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1. Source: Morningstar® 12/31/14. For each fund with at least a 3-year history, Morningstar® calculates a risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of all sales charges), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive a Morningstar Rating™ of 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund and rated separately.) Templeton Global Bond Fund—Advisor Class was rated against 290, 233 and 140 funds and received Morningstar Ratings of 5, 4, and 5 stars for the 3-, 5- and 10-year periods, respectively. Templeton Global Total Return Fund—Advisor Class was rated against 290 and 233 funds and received Morningstar Ratings of 5 and 5 stars for the 3- and 5-year periods, respectively. Morningstar Rating™ is for Advisor Class shares only; other share classes may have different performance characteristics. © 2014 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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# Trends 'Setting'

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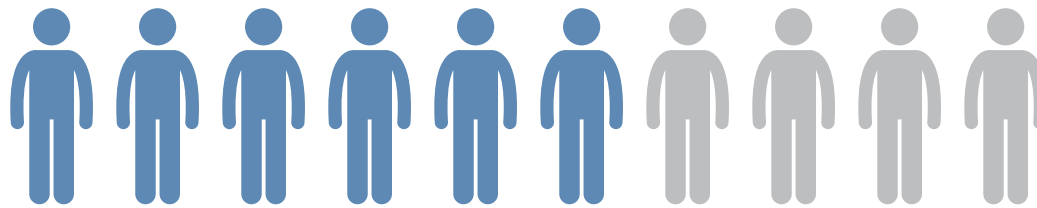
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# 60%

of plan sponsors surveyed said they have participants who are **delaying retirement because they're not ready.**<sup>+</sup>

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+ Survey summary: E-rewards, an independent market research company, conducted an online survey of 897 plan sponsors on behalf of Fidelity in March 2014. Respondents were identified as the primary person responsible for managing their organization's 401(k) plan (ranging in size between 25 and 10,000 participants), and the survey focused on those plan sponsors (approximately 90%) using the services of a financial advisor. Fidelity Investments was not identified as the survey sponsor.

\* No income replacement rate is guaranteed by any Fidelity target date fund.

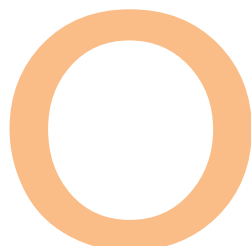
The investment risks of Fidelity's Target Date funds change over time as the funds' asset allocation changes. The funds are subject to the volatility of the financial markets, including equity and fixed-income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, commodity-linked, and foreign securities. Principal invested is not guaranteed at any time including at or after the target dates.

**Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact your investment professional or visit advisor.fidelity.com for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.**



# A Brand New Day

The retirement industry faces a time of change. Are you ready?



Over the course of my career, I've had the opportunity to lead and participate in more than two dozen "conversions" — everything from record keeping platforms to voice response systems, from email software to fund valuation packages, a handful of web content packages and even two different trust systems. Each had a remarkable number of elements in common — and yet, each and every one had its own unique combination of challenges as well. Some were easy, some were ... not. Nearly all managed to make the established target date, if only barely — and most without being forced to "redefine" success in order to achieve it.

That said, conversions, even the most necessary and well-planned, can be stressful, if only because they frequently have to occur while the world (and current processes) keep spinning. All too often it's not just changing horses in the middle of a stream, it's a matter of changing horses moving in opposite directions in the middle of a raging river!

Our industry may not be in the middle of a "conversion," but we may well be at the precipice of one. There's a new Congress, and bipartisan retirement legislation has already been introduced, with the promise of more to come. Illinois has already set in motion a state-run retirement program, with other states queuing up behind comparable initiatives — moves destined to, at a minimum, shift the conversation about coverage. And then, of course, there's the reality that the Obama administration, with its term coming to an end, will doubtless move to wrap up "loose ends" — like the fiduciary reproposal, which, as we go to press, has finally been sent to OMB

**“Conversions can be stressful, if only because they frequently have to occur while the world keeps spinning.”**

for review/scoring — and while we don't yet know the specifics of this latest version, there appears to be plenty about which to be concerned.

Beyond rules, regulations and plan structures, what will it mean to our nation's economy — and markets — as an estimated 10,000 Baby Boomers head into retirement every day? What will those retirements mean to your practice? And what about the projected retirements of a growing number of advisors? What will that mean to your retirement plans? Are you ready?

We'll be dealing with all of those topics — and many more — at the 2015 NAPA 401(k) SUMMIT this month. I was privileged to be a speaker at the first 401(k) SUMMIT, and to have had the opportunity to participate in many since then. This will be my first year on this side of the nation's premier event for retirement plan advisors — and I can tell you that the thoughtfulness and planning of the committees in terms of putting together an insightful, engaging and informative agenda has been second to none. Those of you joining us in San Diego will not be disappointed!

Before I leave the subject of conversions, we've just gone through a kind of conversion here, with the introduction of a new umbrella organization name: the Amer-

ican Retirement Association. You will have seen some evidence of that change with the new look for NAPA Net, since the National Association of Plan Advisors is part of the American Retirement Association. While NAPA's mission and focus remains the same, the American Retirement Association reinforces the breadth of the organization's focus, and our commitment to expand and enhance, with the aid and assistance of our members and member associations, the nation's private retirement system.

NAPA is also going through a transition of sorts, as we come to the end of Steve Dimitriou's term as NAPA President. It was my pleasure to get to know Steve several years back, and one of the special aspects of my position here has been the ability to renew that working relationship. He has been a tireless and devoted advocate for NAPA, and powerful voice not only for the association, but for the industry at large. NAPA owes much of its recent success to his leadership and engagement, not only with the association members, but with the industry at large.

