987, we began developing practices to help illuminate the details of a fiduciary's decision-making process. In 2007, we expanded the research to look at the links between leadership and a defined decision-making process. In 2011, we developed a fully integrated leadership and decision-making framework that could be used to substantiate any professional standard of care, not just a fiduciary standard.

In 2012, we started a news aggregation portal, www.lcwire.com, to capture what we believe are the best stories, blogs and videos on the subjects of leadership, stewardship, governance, integrity and ethics. A lot of the articles we are posting deal with attributes, such as the "The 7 Unique Abilities of Good Leaders" or "The 7 Pillars of Transparent Leadership." To be candid, having spent more than a year reading all these great articles, I was beginning to suffer from attribute envy. Why haven't we already developed our own

list? And so, in 2013, we began our research.

A number of questions came to mind as we conducted our work:

- If we focused on the attributes of highly effective professionals in the financial services industry, could that list also be applicable to corporations, not-for-profits, government agencies and the military?
- Would it be possible to identify attributes which are applicable to both effective leaders and decision-makers? Or would we need to produce two separate lists?
- How many attributes should be on the list? And would we be able to map the attributes to existing psychometric instruments, such as Birkman, DISC and Myers Briggs, so that individuals could assess their own strengths and weaknesses?
- Will there be a difference between the attributes we would identify for sole practitioners, group leaders, corporate leaders, family offices, boards of trustees, etc.?
- Would our list of attributes reflect the direction society is moving in with regard to society's leadership preferences? For example, do more people today prefer to be led by an introvert or an extrovert? Most people shy away from using the term "introvert leader," yet many of the world's greatest leaders fall in this category — Lincoln, Gandhi, Buffett and Mandela to name a few.

Before revealing the list, let's take a moment and define the term "attribute." Simply stated, it is a quality or characteristic which we can observe. A great deal of leadership literature is devoted to the qualities of a leader; qualities that are not easily displayed. However, it is through both words and observable actions that we inspire others to follow.

So here is our list of the 10 attributes of highly effective retirement professionals:

1. Aligned
2. Attentive
3. Agile
4. Adaptive
5. Articulate
6. Accepting
7. Ardent
8. Action-oriented
9. Accountable
10. Authentic

» Continued on page 33

Aligned
Has situational awareness and sense of mission
Understands the role of other key decision-makers
Has a respect for objectives, standards, policies and regulations
Attentive
Collects and organizes data quickly and intuitively
Analyzes and prioritizes conflicting priorities
Plans alternative contingencies

Agile
Takes a balanced approach to decision-making
Is a conceptual thinker and a theoretical problem solver
Sponsors collaboration
Adaptive
Is deliberative, practical and proactive
Quickly absorbs new information
Deals effectively with abstract concepts

Articulate
Is persuasive in the spoken and written word
Customizes communication to the audience
Is affable, cordial, and has a sense of humor
Accepting
Bears uncertainty with fortitude and calm
Resists the temptation to interject a personal agenda
Values diversity and different viewpoints

Ardent
Is consistent and reliable
Focuses on achieving goals and objectives
Keeps a sense of perspective in the face of adversity
Action-oriented
Is a self-starter
Champions new initiatives
Is assertive and results oriented

Accountable
Takes and assumes responsibility
Is budget and ROI conscious
Makes optimal use of people and resources
Authentic
Is genuine, sincere, honest and free from pretense
Has a reputation as a credible source
Is confident

Gimme Shelter

The Biggest Oversight in Retirement Planning

BY GARY KLEINSCHMIDT

t happens all the time. Whenever my colleagues or I ask a room full of financial advisors, "Show of hands — how many of you have personally had to arrange care for an aging loved one?" hands shoot up across the room. In some cases almost everyone in the room raises a hand, and many seek us out after our meetings to share their personal stories.

Sound familiar? It should. Legg Mason recently conducted a survey of more than 500 financial advisors on this topic, and what we found validated our experience: 71% of financial advisors reported that they have been involved with organizing care for an aging parent, grandparent or loved one.

And it's only going to get worse. Longevity is here — it's not a concept under consideration. We are living longer. The data proves it out — according to the Federal Interagency Forum on Aging-Related Statistics, "Americans are living longer than ever before. Life expectancies at both age 65 and age 85 have increased. Under current mortality conditions, people who survive to age 65 can expect to live an average of 19.2 more years, nearly 5 years longer than people age 65 in 1960." (*Older Americans 2012*, Federal Interagency Forum on Aging-Related Statistics, August 2012.)

And the forecasted growth in the older population in the U.S. is staggering. According to the report, "In 2010, 40 million people age 65 and over accounted for 13% of the total population in the United States. In 2030, the number and proportion of older Americans is expected to grow significantly — to 72 million, representing nearly 20% of the population."

As a result — and perhaps also driven in part by the federal government's focus on providing health insurance to all Americans — we are more frequently factoring the cost of health care into the retirement discussion. It's a healthy shift in a discussion that not so long ago was focused on "the number" that plan participants might need to achieve in order to enjoy a dream retirement. Today, discussion is focusing more on a realistic view of retirement — we call it "*REALtirement*."

However, the increasing focus on health care is overshadowing a very tangible and personal challenge that needs to move front and center in the *REALtirement* planning discussion. It's a challenge that has enormous financial implications: the choice and expense of long-term housing in retirement.

When we talk to advisors at our meetings, the stories we hear frequently focus on this challenge. They are fraught with frustration and anxiety — an aging parent or loved one is suddenly incapacitated and overnight the home they lived in for so many years is too dangerous. They urgently need to make a choice: undertake a costly home renovation and bring in professional care givers, or relocate to assisted living or long-term care facility? If long-term care is the right choice, where should they go, and how much will it cost? And in any scenario: How in the world are they going to afford it?

We believe in the words of John Stuart Mill, who said: *There are many truths of which the full meaning cannot be realized until personal experience has brought it home.*

In other words, if your plan participants have personal experience as a care giver, much in the same way that you and your peers have experienced, chances are they will be inclined to take action now to make sure their own long-term housing financial challenges are taken care of well before they face a crisis. This translates into a very good reason to save more during the accumulation phase of their lives.

TIPS ON PLANNING FOR HOUSING

To obtain a copy of the Legg Mason brochure: ***Aging and Its Financial Implications: Planning for Housing,*** please visit www.leggmason.com/aging/. For a full set of advisor resources, visit http://www.lmtapp.com and look for the aging program content by going to Business Building>Business Development>Wealth Management>Aging.

How Well do You Know the Subject of Aging?

The discussion about housing in retirement starts with an understanding of aging. Before you embark on the housing discussion it will be helpful for you to understand the myths of aging and be able to use these points in your discussion.

Working with The Center for Innovative Care in Aging at the Johns Hopkins University School of Nursing, we compiled a list of myths about aging that you need to know. You can share the list with your clients via our booklet, *Aging and its Financial Implications: Planning for Housing* (see sidebar). Some of the myths, along with the realities, are provided in Fig. 1.

The Costs of Housing in Retirement

Your plan participants may not be ready to make their choice when it comes to their long-term housing needs in retirement, but it's critical that they understand the options — especially the costs associated with those options — in order to factor this challenge into their long-term plans.

It's common for people to want to age in place — to live out their days in the home where they built their memories and are most comfortable. Aging in place typically requires one to be in good health, be part of a social network and have local family support, live in a home with a favorable floor plan and have the ability to drive and/or have access to transportation. Unfortunately, it's impossible to predict whether an accident or illness might come along and change any or all of these considerations — as it so often does.

> "In the words of John Stuart Mill, *There are many truths of which the full meaning cannot be realized until personal experience has brought it home.*"

The costs of aging in place can be significant as well. These include modifications required for a home to accommodate an elder occupant — ramps, widened doorways and more — and the need to pay for a wide variety of services that could be required, such as in-home care providers, transportation services, gardening and home repair.

Frequently, the choice is made to consider long-term housing options based on short- and long-term needs. It's important to understand the extensive economic considerations that accompany each level of housing options. Working with The Center for Innovative Care in Aging, we created a chart (see Fig. 2) that provides important data to illustrate to your plan participants the urgent need to start saving more now.

According to the longevity forecasts mentioned above, more and more Americans will be living in retirement 20 years or more. Someone living in an assisted living facility at age 65 may require at least \$834,000 (\$3,477 x 12 months x 20 years) to cover just rents at *today's rates* — with-

FIG. 1. MYTHS AND REALITIES OF AGING

Myths	Reality
Dementia is an inevitable part of aging.	Dementia is a progressively degenerative disease and is not a normal part of aging. While age is the most significant risk factor, it is not an inevitable part of aging. Approximately 13% of adults age 65 years and older have Alzheimer's or another form of dementia and about 45% of those age 85 years and older have some dementia symptoms.
Older adults become more rigid in their thinking and are unable to learn or change.	Learning patterns do change with age and it may take a bit longer to learn something new. Older adults do not become more rigid, and the basic capacity to learn is retained.
Older adults are alone or lonely, they have been abandoned by their families.	While the number of casual friends may decrease as a person ages, the number of close friends remains stable throughout one's life. 80% of parents over the age of 65 see adult children every one to two weeks; 75% of grandparents see their grandchildren every one to two weeks.
Older adults are in poor health.	More than 76% of older adults describe themselves as being in good, very good or excellent health despite having an average of two or more chronic conditions.
Lifestyle changes late in life have no effect on older adults' health and well-being (*e.g.,* begins exercise, quits smoking).	Lifestyle changes including exercise, diet, sleep and other health promoting behaviors can positively affect an older adult's well-being regardless of age. Older adults who exercise are able to better fight chronic disease.
As age increases, older adults become withdrawn, and inactive, and cease being productive.	While older adults are not in paid employment, many have important roles as grandparents, caregivers, volunteers, and participate in civic and social activities.
Older adults are more likely to become clinically depressed.	Most older adults are not depressed. Depression is not a normal part of growing old but rather an illness that needs to be treated.
With age, older adults lose individual differences and become progressively more alike.	The opposite is true. Individual differences appear to increase with age. There is more variety among older adults than among any other age group.
Most older adults live in poverty.	Only 9% of older adults live in poverty; 26% of older adults are considered low income.
With age, most older adults become helpless and cannot take care of themselves.	About 27% of older adults over 65 report difficulty in performing one or more activities of daily living. Individuals over 85 or 90 may need some help with some activities, such as shopping, carrying heavy packages and taking out the garbage.
Older adults are an economic burden on society, and this takes away resources from the young.	Improving the quality of life for older people benefits all age groups. Additionally, many older adults transfer financial and caretaking resources to younger generations. Spending on appropriate services for older people can save money by increasing their mobility, reducing the need for additional care, and reducing hospital and nursing home admissions — all costs to society.
Falling is normal with advanced age.	Almost one-third of older adults experience a fall every year. However, falling is not a normal part of aging. Falls can be minimized by addressing risk factors such as removing tripping hazards in the home, monitoring medications, and enhancing balance and mobility.

out factoring in escalation or inflation.

Someone with more acute needs who might require continuing care when they turn 75 can expect to pay almost $700,000 ($5,800 x 12 months x 10 years) between 75 and 85. (It's important to note that the costs are based on nationwide averages and may be more or less depending on where your clients live. Information on state-specific costs is referenced through a third party resource in a Legg Mason brochure, *Aging and Its Financial Implications: Planning for Housing* — see sidebar on page 23.)

Granted, some of these expenses may be offset under various health or long-term care insurance policies your plan participants can acquire. But chances are that your plan participants are not acting to prepare, even though so many have first-hand experience as caregivers: Fewer than 3% of American adults have purchased a long-term care insurance policy.[1]

In fact, according to a poll conducted by the Associated Press and the NORC Center for Public Affairs Research, just 8% of 40- to 54-year-olds have done much planning for long-term care. This, despite of the fact that, according to the survey, "more than half of the 40-plus crowd already have been caregivers for an impaired relative or friend — seeing from the other side the kind of assistance they, too, are likely to need later on." [2]

Plan Advisors' Insights

In speaking with a number of plan advisors at a recent Legg Mason event, we learned that financial planning for housing in retirement is becoming increasingly important — and abundantly personal.

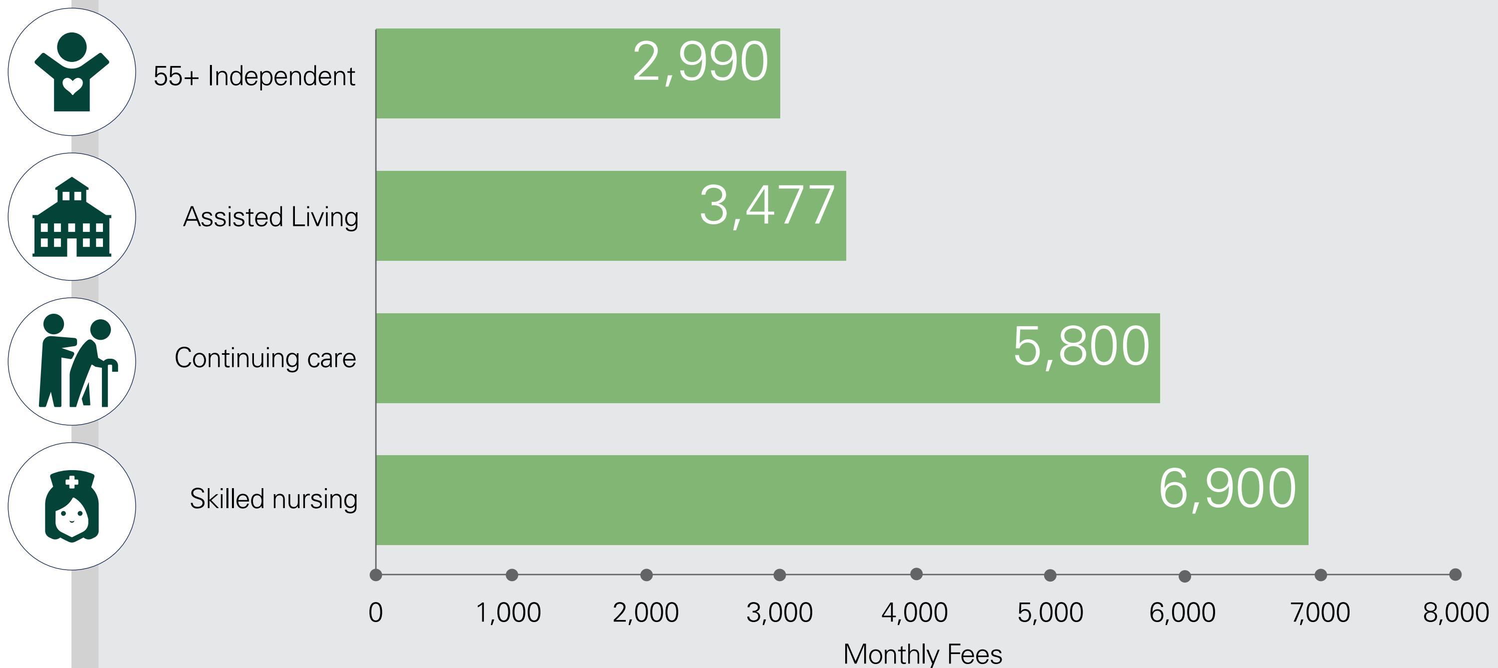
"My clients are plan participants who are still working but they're dealing with their aging parents or loved one facing this challenge, and they are being forced to look at it," said Gerald Wernette of Rehmann Financial. "But it also forces them to think about how well they are planning to handle the same issues later in their own lives. Being able to help them plan now for the costs of long-term housing is vital; it needs to have a more prominent place in the retirement planning discussion."

He added: "You hear about people having bad experiences in nursing homes and facilities and it's sad. Clearly no planning was done before they faced that stage

Footnotes

1. *Few Plan for Long-Term Care Though Most will Need It,* Harvard Health Publications, May 06, 2013
2. *Long-Term Care Needs: Two-Thirds Of Americans Over 40 Are In Denial,* Associated Press, April 24, 2013

FIG. 2. HOUSING OPTIONS



[1] Source: The comparison of senior housing options was made by comparing the midpoint of housing cost estimates provided from sources including The Center for Innovative Care in Aging at the Johns Hopkins University School of Nursing. The price ranges shown reflect averages of minimum and maximum rates, which vary widely by place and are subject to change at any time. Doesn't take into account equity buy-in fees, which averaged $248,000 in 2010.

of their lives. How many times have we heard 'my parent is not going to one of those places?' It underscores the need to look at this issue early on." (*Long-Term Care Needs: Two-Thirds Of Americans Over 40 Are In Denial,* Associated Press, April 24, 2013.)

"Planning for their parents should translate instantly into planning for themselves," says Scott Sides of RBC Wealth Management. "I also see great benefit to elevating this discussion to the HR executives at our clients — they are facing this challenge across their workforce. If we can help them address it with good answers, tools and a greater understanding, we all benefit."

"We're looking at retirement readiness now as our focus," said Janice Cackowski of Chapman and Chapman, Inc. "We're not focusing on the 'big number' but trying to help plan participants look at their balances based on what they will generate on a monthly basis going forward. Income replacement is our big focus. Long-term housing has not been a prominent part of the discussion, but now I believe it absolutely needs to be."

Income replacement can also be a key differentiator for advisors. "Bringing a focus on this unique aspect of aging and retirement could give us a real competitive advantage, especially when it comes to retention," said David Marshall of Robert W. Baird and Co. "We focus a lot of our discussion on Social Security provisions — this takes the discussion to the next level — how do they plan for this when it's not covered?"

A focus on plan design using auto enrollment and auto escalation are critical to generating increased enrollment and higher plan contributions. Enhancing your participant education program with stories that resonate from participants' personal experiences — particularly stories that strike an emotional chord — can increase your chances of focusing participant attention on the need to act.

In this period of increasing longevity, it's a safe bet that more people will be touched by housing challenges eventually. We believe it's time to move the discussion of housing in retirement front and center in the overall *REALtirement* saving and planning discussion you're having with plan sponsors and plan participants. It's tangible, it's personal, it's urgent — and it might motivate your clients to save more.

» Gary Kleinschmidt is the head of retirement field sales for Legg Mason. He is responsible for increasing the firm's presence in the DCIO market, and oversees the retirement field sales force in developing and implementing strategies to market and distribute a broad range of investment products managed by Legg Mason affiliates.

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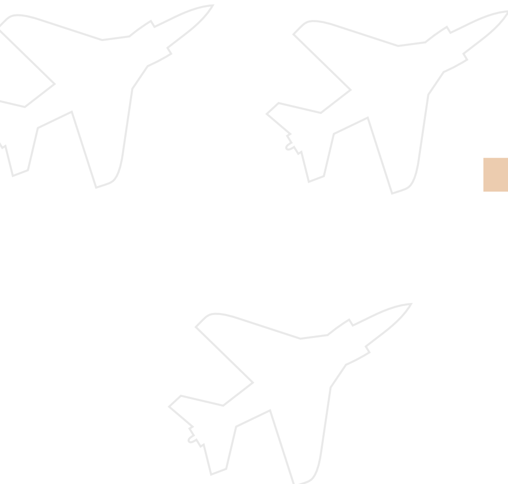
COVER STORY

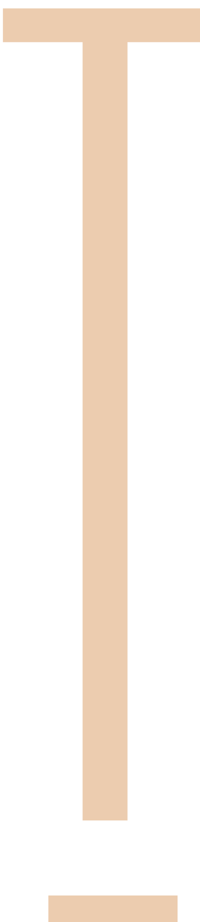
Wingmen

Who Are the DC Industry's Top Wholesalers — and Why?

BY FRED BARSTEIN

PLAN ADVISOR
WHOLESALER





HERE ARE TONS OF BIG-NAME RECORD KEEPERS AND DCIO FIRMS — MORE THAN 40 NATIONAL FIRMS IN EACH CATEGORY. BUT WHAT DO THEY MEAN TO A PLAN ADVISOR? IN REALITY, THEY MEAN ALMOST NOTHING WITHOUT THE LOCAL WHOLESALER.

More than brand, technology, service, products or even Morningstar ratings, a plan advisor usually decides to work with a provider — especially a DCIO — based primarily on the quality of their local wholesaler (assuming, of course, that the provider's service and products meet a minimal standard of excellence). Doubt that? Then why is there such disparity in sales within the same provider for the top and bottom 20% of its sales force?

So we set out to identify what separates the truly elite DC wholesalers — and then back it up with the first-ever list of the top 75 DC wholesalers.

Though they're certainly not underpaid, DC wholesalers are under-recognized as the group charged with helping plan advisors build, manage and grow their DC business. And rather than just write about them in the abstract, we thought it was more powerful to name the top 75 based on voting by NAPA members. We expect our top 75 list to become an annual event.

Before we delve into what separates the truly great wholesalers from the rest of the crowd, let's review what they do — which can be different depending on the markets they serve and whether they represent a record keeper or a DCIO. There are more than 1,000 record keeper wholesalers, with many small-market firms employing more than 50 externals. (In contrast, DCIOs rarely top 10.)

Small-market record keepers need to generate volume, which means they deal with a lot of blind squirrels; mid-market record keeping and DCIO wholesalers have the luxury of focusing primarily on more experienced plan advisors. There are some externals that deal with either broker dealers or record platforms; while they're important, they were not considered in the top 75 list nor are they profiled in this article.

Record keeping wholesalers are delivering a more inherently important and complex product than DCIOs. While this may lead some to the conclusion that they are more skilled, in fact DCIO wholesalers tend to be more experienced. Even though there are only about 500 of them, two-thirds of NAPA's Top 75 DC Wholesalers List is made up of DCIO professionals. Why? Though funds are important components, selecting them is relatively simple via spreadsheets and third-party services that analyze and rate the funds using an ever-growing list of criteria.

> "Wholesalers have to be the consummate "Wingmen" — advisors need to know they have their back."

So while record keeper wholesalers have to explain the various nuances of their products and services (which are difficult to spreadsheet and rate) as well as hold the advisor's hand through a transition or when something invariably goes wrong, some people may ask what role the DCIO wholesaler plays. Beyond funds and facts, the DCIO wholesaler has to add value and help an advisor to build, grow and manage their business. One theme that we heard from advisors and industry professionals was that the worst thing a DCIO wholesaler could do was focus exclusively on their product (investments). We did not hear anything bad about record keepers.

According to the 2013 DCP advisor satisfaction study with record keepers conducted by the Boston Research Group, though there are a variety of factors when it comes to overall advisor satisfaction with providers, "…the wholesaler emerges as playing a dominant role." The specific behaviors that keep the advisor happy include:

- Accessibility and responsiveness (just 60% of advisors are very satisfied)
- Easy to work with (55% are very satisfied)
- Expertise and thought leadership (47% are very satisfied)

Over and over, those themes resonated with the advisors we interviewed — along with others that turn them off.

> Beyond funds and facts, the DCIO wholesaler has to add value and help an advisor to build, grow and manage their business."

Values and Relationships

Beyond service and knowledge, advisors need to be able to trust their wholesaler as partners. Though a strong work ethic is important, advisors need to know that they can rely on the wholesalers' word. This means more than just being on time with deliverables; more importantly, it means not lying and keeping their promise. That translates into integrity. In other words, wholesalers have to be the consummate "Wingmen" — advisors need to know they have their back.

Paula Hendrickson, with First Western, an RIA in Denver, cited an example of the opposite: "During a finals presentation, the wholesaler indicated that they could assume much of the advisory functions and could work with any advisory firm," she said. Hendrickson has another pet peeve: When she is referred to as a broker, implying that she is pushing products — which may be the hope of a wholesaler used to dealing with blind squirrels.

Less obvious is that the wholesaler understands the advisor's business based on their level of experience, markets served and even client profile. Troy Hammond, CEO of Pensionmark, based in Santa Monica, explains: "Rather than a cookie-cutter approach, the good wholesaler provides a solution unique to me and my business." Getting to know an advisor's business is the key to building a relationship. That relationship is instantly killed if, according to TPA-turned-advisor Hugo Lopez of Seaside Financial, an RIA in Carlsbad, CA, the wholesaler "doesn't listen and is focused simply on driving the sales." Gary Kleinschmidt, head of DCIO sales at Legg Mason, agrees. "Hardcore sales pitches rarely if ever work," he notes. "Only after delivering value and thought leadership should the wholesaler pivot to funds, which should be short and thematic."

Time Management

Frequently mentioned as a turn-off: wholesalers who do not respect the advisor's time. Says Jim Pupillo of Hightower Arizona, this could include "being bombarded with emails and phone calls or thinking that taking me out to lunch or dinner is all they need to do."

Sam Brandwein, a wire-house advisor with Morgan Stanley in South Florida, says he gets annoyed "when the wholesaler does not respect my time by calling and starts pitching products immediately. Sales 101 includes asking whether this is a good time to speak." That theme was echoed by George Revoir, who acts as gatekeeper for John Hancock's record keeping division for funds. "It's not just about being considerate of my time," Revoir notes, "it's about delivering what was promised on time. Along with keeping promises, good partners value my time and have a plan for us to work together, benefitting both of us."

Partnership and Friendship

Another subject that many advisors emphasize is the concept of feeling that the wholesaler is not just a business partner but also a friend. This translates into an advisor believing that their partner really cares about them. "I realize that wholesalers need me to sell their products," Gerald Wernette of Rehmann Financial explains, "but I am more likely to give business to a wholesaler who focuses on how they can help me run my practice." While the world has changed, there were times when, according to Wernette, "Wholesalers from certain fund companies didn't even show up, arrogantly thinking that I needed them more than they needed me." So wholesalers have to walk that fine line of not wasting advisors' time while showing up enough to form partnerships and relationships.

Wernette was impressed with one wholesaler from a large fund company that rarely visited. The wholesaler "took the time to learn about me and my staff, getting personal and becoming a friend," she recalls. "I'll meet with that person anytime."

Knowledge and Thought Leadership

Not only do wholesalers have to understand the industry, ERISA rules, funds and record keeping platforms, they also need to deliver information relevant to that advisor based on their business and market. George Revoir of John Hancock is willing to spend time with wholesalers "who know my business and the competition providing insights I can use," he says. And the stakes are getting higher, Legg Mason's Kleinschmidt notes: "The quality of wholesalers is getting better and better, driven in part by DCIOs who have to deliver more value."

According to the Boston Research Group's Warren Cormier, "Thought leadership is not just providing information. Many behavioral economists define it as providing information that makes one think differently about a familiar topic *and* changes one's behavior." Most advisors work in a ping pong ball, with little access to ideas that can change the industry. Bringing that wisdom to an advisor will endear a wholesaler to that advisor, especially if it's in a form that they can easily deliver to their clients — whether it's a white paper, a report for a client or educational seminars.

Practice Management and Problem Resolution

Beyond third-party tools and services — which can be valuable but are getting very tired — wholesalers have to help advisors to manage their business and client relationships. This starts with understanding their business. First Western's Hendrickson values wholesalers "who act as sounding boards when we need a resource, especially when they

Omar Aridi	JP Morgan (DCIO)
Michael Barry	Great West (RK)
Jamie Bentley	Pimco (DCIO)
Brian Billmeier	John Hancock (RK)
Will Blackall	BNY Mellon (DCIO)
Anthony Bologna	Ascensus (RK)
Brian Bouchard	Thornburg (DCIO)
Booth Boughan	Goldman Sachs (DCIO)
Shaun Bromley	AllianceBernstein (DCIO)
Dave Bryant	MFS (DCIO)
James Cahill	Fidelity (RK)
William Calloway	Newport (RK)
Peter Campagna	BlackRock (DCIO)
Bill Cartwright	John Hancock (RK)
Dan Cavaretta	Nationwide (RK)
Murray Cleaner	MFS (DCIO)
Rick Cortellessa	Goldman Sachs (DCIO)
Robert Cruz	BlackRock (DCIO)
Matthew Digan	Legg Mason (DCIO)
Laura Durkin	Nationwide (RK)
Kevin Eknaian	American Century (DCIO)
Joe Elecion	Allianz (DCIO)
Wendell Epps	Principal (RK)
Gene Etzig	Transamerica (RK)
Joe Forlines	Columbia (DCIO)
Eric Fox	Transamerica (RK)
David Frost	OneAmerica/AUL (RK)
David Giannini	Thornburg (DCIO)
Gary Giffen	Franklin Templeton (DCIO)
Matthew Grandonico	Prudential (RK)
Jason Grantz	Unified Trust (RK)
Mitch Haber	OneAmerica/AUL (RK)
Aaron Hassinger	Fidelity (DCIO)
Ami Hindia	Fidelity (DCIO)
Travis Hughes	JP Morgan (DCIO)
Cheney Hunt	Great West (RK)
Brian Jessen	Invesco (DCIO)

John Kutz	Legg Mason (DCIO)
Perry Lazarus	MassMutual (RK)
Benjamin Leger	Fidelity (DCIO)
Lia Lundgren	BNY Mellon (DCIO)
Lathan Mafferty	JP Morgan (DCIO)
Aylmer Magill	John Hancock (DCIO)
Chris Mango	BlackRock (DCIO)
Mike Manosh	Fidelity (DCIO)
Anne Marie Sutton	Pimco (DCIO)
Paul Marino	Federated (DCIO)
John May	Transamerica (RK)
David McClafferty	Great West (RK)
Ryan McComas	Goldman Sachs (DCIO)
Bart Miller	Legg Mason (DCIO)
Chris Monachino	American Century (DCIO)
Matt Moran	Principal (DCIO)
Kevin Morgan	JP Morgan (DCIO)
Mike Moschetta	Neuberger & Berman (DCIO)
Kevin Murphy	Franklin Templeton (DCIO)
Keith Neal	MFS (DCIO)
Steve Owen	Touchstone (DCIO)
Jeffrey Parguirigan	Columbia (DCIO)
Gordon Perry	Fidelity (DCIO)
Jeff Petersen	Franklin Templeton (DCIO)
Jimmy Polito	BNY Mellon (DCIO)
Greg Poplarski	Allianz (DCIO)
Charles Reichelt	John Hancock (RK)
Eric Schneeman	Securian (RK)
Chris Sleggs	BNY Mellon (DCIO)
Steve Smith	T Rowe (RK)
Michael Staples	Oppenheimer (DCIO)
Ryan Tiernan	Columbia (DCIO)
Art Villar	BlackRock (DCIO)
Jeffrey Weaver	Allianz (DCIO)
Colin West	Transamerica (RK)
Eben Wheeler	BlackRock (DCIO)
Chris Wolfe	Standard (RK)
Paul Yossem	Nationwide (RK)

'BAD PRACTICES'

- Being too pushing and "salesy"
- Not respecting the advisor's time
- Not calling on them and acting arrogantly
- Pushing product
- Selling themselves at the expense of advisor
- Not adding value thinking that their funds or products are enough
- Not delivering as promised on time
- Not understanding the advisor's business
- Not understanding their own product or the industry

understand our strengths and weaknesses. They bring us thought leadership and help with exposure to the market acting as a business partner and confident." Though more and more advisors are forming and joining teams (see feature article on team building on page 54), most are still on their own and don't have peers to speak with. Wholesalers can help — in fact, some even help advisors create business plans.

Going above and beyond, a Legg Mason wholesaler worked with their advisor partner to create a client advisory board that not only solidified business with those clients but also acted as a ready source of references. Morgan Stanley's Sam Brandwein values "wholesalers who put me in touch with less experienced advisors who might have an opportunity." And Wernette of Rehmann Financial appreciates wholesalers that partner with his plan sponsor educational programs though financial support as well as intellectual capital.

Problem resolution is another common theme — especially when the advisor is having a hard time getting the attention of the home office. Being that "squeaky wheel" when issues arise helps advisors get back to more productive work that generates revenue. Lopez of Seaside Financial values "wholesalers who help with transition being there through the entire process."

Wholesalers that go above and beyond help the advisor not just with their plans but with other plans they may not even be working on. They work well with the competition, focusing on what's best for the advisor even though it may not put money in their pocket immediately. Tony Franchimone, a principal with RBG in San Diego, notes: "Great wholesalers help me improve client relationships and resolve problems quickly. One provider even made their portfolio manager available for a client meeting when their fund was not performing well."

'Bad Practices'

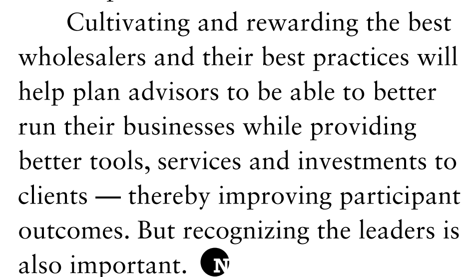
As opposed to "best" practices, "bad" practices will put and keep a wholesaler in the penalty box — hurting the provider even if their products, services and funds are top performers. See the sidebar above for a list of these "bad practices."