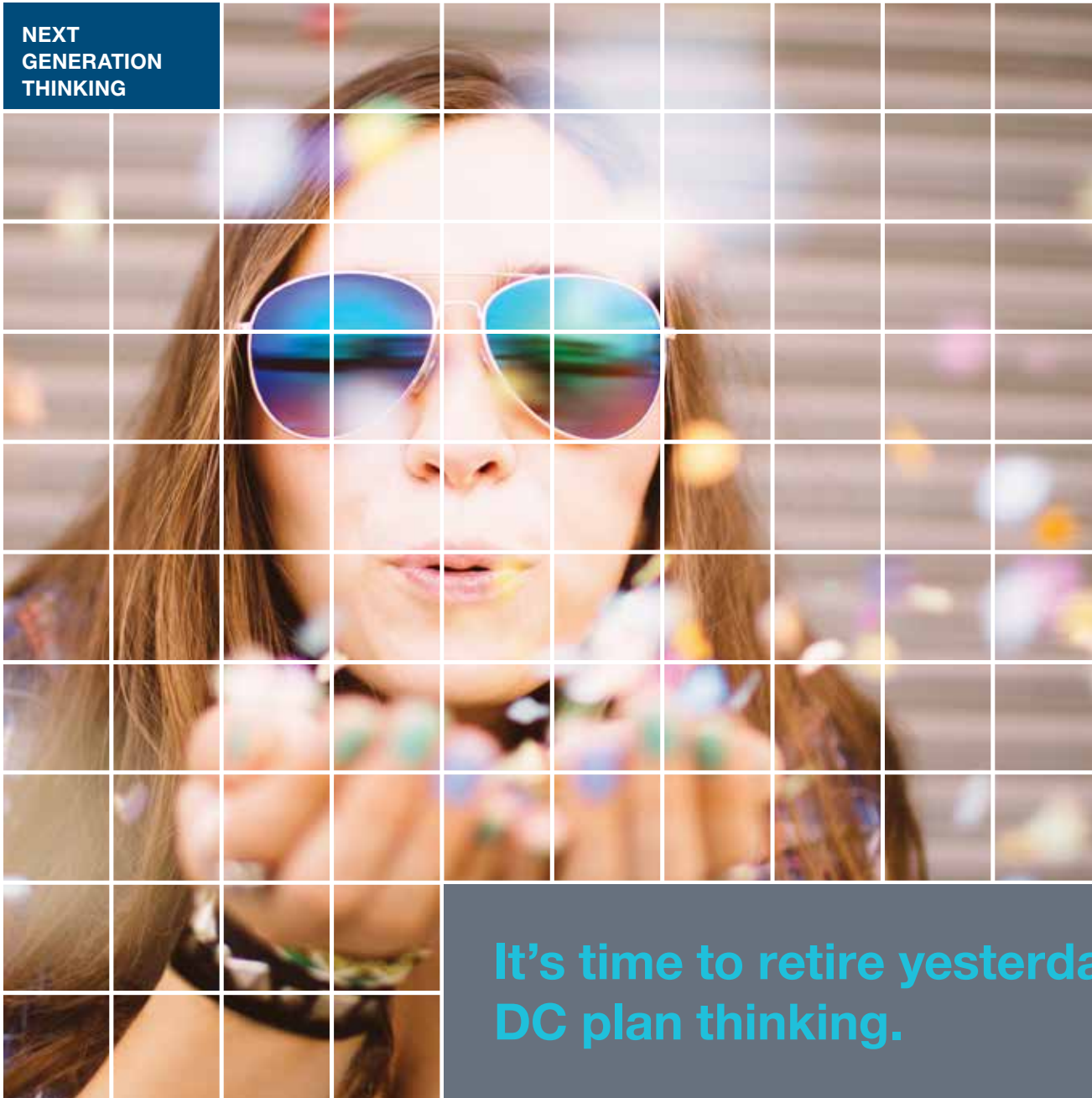
At the same time, we are thrilled to have Joe DeNoyor moving from his role as NAPA President-Elect to NAPA President. As many of you know, Joe is the Managing Partner at Washington Financial Group (WFG) and the Partner in charge of WFG's retirement plan group, which services more than 150 qualified plans. His experience and strong leadership skills have been much in evidence during his term as President-Elect, and NAPA members and Firm Partners can expect even more great things going forward.

NEVIN E. ADAMS » Editor-in-Chief  
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BY STEVEN DIMITRIOU

# Are You a Termite?

Do you eat away at your participants' retirement dreams like a termite does their homes? That's what our opponents are saying about you.

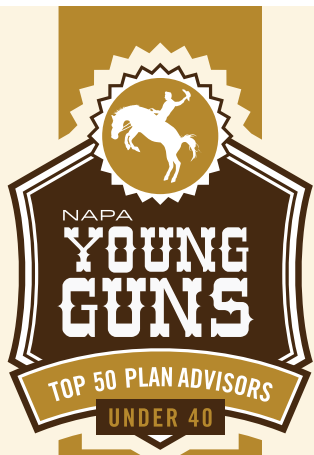
**D**o you have your participants' best interests at heart? Or do you eat away at their retirement dreams like a termite does their homes? Because termites are what the Obama administration and our opponents are comparing us to ... publicly. This is not hyperbole. I am angry, and you should be too. Go to their grassroots campaign website at [www.saveourretirement.com](http://www.saveourretirement.com) before reading the rest of this column.