The Future of Wholesaling

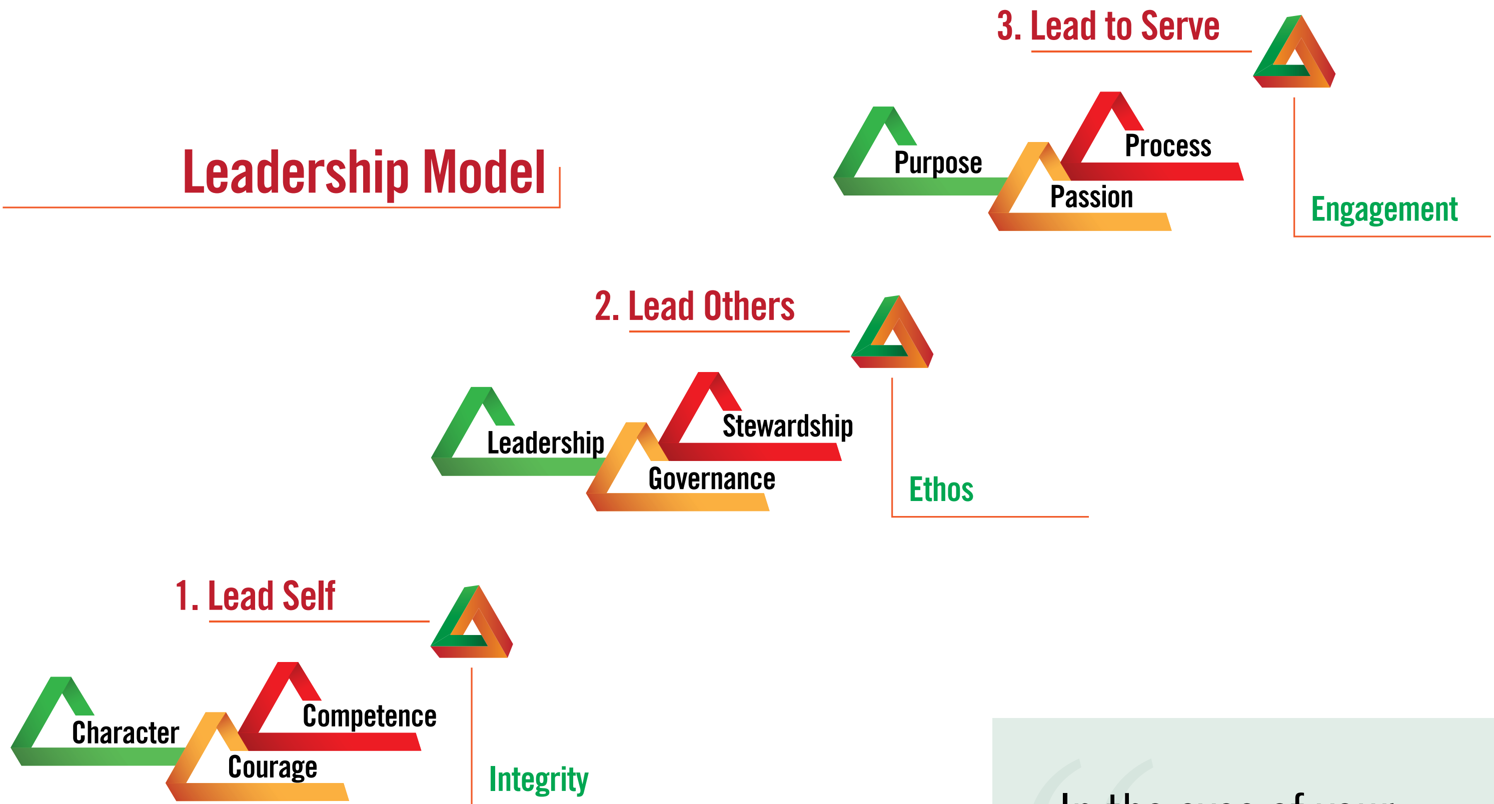
So what does the future hold? While margins are getting squeezed for DCIOs and (especially) record keepers, there's little thought of cutting back on the very expensive distribution networks of external wholesalers. And while some wholesalers are overpaid, it's not based on the amount of money they make — low-cost wholesalers or less experienced ones may not be as good a value as those who are paid the most. With record keeping considered a commodity and DCIOs fighting for a piece of an ever-shrinking pie — and with TDFs and passive strategies dominating — having a top-notch wholesaling staff becomes even more important.

Though hybrid wholesaling can officially be considered a failed experiment, combining technology, telesales and in-person meetings will only grow and be more important. Analyzing databases to determine which advisors bear the most fruit, as well as which ones are most likely to sell their products and funds, will also be essential to winning an escalating war in a deflationary environment. Brightscope is having great success charging mid-six-figures to provide that analyses, not just to DCIOs but also to record keepers and broker dealers.

The winners will deploy their resources more wisely (rather than using a shotgun approach) depending on the markets serviced, products sold and profile of the advisor, as well as the broker dealer network. For example, CAPTRUST, which boosts almost $100 billion in DC AUA, tells providers not to waste too much time or resources on visiting each of their 100 advisors. Employing a "ton or none" strategy with provider partners, CAPTRUST's CEO Fielding Miller suggests that it makes more sense to wholesale to the home office which will have a much greater effect on which products are sold. As other teams like RBG, Sheridan Road and Pensionmark evolve, they will copy CAPTRUST's model (if they have not done so already), as will the 100+ teams that are close to or over $10 billion. And the 2,000+ elite advisors with more than $100 million AUA will need not only different wholesaling methods than the blind squirrels, but a much more sophisticated wholesaler.



Cultivating and rewarding the best wholesalers and their best practices will help plan advisors to be able to better run their businesses while providing better tools, services and investments to clients — thereby improving participant outcomes. But recognizing the leaders is also important.



» THE 10 ATTRIBUTES OF HIGHLY EFFECTIVE RETIREMENT INDUSTRY PROFESSIONALS

(continued from page 21)

Yes, they all start with "A." That was not one of our initial objectives; it just worked out that way. However, there is significance to the order of the 10 — can you tell what it is? I'll give you a hint: One of our objectives was to identify attributes that defined the effectiveness of a leader and a decision-maker.

The answer: The list corresponds to the steps of an investment decision-making process. In our case, we use a five-step process, so we have identified two attributes for each step.

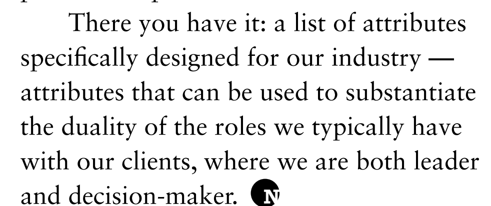
In turn, the 10 attributes also can substantiate the leadership model, which we wrote about in the fall 2013 issue edition of *NAPA Net the Magazine.* (If you don't have a paper copy, you can read it online at http://www.napa-net.org/wp-content/uploads/7.-Inside-The-Stewardship-Movement.pdf.) In that article I introduced the argument that the nexus between leadership and stewardship defines a higher professional standard than fiduciary. Our leadership model is used to depict the three stages of leadership development.

Each stage is defined by three elements, with each element needing to be in balance with the other two. When the three elements are in balance, there is a defined point of inspiration.

For example, the first stage of leadership development is Lead Self. The three elements which need to be in balance are Character, Competence and Courage. When the three elements are manifested as a continuum, we say that the professional has Integrity. There are so few professionals with Integrity (as defined by Character, Competence and Courage), that we identify such professionals as points of inspiration. In turn, each of the 10 attributes can be used to define the observable qualities of a person who has Integrity. The exact same process can be repeated with the other two stages — Lead Others and Lead to Serve.

We contend that leadership starts with self and then moves up the continuum to how you relate to others and subsequently your leadership role in serving others. If any of the fundamental elements at each stage along the way are missing, then the model breaks down. For example, a leader without courage becomes less effective. One who forgets that their stewardship is critical to their role will eventually fail, and a leader serving others without purpose or passion does not serve long.

The same is true in the decision-making model. When an attribute is missing from the continuum, the process breaks down. When the model, in both steps and behaviors, is followed, sound judgment and practice is upheld.



> "In the eyes of your clients, you serve in an important leadership role, and your clients are highly dependent upon your decision-making expertise."

There you have it: a list of attributes specifically designed for our industry — attributes that can be used to substantiate the duality of the roles we typically have with our clients, where we are both leader and decision-maker.

» Donald B. Trone, GFS is the president of the Leadership Center for Investment Stewards and the CEO/Chief Ethos Officer of the 3ethos. Don was the first director of the newly established Institute for Leadership at the U.S. Coast Guard Academy; founder and past president of the Foundation for Fiduciary Studies; and principal founder and former CEO of fi360.

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TIBAX

Before investing, carefully consider the fund's investment goals, risks, charges, and expenses. For a prospectus containing this and other information, contact your financial advisor or visit thornburg.com. Read it carefully before investing.

Thornburg Securities Corporation, Distributor
2300 North Ridgetop Road
Santa Fe, NM 87506

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Investments in the Fund carry risks, including possible loss of principal. Special risks may be associated with investments outside the United States, especially in emerging markets, including currency fluctuations, illiquidity and volatility. Investments in small capitalization companies may increase the risk of greater price fluctuations. Funds investing in bonds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds. The principal value of bonds will fluctuate relative to changes in interest rates, decreasing when interest rates rise. Investments in the Fund are not FDIC insured, nor are they deposits of or guaranteed by a bank or any other entity.

thornburg.com
800.369.3627

Thornburg Investment Management®
Strategies for Building Real Wealth

The Partner Corner connects plan advisors with leading record keepers and DC Investment Only (DCIO) firms — highlighting DCIOs' services, resources and positioning in the market, as well as territory maps for their sales and support people. Value added services and white papers also may be accessed by topic. Currently, only NAPA Firm Partners at a certain membership level have the opportunity to publish a basic or enhanced listing in the Partner Corner.

Firm Profile

American Century Investments® is rooted in building relationships — the kind of long-term relationships that can only happen when there's trust … when there's a consistent track record of delivering results … and when the ultimate measure of our performance is our clients' success.

At American Century Investments, our commitment is rooted in focusing on delivering superior investment performance and developing long-term relationships with our clients. Our track record of performance, our business model and the legacy of our founder set us apart in the industry.

Performance Focus for More than 50 Years

- Founded in 1958 by Jim Stowers, Jr., we relentlessly focus on delivering superior investment performance and building long-term relationships with our clients.
- Our headquarters is in Kansas City, MO, with offices in New York City; Mountain View, CA; and London, England.
- We take an active team-based approach to managing equity and fixed income investments.

Pure Play Business Model

- Money management is all we do.
- No ancillary businesses distract our focus, stretch our resources or compete with our clients.

Privately Controlled and Independent

- Our owners maintain a long-term view when it comes to investing and our company. We are not beholden to quarterly earnings pressures. This enables us to stay true to the long-term objectives of our investment strategies, offer reliable diversification and align with the best interests of our clients.
- We're from Main Street, not Wall Street. We take an independent view, guided by our commitment to do the right thing for our clients. We're one of the few major asset managers untainted by ethical lapses.

Profits With a Purpose

- Through our ownership structure, more than 40% of American Century Investments' profits support research to help cure genetically-based diseases including cancer, diabetes and dementia.
- With their personal fortune, American Century Investments founder Jim Stowers Jr., and his wife, Virginia, founded and endowed the Stowers Institute for Medical Research, a world class biomedical research organization dedicated to improving quality of life by researching and uncovering the causes, treatment, prevention and cure of genetically-based diseases. Both Jim and Virginia are cancer survivors.

Investment Strategies for Retirement Plans

Our management teams are guided by well-defined, repeatable investment processes and are dedicated to fully invested, active management approaches. American Century Investments offers a full menu of investment options ideal for a variety of retirement plans.

- Team-based investment management approach
- Proven long-term risk-adjusted performance in all asset categories
- A variety of pricing options and flexibility to meet your needs
- Availability through most major record keeping platforms

QDIA Options

Providing broad diversification through asset allocation options that qualify as QDIAs, American Century Investments has investment options to meet your retirement plan needs:

One Choice℠ Target Date Portfolios

The One Choice Target Date Portfolios from American Century Investments are a series of nine target date funds and one objective-based fund that offer evolving strategic allocations that are optimized for the changing risk profile as an investor nears retirement.

A One Choice℠ Target Date Portfolio's target date is the approximate year when investors plan to retire or start withdrawing their money. The principal value of the investment is not guaranteed at any time, including at the target date. Each target-date One Choice℠ Target Date Portfolio seeks the highest total return consistent with its asset mix. Over time, the asset mix and weightings are adjusted to be more conservative. In general, as the target year approaches, the portfolio's allocation becomes more conservative by decreasing the allocation to stocks and increasing the allocation to bonds and money market instruments. By the time each fund reaches its target year, its target asset mix will become fixed and will match that of One Choice℠ In Retirement Portfolio.

One Choice℠ Target Risk Portfolios

Five static target-risk funds offer instant diversification. These portfolios are built using up to 15 underlying mutual funds to help balance risk and return. Each target-risk One Choice Portfolio seeks the highest total return consistent with its asset mix.

Balanced Fund

American Century Balanced offers a consistent, risk-managed approach through a classic 60/40 mix of stocks and bonds.

Strategic Allocation Funds

The Strategic Allocation Funds are designated Conservative, Moderate and Aggressive so investors can choose a portfolio that is aligned with their risk tolerance.

American Century Global Allocation

American Century Global Allocation fund casts a wide net across regions, countries, currencies and asset classes in search of opportunities to expand return potential while managing volatility. Tactical adjustments take advantage of opportunities and adjust to changing market conditions.

You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. The fund's prospectus or summary prospectus, which can be obtained by visiting americancentury.com, contains this and other information about the fund, and should be read carefully before investing.

Business Metrics

www.americancentury.com	
Number of external wholesalers	
DC: 14	
Retail: 43	
DC AUM:	
Total: $35.2 Billion	
Total AUM:	
$139 Billion	
Investments:	
Mutual Fund	
Group Annuity: Variable portfolios for annuity products	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
TDF: "To" – One Choice℠ Target Date Portfolios	
Target Risk: One Choice Target Risk Portfolios	
Passive/Active/Both	
Active	
Capital Preservation Funds:	
Money Market	
Fixed Income	
Fixed income mutual funds	
Bonds	
Bond mutual funds	
Top 5 Funds within American Century Investments by DC Assets (as of 6/30/2013)	
American Century One Choice℠ Target Date Portfolios	American Century Strategic Allocation
American Century Growth	American Century Heritage
American Century Equity Income	

BNY MELLON

Firm Profile

A Global Investment Management Powerhouse
BNY Mellon is a premier global investments company dedicated to helping clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets.

The firm's insight is backed by a unique perspective that comes from having $27.6 trillion in assets under custody and administration, and $1.6 trillion in assets under management (as of 12/31/13). Whether clients are looking to create, trade, hold, manage, distribute or restructure investments, BNY Mellon can act as a single point of contact for their investment needs. An uncertain market that has affected so many financial institutions, clients have confidence in BNY Mellon because of its size, strength and stability.

- #4 Superregional Bank (U.S.) (*Fortune* "World's Most Admired Companies, 2013")
- #7 Safest Bank in the U.S. (*Global Finance* "World's Safest Banks," April 2013)
- Strong investment-grade credit ratings*

*Credit ratings are listed for Moody's, S&P, Fitch and DBRS. A security rating is not a recommendation to buy, sell, or hold securities. The rating may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of the other ratings. Current ratings for The Bank of New York Mellon Corporation and its principal subsidiaries are posted at www.bnymellon.com/investorrelations/creditratings.com.

BNY Mellon Investment Management

Building World-Class Investment Performance Takes the Right Architect

BNY Mellon Investment Management is one of the world's leading investment management organizations, offering:

- Financial strength
- A multi-boutique model that encompasses the investment skills of world class asset managers:

— Each has its own unique investment philosophy and proprietary investment process
— Each is a leader in its field with depth and breadth of expertise in every major asset class and sector
— Specialists focused on generation of returns

- Centralized distribution and manufacturing solutions

We know that specialization and focus are essential to investment management. Each of our independent asset management companies pursues its investment strategy with a passion and commitment that keeps them ahead of changing investment landscapes.

BNY Mellon Investment Management combines the scale of a full service investment manager with the focused expertise of autonomous investment boutiques, each with its own style, strategy and management team. All together, we have the skill to deliver uncorrelated alpha and the scale to deliver diversified beta.

- 16 independent institutional asset managers with $1.5 trillion in assets under management (as of 9/30/13)
- 7th largest global asset manager (*Pensions & Investments*, October 2012)
- 7th largest U.S. money manager (*Institutional Investor*, July 2013)
- 5th largest manager of endowment and foundation assets (*Pensions & Investments*, May 2013)

BNY Mellon Retirement

Dedicated to Helping Our Clients Succeed

BNY Mellon Retirement is a team of experienced retirement professionals representing all of BNY Mellon's retirement-oriented investment solutions for DC and insurance VA businesses.

Solutions That Work for You

We will work with you to develop and deliver appropriate investment strategies and to provide the ongoing servicing required. We deliver these strategies to you in multiple vehicles:

- Retail mutual funds
- Zero revenue share institutional mutual fund share classes
- ERISA qualified bank collective funds — multiple share classes with and without revenue share
- Institutional separate accounts
- Customized approaches

In a highly competitive environment, growing your business is an increasing challenge — one that is further complicated by the evolving nature of the retirement marketplace. With BNY Mellon Retirement, you benefit from our wide range of investment strategies, our marketplace expertise and support services from a trusted business partner.

BNY Mellon Investment Management is one of the world's leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon's affiliated investment management firms, wealth management services and global distribution companies. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation. This document is of general nature, does not constitute legal, tax, accounting or other professional counsel or investment advice, is not predictive of future performance, and should not be construed as an offer to sell or a solicitation to buy any security or make an offer where otherwise unlawful. The information has been provided without taking into account the investment objective, financial situation or needs of any particular person.

For more information, please contact your BNY Mellon Retirement Consultant or call 1-800-992-5560.

Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. Contact your financial advisor and obtain a prospectus, or a summary prospectus, if available, that contains this and other information about the fund, and read it carefully before investing.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees, all of which are more fully described in the fund's prospectus. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can produce price declines.

The funds are not a deposit of, and are not insured or guaranteed by, any bank, financial institution, the FDIC or any other governmental agency, and participants may lose money. Also, a fund unit's principal value and investment return will fluctuate, so that when a unit is redeemed, it may be worth more or less than the original investment.

Key Contacts:

Margie Massaro, 212.922.7610, margaret.massaro@bnymellon.com; Caitlin Loesch, 212.922.5243, caitlin.loesch@bnymellon.com

Business Metrics

www.bnymellonretirement.com, www.dreyfus.com
Number of external wholesalers:
DC: 5
DC AUM:
$37 Billion
Total Firm AUM:
$1.5 Trillion
Investments:
Retail Mutual Funds
Zero Revenue Share Institutional Mutual Fund Share Classes
ERISA Qualified Bank Collective Funds - multiple share classes with and without revenue share
Institutional Separate Accounts
Customized Approaches
Top 5 Dreyfus/BNY Mellon Fund Products by DC Assets
Dreyfus Research Growth Fund
Dreyfus Appreciation Fund
Dreyfus Opportunistic MidCap Value Fund
BNY Mellon Stable Value Fund*
Dreyfus International Bond Fund

Firm Profile

Though many small market record keepers are moving towards a more open architecture platform, there are only a few national firms like CPI who started that way and have remained true to that model. Many record keepers are either insurance companies offering funds using their own group annuity or collective trust wrapper or they manage proprietary mutual funds — sometimes both — which may not be appealing to advisors who want to have access to a greater variety of investments without any pricing bias. With more focus on fees and transparency, open architecture, reasonably priced firms like CPI are becoming more attractive to advisors, but CPI is different than their competitors because of their ownership structure. Their natural competitors, which include Ascensus, Verisight, Daily Access, Newport Group and Verisight, are either backed or owned by investors or private equity firms, not a large financial institution with deep pockets that can afford to be patient. CPI is owned by CUNA Mutual Group, a large financial service firm owned by and servicing credit unions, can afford to invest more in technology, people and distribution than a typical, low cost, open architecture firm might be expected giving them a unique advantage over almost any competitor.

CPI was founded in the early 1970s in Great Bend, KS where most of their 500+ people still work giving them a real cost advantage over almost all their competitors, especially in the Northeast. Their staff includes 140 ASPPA designated professionals and, combined with CUNA Mutual, they manage more than $16 billion and 7,300 plans which cover 350,000 participants. Their target market is DC plans with $500,000-$7 million in assets focusing more on specialist DC advisors as evidenced by their 2013 3rd Annual Retirement Academy which attracted 200+ plan advisors with almost $100 billion AUM, 5,400 plans and 2 million participants. Along with their open architecture platform where advisors can act as a 3(21) or 3(38) fiduciary picking from more than 15,000 funds traded through the NSCC, CPI offers outsourced fiduciary services through Mesirow.

Acquired in 2009 by CUNA Mutual, CPI has almost doubled their sales territories since the sale to include 21 wholesalers supported by an internal team in Great Bend, which is almost twice the size of any of their open architecture competitors. Though their sales forces and target markets are vastly different with CUNA selling direct to credit unions, their back office service and technology are beginning to come together. Leveraging CUNA Mutual's technology group which includes more than 500 people, CPI shares CUNA's proprietary record keeping system which affords them significant flexibility. Both CPI and CUNA regularly receive top ratings in the DCP plan sponsor surveys conducted by the Boston Research Group. Advisors will also see CUNA's name (which stands for Credit Unions of North America) more often in an attempt to not only bolster the financial backing of a Fortune 1000 company but also to focus CUNA's expertise in serving the common investor which is the hallmark of credit unions. CPI's history and understanding of the advisor sold, small DC market is what attracted CUNA which is highlighted by service nuances that perhaps only an open architecture firm could and would provide including:

- Form 5500 filings where CPI is listed as administrator protecting advisor clients from bothersome cold callers and competitors
- Annual reports of participants turning 59
- A list of all eligible employees, not just participants
- Timely notification of terminations with names and account balances

More and more advisors are looking for fee transparent, open architecture providers that offer good service at a reasonable price driven by concerns by clients about conflicts and high costs. But few open architecture firms can support advisors in the field while providing good service to plan sponsors and participants in an industry that demands constant investment and improvement while still remaining competitively priced. CPI's history, business model and ownership structure under CUNA Mutual Group provides them with a unique offering to advisors that sell plans in the small market who may be concerned about the viability of smaller providers and long term independence of those owned by private equity firms.

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Key Contacts:

Sales & Service: https://www.cpiqpc.com/contact-cpi.asp

Business Metrics

www.cpiqpc.com
Number of external wholesalers:
22
DC AUM:
Total: $11.3 Billion
Retirement AUM:
$2.2 Billion — DB only
Total AUM:
$13.45 Billion
DC Plan UM:
6,211
Retirement Plans UM:
769 — DB only
DC Participants UM:
297,698
Retirement Participants UM:
36,320 — DB only
Asset Allocation Funds:
TDF Proprietary/Outside: Yes — Outside
TDRisk Proprietary/Outside: Yes — Outside
Custom Glide Path: Yes — Unlimited broker customization
Service Model(s): (bundled/unbundled/both):
Both
Distribution Model(s): (advisor/direct/both):
Advisor
Primary Market(s) Served:
Micro (<$1 Million): Yes — Sub-market
Small ($1-$10 Million): Yes — Target market
Mid ($10-$100 Million): Yes — Sub-market
Plan Type(s):
DC: 401(k), Profit sharing, money purchase, ERISA 403(b)
DB
Non-ERISA 403(b)
457
Taft Hartley
Non Qualified
Fiduciary Services Offered:
3(21)
3(38)

Firm Profile

F-Squared Retirement Solutions

F-Squared Retirement Solutions offers downside-risk-managed investment solutions to the defined contribution marketplace. We seek to align our investment strategies with the goals of plan sponsors and their participants, targeting relative returns in healthy markets and providing risk controls in down markets. The product array includes a core U.S. equity strategy, a fixed income option, a series of target risk funds and a tail-risk overlay strategy, all designed to reduce overall portfolio volatility and the risk associated with significant market drawdowns.

Collective Investment Trust Funds Offered Through Reliance Trust Company

F-Squared AlphaSector® U.S. Equity Fund

The F-Squared AlphaSector U.S. Equity Fund uses a disciplined quantitative model to make a probabilistic projection of expected returns for each of the nine major sectors of the U.S. economy. The model has the flexibility to allocate to any combination of the nine sectors, and may invest up to 100% in a cash equivalent for defensive positioning. The model's objective is to remove those sectors that present risk while preserving exposure to the healthier sectors.

F-Squared AlphaSector® Fixed Income Fund

The F-Squared AlphaSector Fixed Income Fund represents an actively managed portfolio that seeks to provide a full-market fixed income solution. It is designed to participate in healthy markets and provide downside risk controls in adverse market conditions, including rising interest rate environments. The AlphaSector Fixed Income Fund may invest up to 100% in cash equivalents when the model indicates the need for defensive positioning.

F-Squared AlphaSector® Target Risk Funds

The F-Squared AlphaSector Target Risk Funds are designed to achieve long-term capital appreciation by limiting the magnitude of drawdowns in declining market environments while offering participation in rising equity markets. The series consists of five different portfolios constructed to meet various risk and return profiles: Conservative, Moderate Conservative, Moderate, Moderate Aggressive and Aggressive.

To meet the unique needs of our retirement clients, F-Squared products are available as collective trust funds through a partnership with Reliance Trust Company, separately managed accounts and custom tail-risk overlays. F-Squared Retirement Solutions will partner with advisors, plan sponsors and consultants to integrate downside risk management into retirement plans, giving these fiduciaries the ability to construct investment menus that better meet the needs of participants and offer the opportunity for a successful retirement outcome.

The AlphaSector Philosophy

The AlphaSector investment philosophy is simple. We believe that severe market drawdowns are the greatest threat to achieving a desired investment outcome. We further believe that there is a "psychological cost" to severe drawdowns and a "psychological benefit" to avoiding them. We depart from the conventional approach of closely tracking a benchmark.

To achieve this goal, the AlphaSector investment strategies are designed to avoid or reduce severe losses in declining markets while participating in rising markets. An AlphaSector investment strategy may closely track a benchmark index portfolio during a rising market, but when our quantitative models indicate an increased risk of loss, the strategy is designed to diverge from the benchmark to achieve defensive positioning.

About F-Squared Investments

F-Squared Investments, based in Wellesley, MA and Princeton, NJ, is a manufacturer of next-generation investment indexes based on the proprietary AlphaSector and PoRT capabilities. F-Squared seeks to provide investment indexes that align with the real needs of the marketplace, delivering on well-defined expectations. The firm serves clients in the advisor, institutional and retirement markets.

By starting with the needs of the investor, F-Squared has developed a fundamentally different approach to risk and return. Every day we challenge ourselves, our industry colleagues and the investors we serve to break from convention and reset expectations. F-Squared is committed to "Rethink Investing" based on the needs of the investor.

For more information, please visit www.f-squaredretirementsolutions.com.

Business Metrics

www.f-squaredretirementsolutions.com
Number of external wholesalers:
DC: 4
Retail: 15
DC AUM/AUA:
Total: $1 Billion
Total AUM/AUA:
$23.3 Billion*
Investments:
Mutual Funds: Subadviser through Virtus Investment Partners
Collective Trusts
SMAs
Asset Allocation Funds
TDF: Subadviser through Reliance Trust
Target Risk
Managed Accounts
Passive/Active/Both
Active
Fixed Income
Yes
Top Funds by DC Assets:
AlphaSector US Equity Funds: $481 million
Reliance Trust Risk Managed Target Date Funds: $458 million
AlphaSector Target Risk Funds: $43 million
* total assets tracking F-Squared Indexes

(DCIO)

Firm Profile

It's hard to think about the retirement industry without thinking about Fidelity, which has 60% of its $1.7 trillion of assets under management in retirement-related accounts. But it's not as easy to associate Fidelity with the investment-only business — since their 20,000-plus qualified plans (with 12 million participants) are on their fully integrated, bundled platform — until recently, that is. With 75% of the marketplace record kept on non-Fidelity platforms, along with the movement toward open architecture and the increasing reliance on consultants and advisors, Fidelity changed its model to reenergize their DCIO business.

Fidelity Financial Advisor Services (FFAS), as its name implies, concentrates on selling and servicing advisors. In addition to making their funds available, they had been selling their DC record keeping and administrative services to advisors. In 2011, when sales of record keeping services were moved under WI, FFAS shifted their attention to building an integrated DCIO group — expanding resources, creating specialized thought leadership and developing a focused product and pricing approach.

That division, under the leadership of Jordan Burgess, a long-time FFAS veteran, employs 10 field wholesalers selling to advisors (under Derek Wallen) and five institutional reps selling to consultants (under Matt Gannon, a long-time MFS executive who was instrumental in building their retirement business). The group oversees nearly $70 billion DC AUM — making FFAS a top-tier DCIO provider.

Fidelity enjoys a number of important and unique advantages as a DCIO provider, including:

- Industry Leadership — They combine retirement expertise and knowledge with investment and technical wisdom.
- Comprehensive Investment Menu — With more than 140 advisor funds, multiple share classes including many Z shares (like R6) and institutional CITs and SMA managed by Pyramis, Fidelity understands the types of investments that appeal to retirement plans and participants.
- Unparalleled Resources and Brand — With 800 investment professionals and many more technical experts, Fidelity has money to keep investing in the business as well as a strong retail and institutional brand.

FFAS has always worked with and understood the needs of advisors. The DCIO group is leveraging their expertise and Fidelity's resources, including their rich database of plans and participants, to help advisors, record keepers and plan sponsors with their goal of ensuring participants achieve better retirement outcomes. They focus a number of resources and research on:

- What plan sponsors want from their advisors and what their major concerns and issues are
- Participant behavior patterns when making investment decisions and attitudes about retirement readiness
- Investment trends, especially those affecting retirement plans

White papers following up on their research cover important topics like how to restore confidence in investors, whose allocations are becoming too conservative just as they are increasingly concerned about their ability to retire. FFAS also makes available to advisors a dedicated team of investment professionals to help construct optimal investment fund lineups and perform customized mapping with supporting investment analytics.

Fidelity funds, which have some of the greatest depth as well as sensitivity to the retirement market, include:

- Fidelity Advisor New Insights, covering large cap growth
- Fidelity Advisor Growth Opportunity Fund
- Bond funds such as Fidelity Advisor Strategic Income and Fidelity Advisor Total Bond
- Large value with their Fidelity Advisor Equity Income fund
- Fidelity Diversified Stock, a large cap blend fund
- Fidelity's popular Fidelity Advisor Freedom Funds, which is the market leader in target date funds

Fidelity's DCIO group works with all major record keepers, so advisors have access to their broad array of funds. Now, with the recently formed, dedicated DCIO team and resources, plan advisors using Fidelity funds will have access to their people, research and brand from the retirement industry's clear leader.

Key Contacts:

Sales: Derek Wallen, SVP, Division Manager, 401.292.5615, derek.wallen@fmr.com

Service: Tom Restivo, SVP, Operations and Services Group, 401.292.5596, tom.restivo@fmr.com

Business Metrics

www.advisor.fidelity.com/dcio	
Number of external wholesalers:	
Retail: 15	
DC AUM:	
Total: $68.8 Billion	
Total AUM:	
$1.7 Trillion	
Investments:	
Mutual Fund	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
TDF (To/Through/Both): Through	
Target Risk	
Passive/Active/Both:	
Active	
Capital Preservation Funds:	
Stable Value	
Money Market	
GICs	
Fixed Income	
Yes	
Top 5 Funds by DC Assets	
FA Freedom Funds (12 Target Date funds)	FA Small Cap
FA New Insights	FA Balanced
FA Leveraged Co Stock	

Firm Profile

Invesco is and has been a leader in the DCIO market with a long history in retail and institutional money management and an emphasis on working with DC plan advisors to help create value for their clients. Having exited the DC record keeping market in the mid-2000s, Invesco's focus on investment management makes them a popular choice for plan advisors and leading broker dealers, with many of their funds available on all major platforms.

Led by industry veteran Terry Kelly, the DCIO group includes 10 external and 10 internal wholesalers as well as six senior account executives as of 10/31/2013. The group flowed more than $10 billion in 2010 from plan advisors. Once a prominent player in the DC record keeping market through outsourced solutions as well as a proprietary system, the company decided to exit that side of the business in 2003. Invesco sold their proprietary platform to Merrill Lynch, which eventually flipped it to The Hartford. The experience helped Invesco develop a good understanding of the market and the needs of plan advisors, making their transition seamless as more platforms were forced to offer outside investments. Their sales people who had sold record keeping services developed a solutions-based approach that attracted plan advisors.

Providing impactful and unique value-adds has become a real challenge for DCIOs. Many firms seem to make available off-the-shelf third-party tools that are also offered by various competitors. Invesco has always developed their own tools and services, however. Those capabilities were augmented in 2010 when the company purchased the retail asset management business of Morgan Stanley, including Van Kampen Investments — a leader in value added materials for plan advisors.

Invesco employs a dedicated internal group of 12 practice management and marketing consultants that also serves retail advisors. This group has helped develop industry leading programs such as "The Final Word," focused on using the right words to make effective finals presentations to boards, and "New Words for the New Economy" to help participants understand and maximize benefits. These programs were developed through extensive research with plan sponsors and participants. Their newest program draws from the lessons of Hollywood screenwriters. "Tell Me More" helps advisors create a "logline" that previews their benefits to clients in 15 words or less, and prompts prospects to say "tell me more." For strategic relationships, Invesco will send in a team to review an advisor's pitch book and materials.