So I write this with a sense of urgency. As we go to press, the reintroduction of the DOL's fiduciary definition regulation is imminent. We believe there are no material changes from those previously proposed, meaning they will have a radical impact on our industry and many of our members' business models. One significant issue, among many others, is that these rules will inhibit the ability of participants to go to their plan advisors for help with rollovers. Whether your model includes rollovers or not, the fact that participants will be forced

to work only with outside advisors and vendors who are under no obligation to compare fees and options with the plan can only lead to less choice and poor outcomes. We should all care about this.

Our detractors make the claim blatantly and with rectitude that we put our own interests ahead of what is best for the client. Not only is that wrong, it is irresponsible, sensationalist and politically motivated. So, what are you going to do about it?

NAPA, along with our partners, is fighting back. Our campaigns on Capitol Hill are in full swing, as are our grassroots



## NAPA's Top Plan Advisors Under 40

### Where is the next generation of plan advisors coming from?

To answer that question, NAPA set out to find the top young advisors — the profession's "Young Guns." The result of that effort was our list of the "Top Plan Advisors Under 40," published in our Summer 2014 issue.

The selection process is based on a combination of voting by NAPA members and profiles of the advisors' business. For information on how to participate in that process, go to NAPA Net ([www.napa-net.org](http://www.napa-net.org)). Click on the "Industry Intel" tab in the nav bar, then on the entry for "Top 50 Plan Advisors Under 40."

Our 2015 list — a.k.a. "Young Guns" — will be published in the Summer issue. Look for more information about the nominating and selection process on NAPA Net and in the NAPA Net Daily, and via individual outreach efforts to NAPA Firm Partners. And for firms that would like to congratulate their Young Guns who make the list via an ad in the Summer issue, please contact Erik Vander Kolk at [evanderkolk@napa-net.org](mailto:evanderkolk@napa-net.org).


efforts. But it is not enough. We need your help. The real fight will come when the regulations are formally issued and the commentary period begins. We need your voices and the voices of your sponsors and participants to be heard on Capitol Hill. We will be providing NAPA members with a game plan and actions they can take with their clients and participants to increase the volume with regulators and legislators. Of course, a NAPA PAC contribution will also help! We are badly outgunned when compared to the deep pockets of the administration, so every dollar counts.

On a related front, NAPA continues to push our industry forward and enhance our public standing as a true and unique profession. At the SUMMIT we will introduce a new credential specifically designed for advisors who serve as or consult to fiduciaries. The Certified Plan Fiduciary Advisor (CPFA) designation is an encompassing and robust certification covering all aspects of plan advisor and fiduciary roles and responsibilities.

From plan design and investments to vendor negotiation and participant interaction, it will provide clarity on established procedures, best practices and the line between fiduciary and non-fiduciary status. Without question, it is the most comprehensive and materially applicable education and certification program in the retirement plan advisory industry. Created at the request of and with the involvement of our Firm Partners and individual members, the professional standards it establishes and the knowledge and practices it promotes fly squarely in the faces of our critics.

In addition, by the time of the SUMMIT in March, you will have noticed a vast rebranding campaign undertaken in conjunction with our sister organizations (ASPPA, NTSA and ACOPA) and our newly formed parent organization, the American Retirement Association. This rebranding will help our cause on Capitol Hill and provide further affirmation to the media and the public that NAPA and the American Retirement Asso-

ciation are the surest guardians and most strident advocates of the American retiree.

Finally, I want to express my deepest gratitude to our members and the staff and leadership at NAPA. As my term as president closes, I take profound pride in the trust you have bestowed upon me. My hope was to build a stronger organization on the Gibraltan foundation established by my predecessor, Marcy Supovitz. My conviction is that NAPA has a blossoming and powerful future with my successor, Joe DeNoyior. The best is yet come. 

» Steven Dimitriou, AIF, PRP, is NAPA's 2014-2015 President. He served as President-Elect in 2012 and 2013. Dimitriou is a Managing Partner at Mayflower Advisors, LLC, in Boston.



## DENOYIOR TO SERVE AS 2015-2016 NAPA PRESIDENT

At the opening of the 2015 NAPA 401(k) SUMMIT this month, Steven Dimitriou, NAPA's 2014-2015 President, will pass the gavel to Joseph F. DeNoyior, CRPS, AIF, C(k)P, who will serve as President for 2015-2016.

DeNoyior is the Managing Partner at Washington Financial Group (WFG) and the Partner in charge of WFG's retirement plan group, which services more than 150 qualified plans. For more than 24 years, he has maintained a commitment to building an organization centered on client needs that seeks to provide unsurpassed service and independent advice for entrepreneurs and organizations.

A well known thought leader within the qualified plan community, DeNoyior is a Founding Lecturer at The Retirement Advisor University (TRAU) and a member of the elite LPL Financial Retirement Plan Consulting Group. He was also named among the 40 Most Influential Advisors in Defined Contribution by 401kWire and the 401kExchange in 2011, as well as one of PLANADVISER's 2012, 2013 and 2014 Top 100 Retirement Plan Advisers.



BY BRIAN H. GRAFF

# It's All About the Rollovers

Understanding NAPA's position on DOL's proposed 'conflict of interest' rule.

There is certainly no lack of rhetoric in the blogosphere about the Department of Labor's pending proposed regulation on the definition of investment advice under ERISA (often referred to as the "DOL fiduciary rule" or "conflict of interest rule"). As such, it is critically important for NAPA members to understand clearly NAPA's longstanding position on DOL's proposed fiduciary rule and why we have such significant policy concerns both from the perspective of our industry but also for 401(k) participants.

This position was developed very carefully by a NAPA Government Affairs Committee task force that included advisors with diverse marketplace views, including fee-only advisors and hybrid advisors, from both wire houses and independents. As an organization, we pride ourselves in not being business-model-focused in our policymaking, but rather are focused on the mission of promoting our nation's retirement plan system to help working Americans achieve a more secure financial future.

NAPA has never opposed applying an ERISA fiduciary standard to plan advisors, and we have repeatedly testified to that point. Our concern is not about the fiduciary standard applied to plan advisors, but rather the potential prohibited transactions resulting from application of the standard (*i.e.*, if you are an ERISA fiduciary, you are subject to ERISA's prohibited transaction rules). In particular, we have serious concerns about the impact of the proposed DOL rule on the rollover process.

We expect the proposed DOL rule to provide that discussing the idea of a rollover with a 401(k) participant will be considered "investment advice" under ERISA, making you an ERISA fiduciary subject

"The strong signal from the White House is that they want to politicize this issue, and a recent White House memo ... reflects that."


to the prohibited transaction rules. As such, if there is any fee differential in the rollover IRA relative to the 401(k) plan (*e.g.*, something as little as 5 basis points more), you will be precluded under the prohibited transaction rules from working with that participant on the rollover. We think such a result is patently absurd and puts 401(k) participants who will now have to find financial assistance on their own at significant risk. In our view, it simply makes no sense to block participants from being able to continue a relationship with their trusted 401(k) advisor merely because a change in the nature of the relationship results in a slightly different fee structure.

As a solution, we have proposed to DOL that the plan advisor be allowed to continue the relationship with the participant as long as any fee differential is clearly and completely explained in advance of any rollover. We have even met with the White House several times with a detailed proposal. Unfortunately, we were told that the administration sees any disclosure-based solution as insufficient.

Furthermore, the strong signal from the White House is that they want to politicize this issue, and a recent White House memo from the Chair of the Council of Economic Advisors reflects that. We had hoped that

this issue could be resolved constructively, and we still would welcome that. But, it appears the overwhelming political climate in Washington has apparently taken control. As evidence, you need only look at the opposition website "saveourretirement.com," which paints the plan advisor community as a "colony of termites" eating away at the retirement savings of 401(k) participants.

To be complete, we do have other concerns about DOL's proposed rule. To promote the expansion of retirement plan coverage we believe there needs to be a seller's exemption for small business retirement plans to ensure that assistance is still available to those plan sponsors, especially those without a preexisting retirement plan. Furthermore, we have concerns about the application of the rule generally to IRAs, particularly as to the impact the rule could have on access to financial assistance for investors with smaller account balances (*e.g.*, less than \$50,000). In this regard, we presented the White House with a detailed IRA fee disclosure alternative, which apparently has been rejected as well.

Notwithstanding, our main concern is and always has been the potential impact DOL's proposed rule on the rollover process and its serious potential to interfere with the relationships between plan advisors and participants. Consequently, you will be receiving some more communications from us regarding a grassroots campaign, "ItsMyRetirement.org," to allow 401(k) participants the opportunity to express their concerns about this proposed rule to Congress. The participation of NAPA members in this campaign will be critical to stopping this misguided rule. 

» Brian H. Graff, Esq., APM, is the Executive Director of NAPA.

# WESTERN ASSET



(WAP SX)

## Western Asset Core Plus Bond Fund

(Among 913 Intermediate-Term Bond Funds)

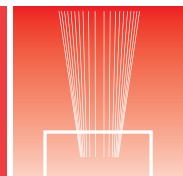


(WAC SX)

## Western Asset Core Bond Fund

(Among 913 Intermediate-Term Bond Funds)

Overall Morningstar Ratings, as of December 31, 2014. The ratings are based on risk-adjusted returns and are derived from a weighted average of the performance figures associated with a fund's 3-, 5- and 10-year (as applicable) rating metrics.



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<sup>†</sup> Awarded to Ken Leech, Carl Eichstaedt, and Mark Lindbloom for Western Asset Core Bond Fund (WAC SX) and Western Asset Core Plus Bond Fund (WAP SX) named Morningstar 2014 U.S. Fixed-Income Manager of the Year, United States of America. Morningstar Awards 2015 © Morningstar, Inc. All rights reserved.

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# Trends Setting

Shedding light on the latest in industry and demographic trends.

BY NEVIN ADAMS

01



## Automatic Enrollment Works — Where It's Available

**A**utomatic enrollment more than doubles participation rates, at least among new hires, according to a new study.

In fact, during the three-and-a-half-year period of the study, the participation rate for new hires was 91% under automatic enrollment (AE) versus 42% under voluntary enrollment (VE). Moreover, the Vanguard study found that after three years, 89% of participants hired under AE were still participating versus 51% of participants under VE who had chosen to join the plan.

The design had a striking impact across all income, age, and genders. Just 22% of workers earning less than \$30,000/year participated in the VE plans, compared with 87% in AE programs. As income rose, participation rates also rose in VE plans; 41% of those earning \$30,000 to \$50,000 participated, 49% of those earning \$50,000 to \$75,000, and 65% of those earning \$75,000 to \$100,000. However, among AE plans, the participation rates were 90%,

93%, and 94%, respectively.

Moreover, Vanguard noted that the participation rate among employees earning less than \$30,000 is around 80% — regardless of whether the initial default contribution rate is 2% or 6%.

However, and as other industry surveys have found, many plans are only extending automatic enrollment to new hires. Half of the plans in the Vanguard sample did sweep existing nonparticipants, although the focus of the analysis was exclusively on the new-hire effects.