Invesco is well known in the DC market for its large-cap value funds and mid-cap value strategies, including some that were part of the Van Kampen purchase. With competitive fees, Invesco's value complex includes distinct strategies focused on deep value, relative value and companies that pay dividends. In their core strategies, Invesco will combine passive and active strategies to keep fees low. Though nascent, Invesco's TDFs have been cited as one of the fastest growing in the DC market by Morningstar, and they also offer a risk parity strategy called Invesco Balanced-Risk Allocation Fund.

Invesco offers strong support for plan advisors with a robust and deep group of external wholesalers supported by internal professionals, industry leading value-added tools and a strong investment line-up, making them a valuable partner for the focused plan advisor.

Key Contacts:

Sales: Jeffrey Hemker, CIMA®
630.258.6931, jeffrey.hemker@invesco.com

National Accounts: Matt Foster
832.814.8775, matt.foster@invesco.com

Service: Invesco Retirement Division Sales Desk
800.370.1519

Business Metrics

www.invesco.com/us	
Number of external wholesalers:	
DC: 10	
Retail: 103	
DC AUM:	
Total: $92.9 Billion	
Total AUM:	
$745.5 Billion	
Investments:	
Mutual Funds	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
TDF (To/Through/Both): Both	
Target Risk	
Managed Accounts	
Capital Preservation Funds:	
Stable Value	
Money Market	
Bonds	
Yes	
Top 5 Funds by DC Assets (with asset total & last year new flow):	
IVZ International Growth: $5 Billion	IVZ Comstock: $3.6 Billion
IVZ Growth and Income: $4.7 Billion	IVZ Small Cap Growth: $2.4 Billion
IVZ Equity and Income: $4.1 Billion	

Firm Profile

John Hancock Investments provides asset management services to individuals and institutions through a unique manager-of-managers approach. We operate as an independent and well-resourced investment advisor. This structure enables us to be highly responsive, develop funds based on investor need, and then search the industry to find the portfolio management teams with the best skill set, track record, and experience to manage those funds. Our funds provide access to specialized portfolio teams at some of the best managers in the world. Our independence and experience as one of the longest-tenured manager of managers enable us to achieve what we believe is an exceptional level of oversight. Our approach to investing has led to a diverse set of investments deeply rooted in investor needs, along with strong risk-adjusted returns across asset classes.

Key Contacts:

Sales: Aaron Esker, aesker@jhancock.com, 617.663.4281

Service: Aaron Esker, aesker@jhancock.com, 617.663.4281

Business Metrics

www.jhinvestments.com	
Number of external wholesalers:	
DC: 7 Retail: 70	
DC AUM:	
Total: $5 Billion New 2012: $1.4 Billion	
Total AUM:	
$60 Billion	
Investments:	
Mutual Funds	
Group Annuity - Through John Hancock Retirement Plan Services	
SMAs	
Asset Allocation Funds:	
TDF (To/Through/Both): Both	
Target Risk	
Passive/Active/Both:	
Active	
Capital Preservation Funds:	
Money Market	
Fixed Income	
Yes	
Bonds	
Yes	
Top 5 Funds by DC Assets	
John Hancock Disciplined Value Fund	John Hancock Classic Value Fund
John Hancock Disciplined Value Mid Cap Fund	John Hancock Rainier Growth Fund
John Hancock Lifestyle Portfolios (Asset Allocation Strategies)	

RETIREMENT PLAN SERVICES

Firm Profile

John Hancock has more than 150 years of experience and is a member of the Manulife Financial Group of Companies.

John Hancock knows what goes into making a healthy, successful retirement plan. We are one of the nation's largest providers, meeting the needs of participants across a wide range of industries and plan sizes.

As your efficient provider, John Hancock gives you the innovative tools, resources and the people power to help you build and maintain a profitable retirement plan business and meet your clients' needs.

The company has two offerings in the 401(k) marketplace: JH Signature™, our small market solution; and JH Enterprise®, our open architecture solution for the mid-market.

JH Signature™

JH Signature is a fully-packaged solution, offering a multi-class structure, local compliance and ERISA expertise, as well as a team of investment specialists who help research, select and monitor the asset managers on the platform.

JH Enterprise®

JH Enterprise is John Hancock's open architecture retirement plan offering, providing plan sponsors with $10 million or more in assets with access to more than 18,000 investment options and a robust, real-time, proprietary record keeping system.

The company's two commitments to their business partners and clients: We are easy to do business with, and we make plans work.

For more information, visit www.jhrps.com.

(For plans domiciled in New York, visit www.jhrps.com/ny.)

Key Contacts:

Sales: 1.877.346.8378

Business Metrics

www.jhrps.com, www.jhrps.com/ny
Number of external wholesalers:
65
DC AUM:
Total: $81.9 Billion
Total AUM:
Total: $81.9 Billion
DC Plans UM:
44,972
DC Participants UM:
1,645,894
Asset Allocation Funds:
TDF Proprietary/Outside: Proprietary subadvised 1) To Retirement 2) Through Retirement
TDRisk Proprietary/Outside: Proprietary subadvised
Custom Glide Path
Service Model(s): (bundled/unbundled/both):
Bundled and Unbundled
Distribution Model(s): (advisor/direct/both):
Advisor
Primary Market(s) Served:
Micro (<$1 Million)
Small ($1-$10 Million)
Mid ($10-$100 Million)
Plan Type(s):
DC
DB
457
Taft Hartley
IRA
Fiduciary Services Offered:
3(21)

Data as of June 30, 2013

LEGG MASON
GLOBAL ASSET MANAGEMENT

Firm Profile

Legg Mason has a rich history in the DC market and is making strong moves to become more prominent in the DCIO arena. Though Legg Mason has never owned a record keeper as other well-heeled DCIOs have, they did own a brokerage firm and created private-label services with other record keepers for their advisors looking to access their funds. In 2005, Legg "traded" their advisors for Smith Barney's funds to focus on managing money. (Those advisors are now part of Morgan Stanley.)

While Bill Miller is Legg's most renowned portfolio manager, the firm is comprised of eight different independent money managers which have access to shared services like the DCIO group headed by industry veteran and thought leader Gary Kleinschmidt. The network of independent investment managers includes:

Batterymarch Financial Management

An equity specialist focused on bottom-up stock selection, integrated risk control and cost-efficient trading. An early entrant into overseas investing, too.

Brandywine Global Investment Management

Pursuing value since 1986 across equity and fixed income, globally and in the United States. Historically institutionally focused, the firm has both a boutique's agility and a leader's stability and resources.

ClearBridge Investments

Equity manager with more than 45 years of experience and long-tenured portfolio managers who build income, high active share or managed volatility portfolios.

Legg Mason Global Asset Allocation

Offers global expertise in strategic and tactical asset allocation and custom risk management. Solutions-focused, the firm combines asset allocation with Legg Mason's independent manager expertise.

Legg Mason Global Equities Group

A collection of specialty firms dedicated to global equities. Each pursues its own strategy while benefiting from Legg Mason's global scale. LMGEG includes: Esemplia Emerging Markets, Legg Mason Poland and Legg Mason Australian Equities.

The Permal Group

A global pioneer in multi-manager, multi-strategy alternative investing. The firm has made investments in new and established hedge fund managers across strategies, asset classes and regions since 1973.

Royce & Associates

Known for its disciplined, value-oriented approach to managing small caps. An asset class pioneer, the firm's founder is one of the longest tenured active mutual fund managers.

Western Asset Management

One of the world's leading global fixed-income managers. Founded in 1971, the firm is known for team management, proprietary research and a long-term fundamental value approach.

The firm focuses on 1,200 plan advisors who specialize in the DC market, providing a concierge-like service which gives the advisors access to Legg's fund managers, their ERISA help desk powered by Ascensus, white papers (many of which are by ERISA expert Marcia Wagner) and other value-added services focused on the use of social media and building a pipeline of prospects.

While Legg Mason "checks all the boxes" needed to make it one of the 14 Tier 1 DCIO providers, what distinguishes Legg (and very few others) is their senior management and thought leadership. Gary Kleinschmidt started in the DC business in the 1980s, moving to Ascensus (then BISYS) in the 1990s and then to Van Kampen, which was a pioneer in the DCIO market, in the 2000s. He moved to Legg in 2007 to gain access to a firm that was comprised of eight different managers and because of their focus on DC plans after the 2005 advisor trade with Smith Barney. Gary serves on the NAPA Leadership Council, the group's governing board.

Thought leadership is important for Legg Mason, which is why they created the Legg Mason Retirement Advisory Council comprised of leading professionals from various record keepers, advisory firms and broker dealers. Following a recent expansion, the Council now includes Brian Graff, Executive Director/CEO of ASPPA and NAPA. The Council supports research and thought leadership on a variety of topics, including auto-IRAs, creating undergraduate programs to attract more people into the retirement industry, and a First & 10 white paper encouraging Americans to first contribute to their retirement plan and then to contribute 10%.

The DCIO market is getting more competitive and the stakes will get much higher, with fewer than 50 providers focused on the advisor-sold market and fewer than 15 who are considered in the top tier based on sales, the number of wholesalers and value-added services, as well as the quality and depth of their investments. In the future, two factors will distinguish firms within the top tier: quality of senior management and thought leadership to help clients (advisors, record keepers and broker dealers) to distinguish themselves and improve participant outcomes. Legg Mason's DCIO group enjoys great support from the firm and will continue to be a leader in this market.

This description was written by Fred Barstein on behalf of the National Association of Plan Advisors (NAPA). It was not written by Legg Mason.

NAPA is not associated with Legg Mason.

9/13 FN1312984

Key Contacts:

Sales: Gary Kleinschmidt, Head of Legg Mason Retirement
215.872.1317

Service: Ursula Henry, Vice President,
Account Service Manager

Business Metrics

www.leggmason.com

Number of external wholesalers:	
DC: 8	
Retail: 60	
DC AUM:	
Total: $20 Billion	
Non-IRA Retirement AUM:	
$92 Billion	
Total AUM:	
$654 Billion as of May 31, 2013	
Investments:	
Mutual Fund	
Group Annuity	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
TDF (To/Through/Both): Both	
Passive/Active/Both:	
Active	
Capital Preservation Funds:	
Money Market	
Fixed Income:	
Yes	
Bonds:	
Yes	
Top 5 Funds by DC Assets:	
Royce Pennsylvania Mutual Fund: $507 Million Gross Sales, $2.3 Billion AUM	Royce Total Return Fund: $381 Million Gross Sales, $1.5 Billion AUM
Western Asset Core Bond Fund: $487 Million Gross Sales, $1.2 Billion AUM	ClearBridge Appreciation Fund: $275 Million Gross Sales, $484 Million AUM
Western Asset Core Plus Bond Fund: $444 Million Gross Sales, $1.9 Billion AUM	

We'll help you get there.®

Firm Profile

MassMutual employs state-of-the-art technology to provide comprehensive record keeping services to our clients. Our innovative technology provides a strong foundation of industrial processing strength on a platform that is scalable and flexible enough to meet the ever-changing and unique needs of our client base.

Our record keeping services go beyond providing efficient benefit processing, financial integrity and on-demand access to information. By combining our powerful record keeping system with client data, we can provide prescriptive solutions to our clients and their participants that promote plan health and participant retirement readiness. Our flexible data requirements make it easy for our clients to share data with us, experience simplified year-end testing and provide innovative solutions to help drive employee action. This combination of data and technology also allows us to measure the true outcomes of our clients' plans (employee replacement income in retirement) and help our clients and their advisors make key plan design decisions.

Our powerful technology provides the foundation that supports our local service teams and empowers them to provide our clients with high-touch, personalized service. MassMutual is committed to providing quality, highly personalized service and innovative, technology-rich solutions to our clients so their participants can retire on their own terms.

Key Contacts:

Sales: 800.874.2502, option 4

Business Metrics

www.massmutual.com/retire/intermediaries

Number of external wholesalers:

81

DC AUM:

Total: $118 Billion

Retirement AUM:

Total: $133 Billion

Total AUM:

$613 Billion

DC Plans UM:

34,700

Retirement Plans UM:

37,100

DC Participants UM:

2.5 Million

Retirement Participants UM:

2.8 Million

Asset Allocation Funds:

Target Date: RetireSMART Target Date Series (In Retirement, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055)

Target Risk: RetireSMART Target Risk Series (Conservative, Moderate, Moderate Growth, Growth)

Custom Glide Path

Service Model(s): (bundled/unbundled/both)

Both

Distribution Model(s): (advisor/direct/both)

Advisor, Consultant

Primary Market(s) Served:

- **Start-Up ($0-$250,000)**
- **Micro ($250,000-$1 million)**
- **Emerging ($1-$5 million)**
- **Small ($5-$15 million)**
- **Mid ($15-$75 million)**
- **Large ($75-$150 million)**
- **Institutional (+$150 million)**

Plan Type(s):

DC, DB, Non-Erisa, 457, Taft Hartley, Non Qualified, IRA

Fiduciary Services Offered:

3(16) Yes- via Mesirow Financial

3(21) Yes- via Mesirow Financial

3(38) Yes- via Mesirow Financial

Thornburg | Investment Management®

Firm Profile

Thornburg Investment Management was founded in 1982 and is headquartered in Santa Fe, New Mexico. Thornburg manages fixed income funds, equity funds, and separate accounts for high net worth and institutional investors. Assets under management are approximately $94 billion (as of 9/30/13). We focus on preserving and increasing the real wealth of shareholders after accounting for inflation, taxes, and investment expenses.

History of Stewardship

Throughout Thornburg Investment Management's 30-year history, our focus on investors has been the cornerstone of our investment management business. Instead of directing attention towards marketing and gathering assets under management, our efforts have been focused on two things – generating strong investment returns and servicing our clients. We believe that if you do those things well, the rest will take care of itself. This commitment to investors has enabled Thornburg to earn an enviable reputation for strong historical performance and responsible stewardship.

Retirement Group

The Thornburg retirement group provides a series of share classes specifically designed for the retirement plan market; our mutual funds are available as an investment option on many leading open-architecture and bundled-service 401(k) platforms. Thornburg's team of retirement plan professionals is dedicated to helping sponsors follow judicious decision-making processes based on industry best practices. Via educational seminars, books, and investment tools, Thornburg strives to be a leader in providing the resources for plan sponsors to identify and fulfill their fiduciary responsibilities.

Thornburg Equity Funds

Thornburg's equity management approach is bottom-up, focused on the fundamentals, and comprehensive. Each Thornburg equity portfolio is focused on a limited number of securities, so that a single holding can have a positive impact on performance. The management teams search for firms they believe will have a promising future, and seek to buy shares of those companies at a discount to their true, intrinsic values.

Thornburg Value Fund

Share Classes: R3 (TVRFX), R4 (TVIRX), and R5 (TVRRX)

Thornburg International Value Fund

Share Classes: R3 (TGVRX), R4 (THVRX), R5 (TIVRX), and R6 (TGIRX)

Thornburg Core Growth Fund

Share Classes: R3 (THCRX), R4 (TCGRX), and R5 (THGRX)

Thornburg Investment Income Builder Fund

Share Classes: R3 (TIBRX), R4 (TIBGX), and R5 (TIBMX)

Thornburg Global Opportunities Fund

Share Classes: R3 (THORX), R4 (THOVX), and R5 (THOFXx)

Thornburg International Growth Fund

Share Classes: R3 (TIGVX), R4 (TINVX), R5 (TINFX), and R6 (THGIX)

Thornburg Developing World Fund

Share Class: R5 (THDRX), and R6 (TDWRX)

Thornburg Bond Funds

Since the launch of our first fund nearly 29 years ago, Thornburg has applied a disciplined, bottom-up, credit-research-focused strategy to fixed-income management. We view ourselves as organic in our approach, avoiding leverage or complex strategies which could backfire in periods of market uncertainty.

Thornburg Limited Term U.S. Government Fund

Share Class: R3 (LTURX), and R5 (LTGRX)

Thornburg Limited Term Income Fund

Share Class: R3 (THIRX), and R5 (THRRX)

Thornburg Strategic Income Fund

Share Class: R3 (TSIRX), and R5 (TSRRX)

Vision, Mission & Values

Vision Statement

Our vision is to be a trusted partner for our clients and a respected leader in global asset management.

Mission Statement

Our mission is to add value with active portfolio management to help our clients reach their long-term financial goals. We achieve this through our investment strategies, adhering to our values and investment principles, and offering employees a challenging and rewarding place to build a career.