### *Automatic Enrollment Limitations*

However, automatic enrollment alone has its limitations. After three years, fewer than a third of participants have chosen to override the employer's default and raise contribution rates, and another 9% have signed up for a contribution rate increase. In total, around 9 in 10 eligible participants after three years remain at the default deferral rate or higher.

Among AE plans with an automatic increase feature, after three years, just over

half (57%) of participants remain in the original automatic plan design, including the automatic increase feature, with another 8% increasing their contribution rate while retaining the increase feature, for a total of 7 in 10 retaining the automatic increase feature. The Vanguard researchers found that another 21% have increased contributions, but dropped the automatic increase feature. The bottom line: while just over half remain in the original deferral rate design, about 9 in 10 participants have taken some action that leaves deferral rates above the initial default design.

Vanguard acknowledged that, in the sample of plans studied, the average participant contribution rate for new hires in voluntary plans is higher, at 6.3%, than the 5.4% rate for those in AE plans. However, when considering the contribution rates for the entire eligible employee population (rather than just those who actually participate), the average contribution rate among VE plans was just 2.6% versus 5.0% among AE programs over the three-year period.



## Who is in Better Financial Shape — Millennials or Gen X?

Despite media attention surrounding the Millennial Generation's relatively poor economic outcomes during the Great Recession, a new analysis by researchers at the Federal Reserve finds that they have fared better on many measures than both current older adults and earlier young adults.

According to the report, "The State of Young Adults' Balance Sheets: Evidence from the Survey of Consumer Finances," compared with young adults in 1989, young adults in 2013 were more likely to own homes, stocks and retirement accounts.

Moreover, young adults in 2013 were less likely to have high debt payment burdens than older adults, young adults in 1989 and young adults in 2001, according to the report.

Young adults in the 2013 survey were born between 1982 and 1995, and young adults from the 1989 survey were born between 1958 and 1971. Young adults from

the 2013 survey are a subset of the Millennial Generation and young adults from the 1989 survey consist mainly of members of Generation X.

The report found that between 2001 and 2013, net worth fell among young adults, primarily because of declines in asset holdings, and that net worth was lower for young adults in 2013 than it was for young adults in 1989. However, despite popular accounts of the Millennial Generation's poor economic outcomes during the Great Recession, young adults in the SCF "have fared relatively well on many measures."

The analysis noted that between 2001 and 2013, debt holdings (excluding education loans) declined among young adults, as did credit constraints, and that, compared with older adults, young adults experienced a relatively modest decline in net worth in that period. Of course, young adults, who are less likely to own homes or stocks than

other age groups, did not benefit as much from the housing and stock market boom between 2004 and 2007, nor did they suffer as much from the subsequent declines in value of those holdings.

There was, however, a cautionary note in the report findings: The sample of young adults in the SCF represents only the population of young adults living independently, not the entire population of young adults. The researchers noted that in conducting comparisons between SCF young adults and the overall population of young adults from other data sources, they found that SCF young adults tend to have higher incomes than the overall population — and that if income is correlated with wealth, this suggests that the financial circumstances of young adults in the SCF could be better than those experienced by the overall population of young adults.



## Did the Great Recession Lock in Higher 401(k) Loan Volumes?

Participants' 401(k) loan activity in 2013 was little-changed from year-end 2012 — but it remained noticeably higher than before the Great Recession, according to a new report.


At year-end 2013, 21% of all 401(k) participants who were eligible for loans had loans outstanding against their 401(k) accounts, the same as in the prior four years, according to a report by the Employee Benefit Research Institute (EBRI). However, that was up from 18% at year-end 2008.

In the 18 years that the EBRI/ICI database has been tracking loan activity among 401(k) plan participants, there has been little variation. From 1996 through 2008, on average, less than one-fifth of 401(k) participants with access to loans had loans outstanding. However, at year-end 2009, the percentage of participants who were offered loans with loans outstanding ticked up to 21% and remained at that level from year-end 2010 through year-end 2013.

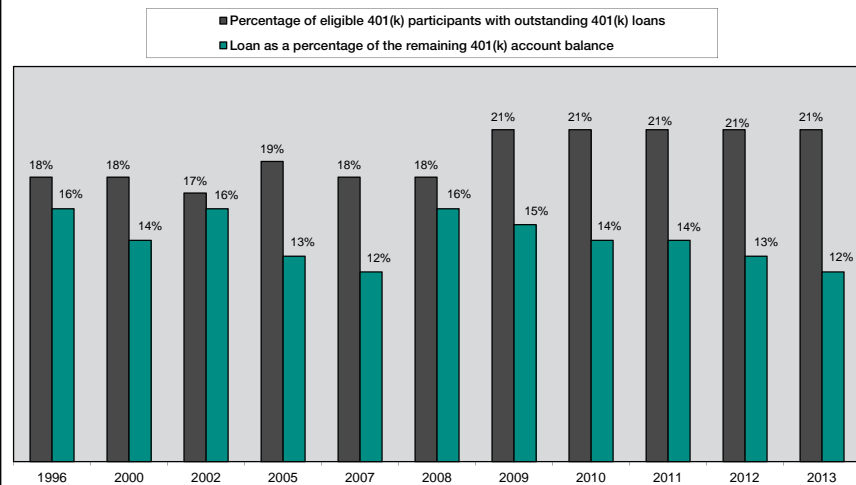
On average, over the past 18 years, among participants with loans outstanding,

about 14% of the remaining account balance remained unpaid.