Thornburg Values

- We do the right thing.
  We act with integrity and put our clients first.
- We think for the long term.
  We engage in thoughtful decision making and believe that investment excellence should drive our decisions.
- We work together to achieve common goals.
  We show respect and humility towards each other and our clients.
  We believe in creating a supportive work environment that fosters teamwork, collegiality, and effective communication.
- We strive for excellence.
  We make the extra effort, practice continuous improvement, and stay flexible to adapt to changing circumstances.
- We are committed to employees.
  We foster an environment that provides flexibility and opportunity for growth, while also requiring accountability.
- We are independent.
  We will remain a privately owned, independent firm to ensure that we act in the best interest of our clients and employees.
- We are community minded.
  We support philanthropic giving and encourage employee volunteerism.

Key Contacts:

Sales: Rocco DiBruno, Managing Director, Thornburg Retirement Group, rdibruno@thornburg.com Office 877.215.1330 ext. 7150 Cell 609.405.4810

Service: Julie Geraci, Retirement Plan Manager, jgeraci@thornburg.com, 505.467.7214

Business Metrics

www.thornburg.com

Number of external wholesalers:	
DC: 5	
Retail: 14	
DC AUM:	
Total: $9.4 Billion	
New 2012: $3.7 Billion	
Total AUM:	
$93.9 Billion	
Investments:	
Mutual Funds	
Group Annuity	
Collective Trusts	
SMAs	
Passive/Active/Both:	
Active	
Fixed Income:	
Yes	
Bonds	
Yes	
Top 5 Funds by DC Assets (with asset total & last year new flow):	
International Value: $8.5 Billion Assets 2012 Flow: $3,013 Billion	**International Growth: $72.4 Million Assets 2012 Flow: $48.9 Million**
Value: $142 Million Assets 2012 Flow: $85.5 Million	**Limited Term Income: $87 Million Assets 2012 Flow: $49.4 Million**
Core Growth: $171 Million Assets 2012 Flow: $49.6 Million	

Firm Profile

Transamerica Retirement Solutions is a leading provider of customized retirement plan solutions for small to large organizations.

Transamerica partners with financial advisors, third party administrators and consultants to cover the entire spectrum of defined benefit and defined contribution plans, including 401(k) and 403(b) (Traditional and Roth); 457; profit sharing; money purchase; cash balance; Taft-Hartley; multiple employer plans; nonqualified deferred compensation; and rollover and Roth IRA.

Transamerica helps more than 3 million retirement plan participants save and invest wisely to secure their retirement dreams.

Our Services

We partner closely with our clients and their advisors or consultants to tailor our services to meet their specific needs, including:

- Plan-level recordkeeping and administrative services
- Participant communications and education services — with a clear focus on retirement readiness and improving outcomes
- Fiduciary risk mitigation services
- Open investment architecture
- Compliance guidance and regulatory support

Our Mission

At Transamerica Retirement Solutions, we help people save and invest wisely to secure their retirement dreams.

Our Beliefs

We believe in an exclusive focus on retirement. We focus all of our resources, expertise, energies and attention exclusively on retirement plans and participants. We make it easier for organizations to extend valuable benefit programs to their employees by streamlining administrative responsibilities and easing fiduciary obligations; and we make it more appealing for employees to take full advantage of all their program has to offer by simplifying the message. We collaborate with financial advisors and consultants to customize our retirement plan solutions to best meet the needs of their sponsors' participants.

We believe in our people. We have created a dynamic workplace that rewards people who demonstrate initiative. Our workforce is diverse and we encourage a free-flowing exchange of ideas. Our people are adaptable, flexible and open-minded in their interactions with one another and with our clients and their advisors or consultants. We provide a supportive work environment that allows us to focus on performing our jobs to the very best of our ability. What's more, we were named on Pension & Investments' annual list of "Best Places to Work in Money Management" for the second consecutive year, placing second among organizations with over 1,000 employees.

We believe in retirement readiness — we believe that everyone should have access to a secure retirement.
It's been said that one of the absolute hallmarks of a civilized society is the ability of a citizen, after decades of work, to retire with financial dignity. We're fully dedicated to improving and promoting retirement readiness throughout our country.

Our Locations

Transamerica Retirement Solutions serves national and regional clients through an integrated network of offices. Localized sales and client service are managed throughout our regional offices all across the country.

Our Parent Company

The Transamerica Corporation is a United States subsidiary of Aegon N.V., a diversified global financial services firm headquartered in The Hague, The Netherlands. The Transamerica group of companies operates the Aegon N.V. investment and pension businesses in the United States.

For more information about Transamerica Retirement Solutions Corporation, please visit trsretire.com

Key Contacts:

Sales: 888.401.5826

Business Metrics

www.trsretire.com

DC AUM:
Total: $82.3 Billion
Retirement AUM:
Total: $102.9 Billion
Total AUM:
$102.9 Billion
DC Plans UM:
20,345
Retirement Plans UM:
21,257
DC Participants UM:
2.4 Million
Retirement Participants UM:
3 Million +
Asset Allocation Funds:
TDF: Outside
TDRisk: Outside
Custom Glide Path
Service Model(s): (bundled/unbundled/both)
Both
Distribution Model(s): (advisor/direct/both)
Advisor
Primary Market(s) Served:
• Micro (<$1 million) • Small ($1-$10 million) • Mid ($10-$100 million) • Large ($100-$250 million) • Mega (+$250 million)
Plan Type(s):
DC, DB, Non-ERISA 403(b), 457, Taft Hartley, Non Qualified, IRA
Fiduciary Services Offered:
3(21)
3(38)

ADP

Key Contacts:

Sales: ADP Sales Support Desk at 877-218-0415
Service: ADP Client Service at 800-929-2170

Business Metrics
www.adp.com/401k
Number of external wholesalers:
7
DC AUM:
Total: $49.9 Billion
Retirement AUM:
$49.9 Billion
Total AUM:
$49.9 Billion
DC Plans UM:
40,559
Retirement Plans UM:
$49.9 Billion
DC Participants UM:
1,461,000
Retirement Participants UM:
1,461,000
Asset Allocation Funds:
TDF: Outside
TDRisk: Outside – 43 unique TD Risk series
Service Model(s): (bundled/unbundled/both)
Bundled
Distribution Model(s): (advisor/direct/both)
Both
Primary Market(s) Served:
Micro (<$1 Million)
Small ($1-$10 Million)
Mid ($10-$100 Million)
Plan Type(s):
DC
Non-Erisa 403(b)
457
Taft Hartley
Non Qualified
IRA: SIMPLE IRA
Fiduciary Services Offered:
3(21) — Through Mesirow Financial

Allianz Investors

Key Contacts:

Sales/Service:
Glenn Dial, Managing Director, Head of US Retirement Distribution, Glenn.Dial@allianzgi.com, 212.739.4275

Kilie Donahue, Vice President, Manager, Internal Retirement Consulting Team, Kilie.Donahue@allianzgi.com, 212.739.4278

Business Metrics	
www.allianzinvestors.com	
Number of external wholesalers:	
DC: 5	
Retail: 21	
DC AUM:	
Total: $12.7 Billion	
New Funds: $2.8 Billion	
Non-IRA Retirement AUM:	
$12.7 Billion	
Total AUM:	
$43.8 Billion	
Investments:	
Mutual Fund	
Group Annuity	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
TDF (To/Through/Both): Both	
Target Risk	
Managed Accounts	
Passive/Active/Both:	
Active	
Capital Preservation Funds:	
Money Market	
Fixed Income	
Yes: Part of a Portfolio	
Bonds	
Yes	
Top 5 Funds by DC Assets : (with asset total & last year new flow)	
AllianzGI Small-Cap Value: $983 Million, $2.3 Billion AUM	AllianzGI Retirement Funds: $115 Million, $200 Million AUM
AllianzGI Dividend Value: $678 Million, $2.6 Billion AUM	RCM Technology: $75 Million, $100 Million AUM
NFJ International Value: $463 Million, $1.0 Billion AUM	

American Funds (DCIO)

Key Contacts:

Sales: Brendan Mahoney, Retirement Sales Manager
Service: Chris Guarino, Retirement Plan Services Operating Director, 1.800.421.9900

Business Metrics	
www.americanfunds.com	
Number of external wholesalers:	
DC: 22	
Retail: 74	
DC AUM:	
Total: $202.9 Billion	
New: $47.8 Billion	
Non-IRA Retirement AUM:	
$242 Billion	
Total AUM:	
$1,019.9 Billion	
Investments:	
Mutual Fund	
Group Annuity	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
TDF (To/Through/Both): Through	
Target Risk: Yes	
Passive/Active/Both	
Active	
Capital Preservation Funds:	
Stable Value	
Money Market	
Fixed Income:	
Yes	
Bonds:	
Yes	
Top 5 Funds by DC Assets (with asset total & last year new flow)	
The Growth Fund of America: $122.1 Billion, $11.7 Billion	Fundamental Investors: $58.2 Billion, $5.3 Billion
EuroPacific Growth Fund: $108.6 Billion, $18.9 Billion	New Perspective Fund: $47.6 Billion, $3.6 Billion
American Balanced Fund: $61.7 Billion, $7.3 Billion	

American Funds (Record Keeper)

Key Contacts:

Sales: Brendan Mahoney, Retirement Sales Manager
Service: Chris Guarino, Retirement Plan Services Operating Director, 1.800.421.9900

Business Metrics
www.americanfunds.com
Number of external wholesalers:
DC: 22
Retail: 74
DC AUM:
Total: $202.9 Billion
Retirement AUM:
$379.5 Billion
Total AUM:
$1,109.9 Billion
DC Plans UM:
36,051
Retirement Plans UM:
36,051
DC Participants UM:
900,000
Retirement Participants UM:
900,000
Asset Allocation Funds:
TDF Proprietary/Outside: Yes, proprietary — American Funds Target Retirement Series
TDRisk Proprietary/Outside: Yes, proprietary — American Funds Portfolio Series
Service Model(s):
Bundled and Unbundled
Distribution Model(s):
Advisor
Primary Market(s) Served:
Micro (<$1 Million)
Small ($1-$10 Million)
Mid ($10-$100 Million): DCIO only
Large ($100-$250 Million): DCIO only
Mega (+$250 Million): DCIO only
Plan Type(s):
DC
DB: DCIO only
Non-ERISA 403(b)
457: DCIO only
Taft Hartley: DCIO only
Non Qualified: DCIO only
IRA
Fiduciary Services Offered:
3(21)
3(38)

DailyAccess Corp.

Key Contacts:

Sales: sales@dailyaccess.com
Service: service@dailyaccess.com

Business Metrics
www.dailyaccess.com
Number of external wholesalers:
DC: 8
DC AUM:
Total: $8.5 Billion
Retirement AUM:
$8.5 Billion
Total AUM:
$8.05 Billion
DC Plans UM:
1,595
Retirement Plans UM:
1,595
DC Participants UM:
194,987
Retirement Participants UM:
194,987
Asset Allocation Funds:
TDF Proprietary — Custom InterServ Model Asset Portfolios/Outside —1,325 TDFs
TDRisk Custom InterServ Model Asset Portfolios/ Unable to determine if any of the 1325 TDFs are Risk adjusted
Custom Glide Path: Yes — Custom InterServ Model Asset Portfolios/Unable to determine if any of the 1325 TDFs incorporate custom glide paths
Service Model(s)
Unbundled
Distribution Model(s):
Advisor Only
Primary Market(s) Served:
Micro (<$1 million): Exception
Small ($1-$10 million)
Mid ($10-$100 million)
Large ($100-$250 million)
Plan Type(s):
DC
DB
457
Taft Hartley
Non Qualified
Fiduciary Services Offered:
3(21): Through wholly-owned subsidiary, InterServ, LLC
3(38): Through wholly-owned subsidiary, InterServ, LLC
3(16): Not in-house; third party availability

Federated Investors, Inc.

Key Contacts:

Sales: Bryan Burke, SVP, National Sales Manager-Retirement/Insurance, 412.491.1066
Service: Wally Jones, Platform Specialist, 412.720.8567
Jason Kessler, Platform Specialist, 724.720.8503

Business Metrics	
www.federatedinvestors.com	
Number of external wholesalers:	
DC: 6	
Retail: 52	
DC AUM:	
Total: $43.1 Billion	
New 2012: $4.2 Billion	
Total AUM:	
$375 Billion as of 3/31/13	
Investments:	
Mutual Fund	
Collective Trusts	
SMAs	
Passive/Active/Both	
Both	
Capital Preservation Funds:	
Stable Value	
Money Market	
Fixed Income:	
Yes	
Bonds:	
Yes	
Top 5 Funds by DC Assets (with asset total & last year new flow):	
Total Return Bond Fund: $3,762 DC Assets, $7,524 Total Assets	Institutional High Yield Fund: $1,045 DC Assets, $2,090 Total Assets
Strategic Value Fund: $3,379 DC Assets, $6,758 Total Assets	Ultra-short Bond Fund: $958 DC Assets, $1,916 Total Assets
Kaufmann Fund: $2,661 DC Assets, $5,322 Total Assets	

Fidelity Investments (RK)

Key Contacts:

Sales: 800.684.5254, option 1
Service: 866.444.4015

Business Metrics

www.Fidelity.com, www.Advisor.Fidelity.com

Number of external wholesalers:
- 38

Retirement AUM:
- Total: $1.2 Billion

DC Plans AUM:
- 22,660

DC Partcipants UM:
- 16.3 Million

Retirement Participants UM:
- 20.7 Million

Asset Allocation Funds:
- TDF Proprietary/Outside: Fidelity Freedom Funds and several outside fund families
- TDRisk Proprietary/Outside: Fidelity Asset Manager Funds and several outside fund families
- Custom Glide Path

Service Model(s):
- Bundled

Distribution Model(s):
- Advisor & Direct

Primary Market(s) Served:
- Micro (<$1 million): Exception
- Small ($1-$10 million)
- Mid ($10-$100 million)
- Large ($100-$250 million)

Plan Type(s):
- DC
- DB
- 457
- Taft Hartley
- Non Qualified

ING

Key Contacts:

Sales: 1.866.481.3653, option 4
Service: 1.866.481.3653, option 3

Business Metrics

www.ingretirementplans.com

Number of external wholesalers:
- 50

DC AUM:
- $316 Billion

Retirement AUM:
- $316 Billion

Total AUM:
- $461 Billion

DC Plans UM:
- 47,547

Retirement Plans:
- 47,547

DC Participants UM
- 5.1 Million

Retirement Participants UM
- 5.1 Million

Asset Allocation Funds:
- TDF Proprietary & Outside
- TDRisk Proprietary & Outside

Service Model(s): (bundled/unbundled/both)
- Bundled & Unbundled

Distribution Model(s): (advisor/direct/both)
- Advisor

Primary Market(s) Served:
- Micro (<$1 Million)
- Small ($1-$10 Million)
- Mid ($10-$100 Million)
- Large ($100-$250 Million)
- Mega (+$250 Million)

Plan Type(s):
- DC
- DB
- Non-Erisa 403(b)
- 457

Fiduciary Services Offered:
- 3(21)
- 3(28)

JP Morgan Asset Management (DCIO)

Key Contacts:

Sales: Mike Miller, (727) 204-7825
Michael.d.miller2@jpmorgan.com
Service: Jason Colarossi, (212) 648-0060
Jason.j.colarossi@jpmorgan.com

Business Metrics

www.jpmorganfunds.com/retirement

Number of external wholesalers:
- DC: 9
- Retail: 92

DC AUM:
- $101.8 Billion

Total AUM:
- $1.5 Trillion

Investments:
- Mutual Funds
- Collective Trusts
- SMAs

Asset Allocation Funds:
- TDF
- Target Risk
- Managed Accounts

Passive/Active/Both
- Active

Capital Preservation Funds:
- Stable Value
- Money Market

Fixed Income:
- Yes

Bonds:
- Yes

Top 5 Funds by DC Assets:

JPMorgan Smartretirement: $17.9 billion $3.3 billion	JPMorgan Mid Cap Value Fund: $5.4 billion $1.1 billion
JPMorgan Large Cap Growth Fund: $5.1 billion $2.6 billion	JPMorgan Core Bond Fund: $1.9 billion $429 million
JPMorgan US Equity Fund: $1.4 Billion $445 million	

JP Morgan Asset Management (RK)

Key Contacts:

Sales: 800.988.9084
Service: 800.345.2345

Business Metrics
www.jpmorgan.com/retirement
Number of external wholesalers:
17
DC AUS:
$163 Billion
Retirement AUS:
$165 Billion
DC Plans UM:
919 plans
Retirement Plans UM:
1,025 plans
DC Participants UM:
2.1 Million
Retirement Participants UM:
2.3 Million
Asset Allocation Funds:
TDF: JPMorgan SmartRetirement® funds and several outside fund families.
TDRisk: J.P. Morgan Asset Management proprietary funds and several outside fund families.
Custom Glide Path:
Yes
Service Model(s): (bundled/unbundled/both)
Bundled and Unbundled
Distribution Model(s): (advisor/direct/both)
Advisor and Direct
Primary Market(s) Served:
Small ($1-$10 Million)
Mid ($10-$100 Million)
Large ($100-$250 Million)
Mega (+$250 Million)
Plan Type(s):
DC
DB
Non-ERISA 403(b)
457
Taft Hartley
Non Qualified
Fiduciary Services Offered:
3(21)