Among participants with outstanding 401(k) loans at the end of 2013, the average unpaid balance was \$7,421, compared with \$7,153 in the year-end 2012 database. The median loan balance outstanding was

\$3,973 at year-end 2013, compared with \$3,858 in the year-end 2012 database. Nevertheless, the ratio of the loan outstanding to the remaining account balance decreased slightly, from 13% at year-end 2012 to 12% at year-end 2013. 

**Few 401(k) Participants Had Outstanding 401(k) Loans; Loans Tended to Be Small, Selected Years**



Source: Tabulations from the EBRI/ICI 401(k) Participant-Directed Retirement Plan Data Collection Project.



BY JERRY BRAMLETT

## Smart Beta: Legitimate Investment or Marketing Hype?

A book should not be judged by its cover — or by the cover that someone else has put on it.

For plan advisors, the term “beta” is one of the most widely accepted and easily understood concepts in investing and, thus, deserves a permanent place in the lexicon of investing. Can the same be said for the newer term, “smart beta”?

At least as it stands today, many industry observers take the position that smart beta is more of a marketing catchphrase than a legitimate investment term.

### Background

The term “beta,” which was originally coined by Nobel Laureate William Sharpe, is a means to determine the covariance of a stock or portfolio to the overall stock market. A portfolio with a 1.2 beta has more sensitivity, while a portfolio with 0.8 beta has less. A higher beta indicates that a stock or portfolio is more volatile than the

stock market; a lower beta indicates that it is less volatile.

Towers Watson introduced the term “smart beta” several decades after beta had become a permanent part of the investment vocabulary. Towers defines smart beta as “strategies that move away from market-cap indexation in traditional asset classes” versus “bulk beta,” which they define as “traditional market-cap passive investment in core asset classes such as equities and bonds.” (*Towers Watson, 2014*)

The concept of market cap or price-weighted indexation is something that all plan advisors understand. While some argue that this type of indexing does not reflect the true value of securities (the core argument for active management), very few would argue against the view that this is the best means of determining what investors (as a whole) believe the value of securities

“It is best to not use too broad of a stroke to paint all so-called smart beta providers as simply firms using the term as a marketing ploy.”

to be worth at a given point in time.

The term “smart beta,” however, is a different story. The term implies that, rather than being able to trust that a price-weighted index reflects the most accurate price, the money manager needs to take this “bulk” beta (which presumably is “dumb”) and,



through some form of investment alchemy, make it “smart.” This can involve such things as buying all companies in the S&P 500 on an equally weighted basis or buying companies based on their book value as opposed to their market value. Or it could mean creating a passive portfolio that, rather than representing one asset class, the portfolio is tilted to include other asset classes. This has become known as “factor” investing — a practice whereby portfolios are constructed based on certain factors such as their size (*e.g.*, small, large) or investment style (*e.g.*, value, growth).

### Industry Critics

The term “smart beta” has received significant criticism from industry observers:

- A term that has been “hijacked by the industry and turned into an impressive investment branding story with a strong emotive label” (*CFA Institute, 2013*)
- An “attention-grabbing spin on beta [that] is a creation of investment firms that seek to funnel money into products that may have greater risk and higher fees than low-cost index funds that track markets” (*Forbes, 2013*)
- “Smart Beta = Dumb Beta + Smart Marketing” (*GMO, 2013*)

### A Balanced View

Though there is a strong basis on which these criticisms rest, it is best to not use too broad of a stroke to paint all so-called smart beta providers as simply firms using the term as a marketing ploy. Many firms, though never having labeled their funds as smart beta funds, nonetheless have been categorized as such by industry pundits and investment firms who apply this broad definition to various investment strategies.

A closer look at some of the smart beta firms reveals they can add value over traditional commercial indices. Not necessarily by making beta smarter, but by reducing trading costs and applying asset allocation strategies as internal fund overlays of otherwise passive indices.

Commercial index managers are judged strictly on their ability to avoid tracking error and the total cost to do so. This requirement to avoid tracking error forces the index provider to trade a specific security at a particular point in time, regardless of

“The term “smart beta” is not helpful in that it does not fit logically into the otherwise mostly binary terms that dominate the terminology describing investment styles today.”

whether the manager or the market is in need of liquidity.

Managers of custom indices, who are not overly concerned with being “right on the money” as it relates to the buying and selling of individual securities, can be patient and focus on timing their trades when there is a demand for liquidity. On the other hand, managers of commercial indices must trade a security at a certain point in time to avoid making a “tracking error.”

The value of patient trading has been illustrated by a comprehensive study by Sunil Wahal. The study “examined all of DFA’s [a so-called smart beta provider] equity trades from 2007-2009 and found its ability to be a liquidity provider when others were selling or buying generated a 60 to 80 basis point improvement in trading costs” (*Evanson Asset Management, 2014*).

Although it is often the case that some so-called smart beta funds have higher trading costs because of the need to trade more frequently due to the changing “factors,” a closer examination of some of the factor funds that focus on keeping turnover low shows that their internal trading costs are significantly lower than the industry average, even when compared to other commercial index providers. (*Evanson*)

One of the challenges posed by smart beta is that the term has created a grey area between primary portfolio management (individual security selection) and secondary portfolio management (asset allocation)

when none should exist. Whether the asset allocation overlay is applied inside a portfolio or is an overlay of distinct asset classes in separate funds should not matter since it is simply a personal preference of the advisor or investor as to where the asset allocation is to occur — inside or outside the fund?