MFS

Key Contacts:

Ryan Mullen, Senior Managing Director, National Sales, 617.954.6914
Mike Schwanekamp, Managing Director, 513.604.6421

Business Metrics	
www.mfs.com	
Number of external wholesalers:	
DC: 9	
Retail: 84	
DC AUM:	
Total: $40.6 Billion	
New 2012: $34.7 Billion	
Total AUM:	
$353.7 Billion as of 6.30.13	
Investments:	
Mutual Fund	
Group Annuity	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
TDF (To/Through/Both): To	
Target Risk	
Passive/Active/Both	
Active	
Fixed Income	
Yes	
Bonds:	
Yes	
Top 5 Funds by DC Assets (with asset total & last year new flow):	
MFS Value Fund $7.9B, $6.5 Billion	MFS International Value Fund $1.5 Billion, $1.1 Billion
MFS Research International Fund $1.7 Billion, $1.6 Billion	MFS Growth Fund $1.5 Billion, $1.2 Billion
Massachusetts Investors Growth Stock Fd $1.6 Billion, $1.3 Billion	

OneAmerica

Key Contacts:

Sales: National Sales Desk: 1.866.313.7355
Service: National Sales Desk: 1.866.313.7355

Business Metrics
www.oneamerica.com
Number of external wholesalers:
32
DC AUM:
Total: $18.1 Billion
Retirement AUM:
$23.1 Billion
Total AUM:
$23 Billion
DC Plans UM:
9,700
Retirement Plans UM:
10,000
DC Participants UM:
514,000
Retirement Participants UM:
620,000
Asset Allocation Funds:
TDF Proprietary/Outside: Outside (Alliance Bernstein, Allianz Global, American Century, Fidelity, Russell, T.Rowe Price, and Wilmington Trust)
TDRisk Proprietary/Outside: Outside (American Century, DFA, Manning & Napier, Russell)
Custom Glide Path: custom models and glide paths are Financial Advisor driven
Service Model(s):
Bundled and Unbundled
Distribution Model(s): advisor/direct/both):
Advisor
Primary Market(s) Served:
Micro (<$1 Million)
Small ($1-$10 Million)
Mid ($10-$100 Million)
Large ($100-$250 Million): Limited
Mega (+$250 Million): Limited
Plan Type(s):
DC
DB
Non-Erisa 403(b)
457
Taft Hartley
Non Qualified
IRA
Fiduciary Services Offered:
3(21)
3(38)

OppenheimerFunds

Key Contacts:

Sales: James Howard, 212.323.5016
jhoward@ofiglobal.com

Business Metrics

www.Oppenheimerfunds.com

Number of external wholesalers:
- DC: 12
- Retail: 89

DC AUM:
- Total: $31.8 Billion
- New 2012: $29.3 Billion

Non-Retirement AUM:
- $50.5 Billion

Total AUM:
- $215.3 Billion

Investments:
- Mutual Fund
- Collective Trusts
- SMAs

Asset Allocation Funds:
- Target Risk

Passive/Active/Both:
- Active

Capital Preservation Funds:
- Money Market

Fixed Income:
- Yes

Bonds:
- Yes

Top 5 Funds by DC Assets (with asset total & last year new flow):

Developing Markets Fund: $9.4 Billion, $3.2 Billion	International Bond Fund: $2.0 Billion, $508.6 Million
Global Fund: $4.5 Billion, $774.8M	Main Street: $1.3 Billion, $274.1 Million
International Growth Fund: $2.9 Billion, $915.8 Million	

Putnam (DCIO)

Key Contacts:

Sales: Putnam Retirement Sales, 1.800.719.9914
Service: DCIO Operations, 1.800.648.7410

Business Metrics

www.Putnam.com/DCIO

Number of external wholesalers:
- DC: 13
- Retail: 50+

DC AUM:
- Total: $14 Billion

Non-IRA Retirement AUM:
- $17.1 Billion

Total AUM:
- $140 Billion

Investments:
- Mutual Funds
- Collective Trusts
- SMAs

Asset Allocation Funds:
- TDF (To/Through/Both): To (RetirementAdvantage and Retirement Ready)
- Target Risk: Putnam Dynamic Asset Allocation Portfolios
- Managed Accounts : Full-service plans only

Passive/Active/Both
- Active

Capital Preservation Funds:
- Stable Value
- Money Market

Top 5 Funds by DC Assets:
- Putnam Equity Income –$4.7 Billion
- Dynamic Asset Allocation Portfolios –$3.7 Billion
- Putnam Income Fund – $1.2 Billion
- Putnam International Equity – $1 Billion
- Putnam Retirement Advantage (CIT)- $610 Million

Putnam (Record Keeper)

Key Contacts:

Sales: 800.719.9914
Service: 888.411.4015

Business Metrics

www.Putnam.com/advisor/full-service-401k/

Number of external wholesalers:
- 9

Asset Allocation Funds:
- TDF: Open architecture platform
  Putnam RetirementAdvantage and RetirementReady series
- TDRisk: Open architecture platform
  Putnam Dynamic Asset Allocation funds

Custom Glide Path:
- Putnam Model portfolios

Service Model(s): (bundled/unbundled/both)
- Bundled; can also support unbundled with TPA

Distribution Model(s): (advisor/direct/both)
- Advisor/Consultant

Primary Market(s) Served:
- Small ($1-$10 Million)
- Mid ($10-$100 Million)
- Large ($100-$250 Million)
- Mega (+$250 Million)

Plan Type(s):
- DC
- Non-ERISA 403(b)
- Non Qualified
- IRA

Fiduciary Services Offered:
- 3(21)
- 3(38)

RidgeWorth Investments

Key Contacts:

Sales: Brandon Shea, DCIO National Sales Manager
615.364.1603, Brandon.shea@ridgeworth.com

Service: James Kish, Internal Desk Manager for the Retirement & Investment Specialists
404.845.7625, james.kish@ridgeworth.com

Business Metrics

www.ridgeworth.com, www.planadvisortools.com

Number of external wholesalers:	
DC: 6	
Retail: 9	
DC AUM:	
Total: $2.6 Billion	
New 2012: $1.1 Billion	
Non-IRA Retirement AUM:	
$2.6 Billion	
Total AUM:	
$48.1 Billion	
Investments:	
Mutual Fund	
Collective Trusts	
SMAs	
Asset Allocation Funds:	
Target Risk	
Passive/Active/Both	
Active	
Fixed Income Funds Available	
Yes	
Bonds	
Yes	
Top 5 Funds by DC Assets (with asset total & last year new flow):	
Mid-Cap Value: $655 Million AUM, $221 Million 2012	Total Return Bond: $152 Million AUM, $68 Million 2012
Large Cap Value: $504 Million AUM, $169 Million 2012	Moderate Allocation: $149 Million AUM, $38 Million 2012
Small Cap Value: $294 Million AUM, $98 Million 2012	

T. Rowe Price

Key Contacts:

Sales: Mark Cover, Director, Distribution Services
410.345.4956
800.371.4613
mark_cover@troweprice.com

Business Metrics

www.troweprice.com/fi

Number of external wholesalers:
DCIO: 9
DCIO AUM:
Total: $97.9 Billion
Total Firm AUM:
$614 Billion
Investments:
Mutual Funds
Collective Trusts
SMAs
Asset Allocation Funds:
TDF: "Through" glide path: 1) Retirement Funds 2) Target Retirement Funds
Target Risk: Personal Strategy Funds
Passive/Active/Both
Active
Capital Preservation Funds:
Stable Value
Money Market
Fixed Income:
Fixed Income Mutual Funds
Top 5 Funds by DC Assets:
T. Rowe Price Retirement Funds
T. Rowe Price Growth Stock Fund
T. Rowe Price Equity Income Fund
T. Rowe Price Mid-Cap Growth Fund
T. Rowe Price Blue Chip Growth Fund

FEATURE

Teaming to provide defined contribution plan services is evolving — **and thriving.**

Going it Alone is Going Out of Style

BY ELAYNE R. DEMBY

T

ROY HAMMOND IS VERY BIG ON TEAMS. "IT'S SOMETHING WE ARE VERY BIASED ABOUT," SAYS HAMMOND, PRESIDENT AND CEO OF PENSIONMARK RETIREMENT GROUP. Hammond is not talking about the local sports teams. He's referring to using the team approach to provide his firm's clients with 401(k) plan services. "We think it's the most effective way to deliver services to the client. We can take on more clients with less staff because we're more efficient," Hammond says.

Pensionmark has used the team approach since its founding in the late 1990s. Rather than having one advisor do it all, Pensionmark took each part of the services provided to 401(k) plans and broke it up among a team of specialists.

Hammond is not alone in his enthusiasm for the 401(k) team advisory approach. "We are big proponents of teams. It's how we structure our organization," says Jon Upham, principal of SageView Advisory Group.

More and more retirement advisory firms are moving away from the soloist, "do-it-all" model to the team approach, leaving many to question the future viability of soloists in the industry.

The Trend Toward Teams

Twenty years ago, the 401(k) service model was very different from what it is today. Back then, the majority of plans used the bundled approach serviced by one advisor, says Joseph W. Mrozek, managing director and head of small and middle market sales for Bank of America Merrill Lynch's institutional retirement and benefit plan services business. Even just 10 years ago, brokers receiving commissions still dominated the defined contribution space, notes Andrew H. Prevost, president of Meltzer Retirement Plan Services.

However, at the beginning of the 21st Century, plans — particularly larger ones with more than $100 million in assets — started to become too complex for one advisor to service. "Large plan sponsors grew skeptical that one person could know everything, and looked to firms with teams of experts," says John Curry, senior director of marketing at CAPTRUST Financial Advisors.

Additionally, as plans grew, sponsors also began thinking about themselves more as retirement plan sponsors and fiduciaries and not just as purchasers of a product, explains Curry. "The stakes became higher for the plan sponsors in terms of fiduciary responsibilities," he says. This led to plans seeking out firms that had specialists who could both service the plan and ensure that all regulatory requirements were being met.

In response to market demand, advisory firms began building teams of specialists to service clients. "People weren't told to team, it happened naturally," says Mrozek.

Smaller margins and the need to have scale to profitably service clients are also driving the teaming trend. Clients want more services, but fees are getting compressed, so advisory firms must be able to deliver offerings cheaper. Having people specialize helps to build scale and profitability into an advisory business, says Patrick Rieck, executive director, retirement sales and business development at Morgan Stanley Wealth Management.

For example, CAPTRUST ran about 1,500 investment reviews as of the end of the second quarter of 2013, says Curry; and has a team that drafts requests for proposals. That kind of scale, he says, allows CAPTRUST to deliver these services more efficiently and at a lower cost.

While teaming originated in the institutional/$100-million-plus plan space, it quickly moved downstream. "It's now very difficult to be a solo practitioner in the up-market — plans with greater than $25 million in assets," says Peter Prunty, head of institutional consulting for UBS Wealth Management Americas.

If they're not already with a team, plans are moving to advisory firms that have teams. Metzer takes on 55-70 new clients annually as an investment advisor representative, says Prevost, with close to 90% of those new plans coming from individual brokers who don't offer the team approach.

Plan sponsor demand and market forces has lead to a huge consolidation in the advisory space in the last five years. There has been competitive pressure for solo shops to "join up" over the last several years, says Curry. Right now many individual brokers are looking to join teams, merging or leaving the business because they can no longer compete, says Prevost.

The team approach provides a lot of advantages to both advisors and clients. "If one person is providing all services, they are

> "People weren't told to team, it happened naturally." — Joseph W. Mrozek, BoA/Merrill Lynch

not going to be super good at everything, nor super efficient," says Hammond, "If someone is only providing investment advice, then they are going to be better at it." Teams allow advisors to deliver a higher level of service and to be more focused on service, he says.

Additionally, Prevost says, being part of a team allows advisors to collaborate across all providers and more clearly demonstrate the work provided for the fees received, making it easier for them to show value. Firms with a team-based approach can also provide a career path and professional development for advisors, says Upham.

For plan sponsors, it's a one-stop shop, Prevost says. They can provide all aspects — whether legal, consulting or employee education — from one firm. A team approach also provides more than one contact point for clients, says Upham, and allows for specialization. It also demonstrates that the advisor is investing in the business with subject matter experts as opposed to just selling, he adds.

Joining a Team

Solo advisors who have grown to the point at which they have no more capacity may want to explore joining a team, says Scott Matheson, senior director and defined contribution practice leader at CAPTRUST. Advisors may also want to explore joining a team when they have grown to the point where they spend more time on HR and payment issues and less time actually serving and advising clients, he says.

The normal route for advisors to become part of a team is to join one. Hammond says that if you are a single advisor with an assistant, hiring five people to build a team is probably impossible. "It's easier for solo advisors to join teams that are already built," he says.

Once solo advisors decide to join a team, the good news is that many teams are looking for advisors to join them. Advisors then have to determine which team they want to join. A good place to start would be to reach out to others in the industry and get references, says Hammond. "You are taking on the team's identity," he says, "so you have to make sure it fits with what you want your image to be."

Advisors should also review why they want to join a team, says Matheson — for example, to outsource the running of the business or to focus on consulting. Teams are not one-size-fits-all, and the appropriate team for any specific individual advisor depends on what the advisor wants to do, he says.

Finding a good business fit is also crucial. Advisors should look at their businesses, says Mrozek, and determine four things:

- what their target market is
- what they are selling
- the specific industries they focus on
- what their key differentiators are

After analyzing exactly what their own business is, advisors should seek out teams that target the same market and industry and sell the same products. "After analyzing exactly what their own business is, advisors looking to grow their team and footprint should seek out other advisors that will complement their practices and service models," says Mrozek.

The business model of the firm advisors are looking to join should also be considered. Advisors have to decide whether they want to sell their practices to the new firm and become an employee or affiliate, says Hammond. Pensionmark's business model is a non-purchase model, he notes.

The "culture" of the team is also an important consideration. "You want to have an idea about what the culture and core values of the firm are," says Jim O'Shaughnessy, a managing partner at Sheridan Road. It's important to get with someone you feel comfortable working with and sharing a business with, says Prunty. "After all, you have to be able to work with them 8 to 10 hours a day."

Sheridan Road speaks to dozens of advisors yearly about joining the firm, says O'Shaughnessy. "Ultimately people are working on their own, but they have to have desire to work on a team and be able to work efficiently as part of a group," he says. At Sheridan Road, all advisors are employees of the firm, getting paid salary plus bonus, so everyone has to be comfortable working with each other, he adds.

Professional development is another consideration. "Advisors should look at whether 'Brand X' has the ability to help them grow," says Curry. For example, Merrill Lynch likes to leverage experts to help advisors with practice management. "We provide ways for advisors to take their practice to the next level," says Mrozek.

The Future of Soloists

Today, the market that's most likely to still be serviced by solo advisors is the small plan market — plans less than $20 million. In the under-$20 million market, advisors are generally talking to the owner/CEO, says Curry; and servicing the plan is straightforward and patterned more in the traditional broker/advisor role.

Rieck believes that going forward, soloists are likely to remain in that end of the market, because small business owners look for more comprehensive services and are not looking for specialization. Solo practitioners may never become extinct, agrees Upham, but will most likely find themselves segmented to smaller and smaller plans.

Others, however, question the future of soloists, even in that end of the market. The team approach can easily scale down to service plans as small as $5 million, says Prunty, and is a better selling point than a solo, Jack-of-all-trades approach. Prevost says solo practitioners have three choices: build out teams themselves, join other teams or watch their business model dwindle.

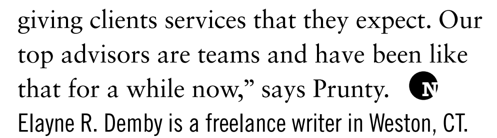
Ultimately, remaining a soloist may be a personal decision, says Rieck. Advisors may be comfortable with the number of clients they can service on their own and may want to maintain control over their own book of business. Remaining solo, however, will create significant limitations in terms of growing their business, he says.

Going forward, the top advisors in the business are going to be affiliated with larger teams, says Hammond. The advisor consolidation seen over the last few years will continue, he says, and at an even more rapid pace. "You cannot be a generalist in today's regulatory environment; you need to have teams of specialists to service DC plans," says Prevost. In the DC world, most brokers like to focus on investments, but that is just one small piece of the DC business.