One industry observer notes that, “smart beta is simply a rebranding of the age-old concept that small caps and value stocks have tended to outperform over time. But if this is the case, why not invest directly in these factors with lower-fee, traditional passive index funds?” (*U.S. News Money, 2013*) Perhaps a better way to state this is that, since applying tilts (based on factors) is simply an asset allocation overlay, the distinction needs to be made as to whether the asset allocation overlay is an integral part of the fund’s management structure or not. If so, then the advisor or investor needs to consider the efficacy of this approach based on both the cost structure as well as the value of creating tilts within a fund versus applying asset allocation strategies outside of the fund. The problem arises when one approach implies superiority over another by adopting the moniker, “smart.”

Finally, there is the idea that smart beta is where passive and active meet — thus capturing the best of both worlds. This is simply not the case.


Take the case of price-weighted indices (which Towers Watson refers to as bulk beta) and book-weighted indices (often referred to as smart beta). Both strategies follow “rules” that are independent of any further analysis of the individual securities beyond these two “factors,” consequently both are equally passive. There is no combining of passive and active strengths; it is just a different set of rules being applied to create different types of passive funds (one price-weighted and the other one book-weighted). Understanding active as it is widely understood would deem both to be “passive.” Whether Steve Jobs runs Apple, or whether Android is a threat to iPhone’s market share, are not investment “factors” — they are decisions based on subjective conclusions, not quantifiable facts derived from a company’s financial statement, size or market price.

## Conclusion

One conclusion is that a book should not be judged by its cover — or by the cover that someone else has put on it. Every investment fund should stand on its own as it relates to costs and risk-adjusted performance, regardless of the label that is applied to it by industry pundits and other investment firms.

As for the “smart beta” term itself, the world of investing is challenging enough as it is for plan advisors and, especially, plan sponsors. The more crisp and precise that that “investment speak” can be, the better. To that end, the term “smart beta” is not helpful in that it does not fit logically into the otherwise mostly binary terms that dominate the terminology describing investment styles today — if for no other reason than it does not have a binary partner term. “Dumb beta” must be ruled out and “bulk beta” is simply too disparaging when matched up against “smart beta.”

Finally, the fact that the author of the investment term “beta,” Bill Sharpe, has stat-

ed that the term “smart beta” makes him “definitionally sick” (*Barron's*, 2014) speaks volumes about whether this term should be stretched beyond its use as a conceptual framework to think about indexing (as originally intended) as opposed to a means to augment selling investment strategies (as is now often the case). In short, to throw into this mix the term “smart beta” seems to create unnecessary confusion and is not helpful for those plan advisors and plan sponsors seeking to understand the salient features of the myriad investment strategies from which they must choose. 

» 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.

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WARREN CORMIER

# The Face of Friction

Solving the leakage problem requires a clear understanding of why people cash out their balances, including what they do with the money.

**W**e hear a great deal today about leakage, especially its impact on retirement readiness and how it must be stopped. Of the three forms of leakage, cashing out is by far the largest dimension of the leakage issue. Estimates of the percentage of terminating employees who cash out their balances run into the 40% range.

One of the causes of cashouts is that of the various alternatives (leaving the money in the plan, rolling it over to an IRA or rolling it into their next employer's DC plan), cashing out is by far the easiest to accomplish. In a 2014 study Boston Research Technologies completed among recent job changers (*i.e.*, within two years), respondents who cashed out their balances reported, by a wide margin, the greatest amount of ease in completing a cashout compared with those who rolled to an IRA, rolled into their next employer's plan or simply left the money in the plan.

In essence, an unintended consequence of the rules and regulations governing participants' options when they leave their jobs is to encourage cashouts. Further evidence of this is in the annual DCP study of 7,000 active participants. Only 2% overall (and in the singled digits among those with balances under \$5,000) said that hypothetically, if they were to leave their current job they would take the money and spend it.

However, we know the actual proportion is above 40%. Obviously, when actually confronted with the reality of doing anything other than cashing out, either the complexity or ignorance of the alternatives drives a huge number of participants to cash out.

Much has been debated about the optimal choice for participants' balances

“Unless we make the best decisions the easiest to execute, other steps will be ineffective.”

when they change jobs. IRA rollovers have always been a popular choice. According to an ICI study, nine of every 10 dollars in IRAs today come from DC plan rollovers. But this may not be the optimal choice for participants. In 2013, a study conducted by the Government Accountability Office (GAO) revealed misleading sales practices hiding the true costs to participants of choosing that option.

For many participants with under \$5,000, leaving their money in an existing DC account is not an option, as employers are exercising their option to force the participant out of the plan. And if a participant is allowed and decides to stay in the plan, there are often fees imposed by the plan sponsor to do so.

This leaves the option of moving the balances to the next employer's plan. This may be, in many cases, the best option. Virtually all plan sponsors allow such transfers, and there are no fees involved. Furthermore, it is argued that:

- It's easier for participants to manage all their money in one place.
- Participants will more actively manage their money if it is consolidated.
- Participants won't lose track of old accounts.

- Employers won't lose track of former employees.

From the plan sponsor's point of view, the idea of participants moving their money has advantages and disadvantages. Some argue for keeping participants' balances to help with pricing of administration services. Others argue there are fiduciary risks involved, as well as significant operational efforts in communicating and servicing participants who are no longer working at the plan sponsor's firm. (Interestingly, for the average plan sponsor, one out of every four participants no longer works at the firm.)

In contrast, completing a cashout is typically one easy step — what to do with one's balance when a job change occurs. Some refer to this as “friction.”

(Interestingly, we talk about friction but few know what this complex phenomenon actually looks like. For a diagrammatic picture of friction — and to fully appreciate the complexity — take a minute to review a set of “do-it-yourself” decision trees for plan-to-plan transfers created by the Retirement Clearinghouse. Go to <http://www.rch1.com/knowledge-and-resource-center/resources-downloads> and click on “Articles and Whitepapers,” then “DIY Roll-In Difficulty Exposed.”)