Teaming, says Mrozek, continues to

evolve. It started with investments and is now looking at the behavioral side of plan sponsors and participants. "Teams have evolved to meet trends and needs," he says.

"As we move to an environment where more and more DC plans require advisors to be fiduciaries, a team approach is the most effective approach to delivering services and giving clients services that they expect. Our top advisors are teams and have been like that for a while now," says Prunty.



Elayne R. Demby is a freelance writer in Weston, CT.

WHAT'S A TEAM?

There are no hard-and-fast rules as to what constitutes a "team" for providing services to 401(k) plans. Different firms have different concepts of what defines a "team." At its most basic, a team is essentially two or more advisors who band together to service clients with the level of specialization dependent on the size of team, says Rieck. "We look at a team as a formal group in an office or offices that shares servicing efforts," says Prunty.

> "You are taking on the team's identity, so you have to make sure it fits with what you want your image to be." — Troy Hammond, Pensionmark

Just as there are different definitions of what constitutes a team, different firms structure their teams differently. At CAPTRUST, generally one person is the sales and relationship person, says Curry. Another is usually the point person who is able to call on the team's experts to resolve issues or address specific needs on the fly. And there is an internal person strapped to the desk to take calls whenever any of the other advisors are traveling, unavailable or on vacation, says Matheson. A CAPTRUST team can also include technical experts specializing in ERISA, investments, plan design, communication, education or record keeping.

CAPTRUST has "one unified practice," says Curry. Not only are CAPTRUST advisors able to call on experts, but they can call on each other. If an advisor runs into a situation that another advisor has had previous experience with, the advisors can engage in a conversation. "Advisors can share experiences to help clients," he says.

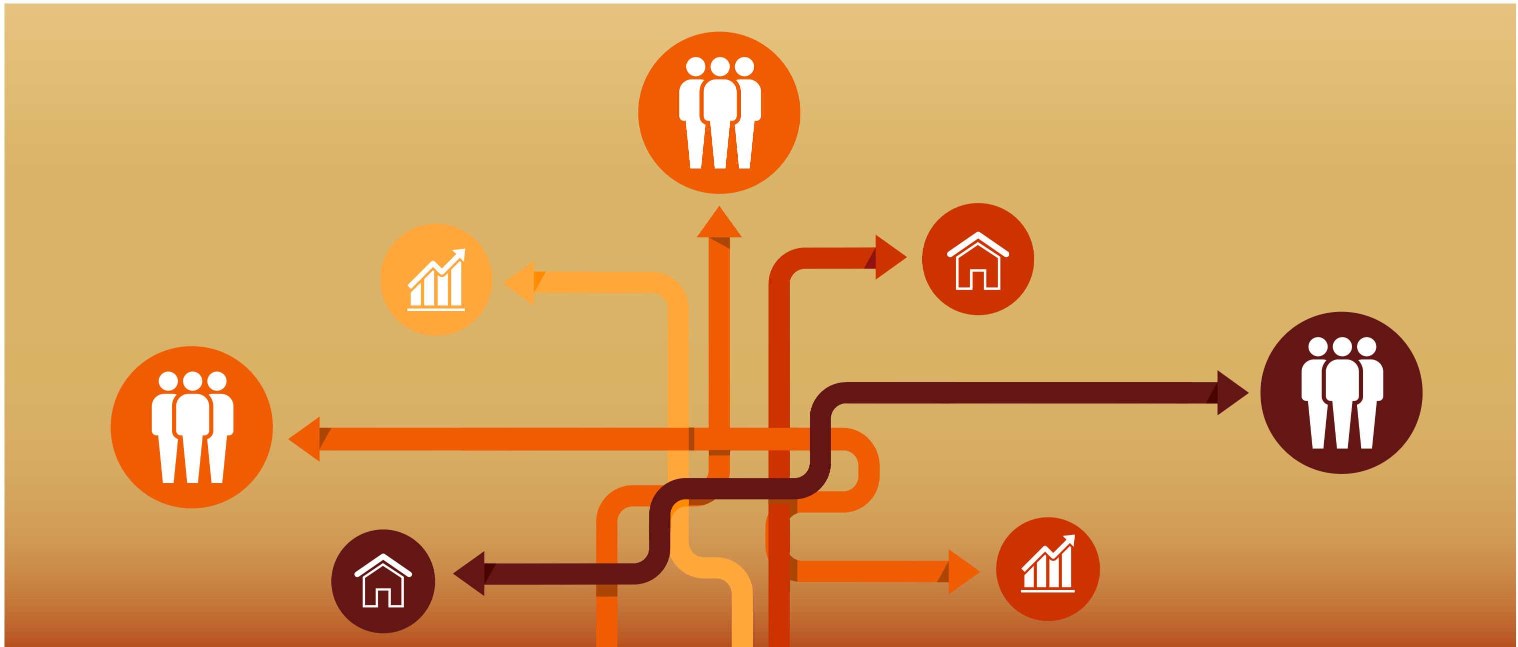
SageView uses a local client service team model, says Upham. Teams are structured so that they are local (meaning within the client's region), and generally consist of three advisors who service the client: a lead advisor, an investment consultant and a relationship manager who is involved with the plan sponsor staff and manages the plan day to day.

Some SageView clients may have more than three team members, says Upham — for example, a larger plan may have a principal meet with them from time to time. Teams may also utilize SageView specialists to service clients such as employee education or compliance experts. "So there are exceptions to the core three-person team, but that's where we start and adapt from there. This structure allows clients to have more than one point of contact, and not rely on a 'Jack of all trades,'" says Upham.

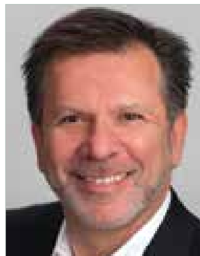
Hammond says that at his firm, teams are segmented into components of service. "We service over 1,000 plans, and we segment out every single component of service," he says. A team can consist of:

- a relationship manager
- an operations manager who handles the day-to-day stuff, including loans, 5500s, plan documents, etc.
- a dedicated investment team
- an education team
- a conversion team
- a call center

Sheridan Road was started in January 2005 by three advisors, breaking up the business into areas of specialty, says O'Shaughnessy. Today it is a 25-person team focusing specifically on servicing retirement plans that leverages each person in the team for each deal depending on the specific needs of each client. A plan may only use five or six people on the team, he says; some people may "touch" a client once a year, while others do so every day.



DC Power Shift



BY FRED BARSTEIN

For record keepers in the advisor-sold space, the key to winning and losing will be the ability to sell to the small and mid-to-large DC markets while shifting their sales focus to elite plan advisors.

> "Before you know it, those DCIOs now relegated to sitting in the back seat will not only be sitting in the front seat, but will be acting as the engine of growth for advisors."

There is a subtle but important power shift happening in the advisor sold DC market. Though it might take years to develop, this shift will forever change the industry's landscape. In the past, record keepers in the advisor-sold space did well because they focused on one market segment and were able to effectively wholesale to "blind squirrels." In the future, the winners (a.k.a. survivors) will have to be able to sell to the small and mid-to-large DC markets while shifting their sales focus to experienced plan advisors.

Before you know it, those DCIOs now relegated to sitting in the back seat will not only be sitting in the front seat, but will be acting as the engine of growth for advisors.

It's hard to believe but, just as the profession of plan advisor is less than 20 years old, record keepers — today's winners in the advisor-sold market — started hitting their stride in the early 2000s. Though many fund companies that are now DCIOs owned record keeping divisions, there are now fewer than 15 major small market providers today. Many survived because they are very good making money in one market while building a sales force to service and sell to blind squirrels. Just 10 years ago, 90% of sales came from the less experienced advisors, especially in the under $10 million market. That takes a large sales force and lots of focus. But the world is changing — rapidly.

Today, about 50% of sales come from advisors that have more than five plans.

That's a dramatic shift. The number of elite plan advisors that have more than $100 million under management has doubled since the Great Recession, from 1,250 to 2,500 and growing. Plans are increasing too, driven by the bull market over the last five years and growing account balances due to in part to the adoption of auto features. Finally, with prices for advisory services declining and the sophistication of plan sponsors rising, more advisors are seeing the wisdom is joining teams. (See the feature article on page 54.) Meanwhile, as the focus shifts to outcomes, not inputs, and flows into TDFs grow exponentially, selection and monitoring of individual funds by asset classes is becoming less and less important.

So what does this mean to advisor-sold record keepers? Providers in the small market can no longer afford to watch mid-market record keepers pick off their plans as they grow and demand a higher level of service and product, primarily bundled. As more sophisticated advisors dominate the mid and large markets, record keeping prices have been negotiated down, with less tolerance for proprietary funds, causing provider margins to shrink. These mid-market providers have to move down market where the margins are healthier.

Both mid and small market record keepers need to leverage fixed costs across multiple markets to maintain profit margins. Every record keeper is scrambling right now to have a viable cross-market business. MassMutual, Fidelity and Transamerica are leading the charge; Principal has had a viable strategy for years.

Even more important is the emergence of advisor teams, which portends the coming power shift. Fees for both record keeping and advisory services are under pressure. Commoditization has hit both hard. Larger teams are already developing their own platforms, using a select group of record keepers and creating a customized managed investment strategy. These advisor teams are poised to take over the power position from the record keepers.

Being the "general contractor" for blind squirrels, which used to be the key to success, is less important today — a trend that will continue. That work is being taken over by the elite advisors, especially the teams. Developing the expertise to work with these more sophisticated advisor groups will become more essential for success, as will be the realization that record keepers need to step back and enable advisors who might also be taking a greater percentage of the fees for their efforts. And DCIOs that don't own a record keeper or have a viable TDF strategy will need to either own or work together to create either customized managed investment products or risk management solutions. That will become the engine and the GPS system, so to speak.

So is the sky falling for advisor-sold record keepers? For those unwilling to change, like the many fund companies 10 years ago that thought lame record keeping and administrative services would be enough to sell their proprietary investments, the answer is yes. But for record keepers that have multimarket strategies and are willing to enable elite advisors and teams to step back a bit (which also means wholesaling to them much differently), it's nothing but blue sky — especially since there will be less competition.

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'Auto' Pilots

Matching TDFs' various attributes to the needs of the plan, and the participants who are increasingly defaulted into them, is a significant and growing challenge for plan advisors.

BY NEVIN E. ADAMS

Retirement plan advisors have worked long and hard to engage participants with the management and oversight of their retirement plan balances, with mixed results.

However, even the most engaged participants seem to struggle to find the time, inclination or discipline to revisit those initial investment choices, much less to do so at the appropriate times. In fact, left to their own devices, it's likely that many, perhaps most, retirement plan participants checking in to see how their balances are invested — including those who took advantage of a retirement plan advisor's counsel — would find them right where they "left" them at that initial enrollment meeting (though with proportions shifted by the markets in the interim).

Enter the target-date fund, a type of investment fund apportioned according to what investment professionals deem to be an appropriate age-based blend of stocks, bonds and other asset classes for an individual within a particular target-date of his or her retirement. Though their mark was being made prior to the sanction of the design as a qualified default investment alternative (QDIA) in the Pension Protection Act of 2006, the availability and usage of TDFs have soared along with the ensuing expanded adoption of automatic enrollment.

Indeed, nearly three-quarters (72%) of 401(k) plans in the EBRI/ICI 401(k) database included TDFs in their investment lineups at year-end 2012, and 41% of the roughly 24 million 401(k) participants in that database held TDFs, according to an analysis by the Employee Benefit Research Institute and the Investment Company Institute. Among just those participants whose plan offered TDFs as an investment option, a full 60% held them at year-end 2012.

Default Influences

Doubtless reflecting the growing availability and popularity of automatic enrollment, at year-end 2012 nearly 54% percent of the account balances of recently hired participants in their 20s were in balanced funds (a significant subset of which is in target-date funds), compared with 7% percent in 1998. Moreover, at year-end 2012, 43% of the account balances of recently hired participants in their 20s were invested in target-date funds, compared with 40% at year-end 2011.

Additionally, recent hires who held TDFs were more likely to hold a high concentration of their accounts in those funds compared with past years. This suggests an improving trend in the use of the option as a single investment choice, rather than as simply another investment option on the plan menu. At year-end 2012, 80% of recently hired participants holding TDFs held more than 90% of their account balance in those funds.

'Holding' Patterns

Younger participants, who tend to be well-represented in the new hire category, were more likely to hold TDFs than older participants. At year-end 2012, 52% percent of participants in their 20s held TDFs, compared with 34% of participants in their 60s; recently hired participants were more likely to hold TDFs than those with more years on the job. At year-end 2012, more than half (52%) of participants with two or fewer years of tenure held TDFs, compared with 40% percent of participants with more than five to 10 years of tenure, and 23% of participants with more than 30 years of tenure.

Still, TDF assets represented just 22% of the assets of plans offering such funds in their investment lineups. This probably reflects the reality borne out by a number of industry surveys — that most plan sponsors continue to deploy the automatic enrollment design and QDIA defaults only to new hires, who typically have smaller balances.

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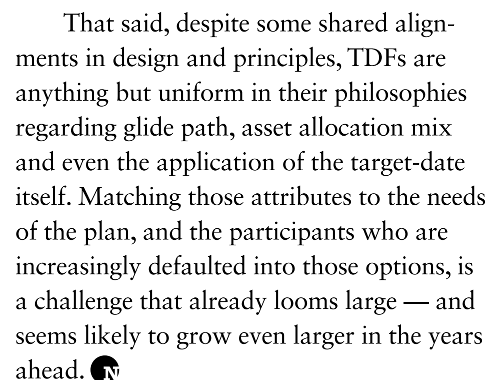

However, even if these options currently represent a relatively small amount of plan assets, the impact of these shifts is already evident in the increasingly diversified portfolios of newer hires and younger participants. More significantly, the TDF design incorporates an ongoing rebalancing, one that shifts the underlying portfolios such that they are less focused on growth and more focused on income over time. That rebalancing occurs automatically and without requiring the input or involvement of the participant-investor — or, arguably, the retirement plan advisor.

That said, despite some shared alignments in design and principles, TDFs are anything but uniform in their philosophies regarding glide path, asset allocation mix and even the application of the target-date itself. Matching those attributes to the needs of the plan, and the participants who are increasingly defaulted into those options, is a challenge that already looms large — and seems likely to grow even larger in the years ahead.

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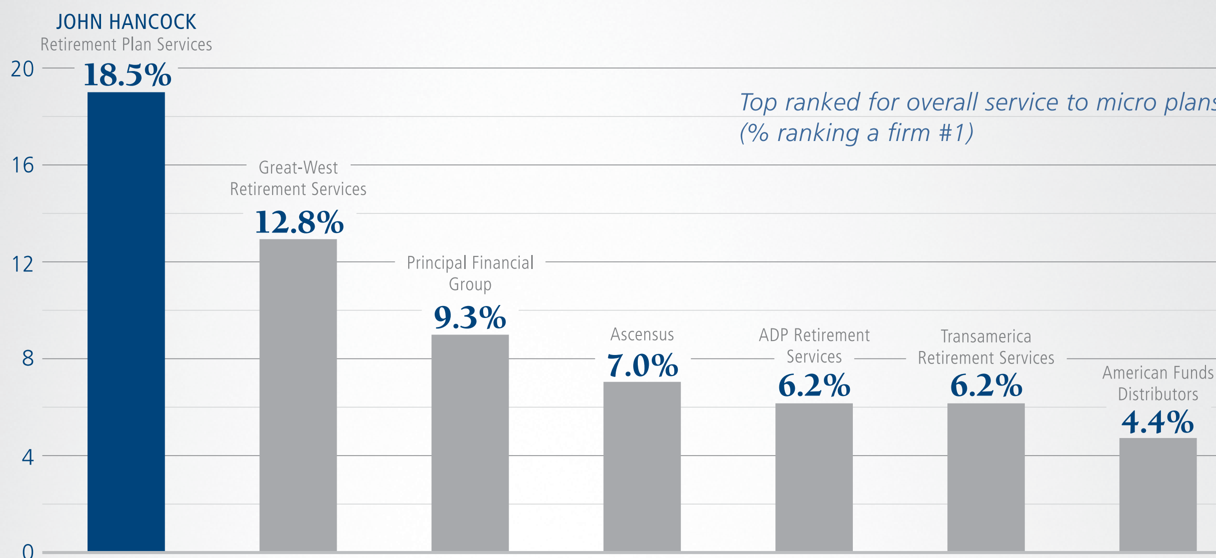

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Source: PLANADVISER Magazine (Sep/Oct 2012). 2012 PLANADVISER Retirement Plan Adviser Survey: 602 responses were received from retirement plan advisors. Questions included in the survey pertained to size and scope of the advisor's qualified plan business, practice management, compensation, client service, and assessments of investment managers, mutual funds, and defined contribution (DC) providers. Fielded in July 2012.

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