Now let's consider the mindset of the participant who is changing jobs, either voluntarily or involuntarily:

- The participant is in a highly emotionally charged mindset and is making decisions in a suppressed cognitive state.
- The participant tends to move away from his or her reflective, deliberate decision-making processes (which Dr. Daniel Kahneman refers to in his 2011 book *Thinking, Fast and Slow*, as “System 2” thinking) to a more intuitive, rapid, knee-jerk, uninformed, deci-

sion-making process (which Kahneman calls “System 1” thinking).

- To a participant, a job change is almost always treated cognitively as a “loss” in some way (e.g., loss of income, colleagues, familiar routines, etc.).
- The participant is seeking to offset his or her sense of loss as well as hyperbolically discounting to nearly zero the future gains of leaving the money in the system.

All this leads many participants to find the offer of a large lump sum of cash almost irresistible, particularly among lower-income, small-balance DC participants who value even a small amount of money in their account much more than high-income colleagues do. To say the least, the cash is an attractive offer in an emotionally turbulent time where logic is replaced by what “feels good” at the moment. Thus, it is not surprising that so many people take the easier route of simply agreeing to suffer the penalties and take the check.

#### What do Participants do with the Money?

What do participants do with the money they cash out? Is it for an emergency? Did they take the drastic step to leave their job to gain access to the cash instead of taking a loan or asking for a hardship withdrawal?

In a recent study I completed with the cooperation of the Retirement Clearinghouse, I asked the telephone counselors to query 500 randomly selected callers who indicated they wanted to cash out their DC account balances what plans they had for the money. The question was asked at the beginning of the call, before any information was provided about the penalties and taxes involved with a cashout. Also, we asked callers if they were currently employed or moving to a known new job, or if they were currently unemployed and had no job to go to yet.


Before looking at the data, it is important to note that 20% of the employed participants felt their balances were too small to even consider anything but taking the cash. This compares fairly closely to the 14% of unemployed callers. But keep in mind that this is partly due to their hyperbolically discounting the value of those dollars back to present value, not what

they represent in purchasing power decades into the future. Part of the solution to the cashout problem is to make participants aware of the total value they are giving up, as opposed to the net proceeds they receive after a pretty severe haircut today.

Turning to the question of what they plan to do with the net proceeds of their cashed-out balances, we see that the most frequently mentioned factor is to make payments on their cost of housing — rent/mortgage/utilities. To be clear, they did not terminate their employment to get access to their balances to pay their rent; they are simply reporting that with the sudden influx of cash into their household cashflow, they will use it for household expenses. In fact, they will often use it for whatever payments emerge first, as opposed to having a specific plan.

Interestingly, we can see in Fig. 1 that unemployed people are more likely to use the cashed-out balances as a contingency account to keep up with the least discretionary payments (rent/mortgage/utilities), followed by medical bills.

We also see that “above or below \$2,000” is a clear inflection point with regard to feeling that a balance is “too small to bother to do anything but cash out.” Specifically, of the 84 respondents who said the balances were too low to matter, 100% had balances equal to or under \$2,000.

Solving the leakage problem obviously requires a good understanding of why people cash out their balances, including what they do with the money. The results in Fig. 1 clearly suggest that it isn’t to keep households afloat for more than a few months, if at all. The picture of “friction” is almost certainly daunting to a high percentage of job-changing participants. Unless we make the best decisions the easiest to execute, other steps will be ineffective. 

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

**Figure 1**  
**How Are Cashed Out Proceeds Spent?**

	EMPLOYED	UNEMPLOYED	TOTAL
<b>Rent/Mortgage/Utilities</b>	39%	55%	47%
<b>Credit Card/ Student Loan Debt</b>	21%	9%	15%
<b>Medical Bills</b>	12%	21%	17%
<b>Life Event (funeral/wedding/divorce)</b>	3%	4%	4%
<b>Auto/Transportation</b>	5%	4%	5%
<b>Other (nonessentials)</b>	20%	7%	12%



BY NEVIN E. ADAMS

# Event Horizons

## 7th Circuit Stakes Out Partial Plan Termination Boundaries

**T**he 7th U.S. Circuit Court of Appeals has outlined the conditions for determining the existence of a partial plan termination, ruling on the fifth appeal of what it called a “seemingly interminable class action suit.”

The ruling came in a case filed two months short of 19 years ago. The plaintiffs in the case claimed that a series of layoffs and subsidiary closings over a period of years constituted a partial plan termination. As such, they claimed, it should have served to fully vest their employer matching accounts in a DC plan.

### The Case

Household International, Inc., began selling off a number of subsidiaries in 1993 as part of a restructuring plan that Robert Matz, the lead plaintiff in the case, claimed eventually included elimination of other subsidiaries and worker layoffs in 1994, 1995 and 1996. Considered separately, these events did not reach the 20% threshold to be considered a partial plan termination, and so participants were not deemed to be 100% vested in their company match accounts.

After a brief discussion as to the proper rationale for full vesting in the case of a partial termination, the court said that its decision “...turns on ascertaining whether a termination of some plan participants (as by terminating their employment) amounted to a partial termination of the plan, thereby requiring full vesting of plan benefits in the terminated plan participants.”

### Setting a Standard

The court noted that there “...was no usable statutory or regulatory definition of

“The plaintiffs in the case claimed that a series of layoffs and subsidiary closings over a period of years constituted a partial plan termination.”

‘partial termination’ when this case began,” leading it to adopt its own in a 2004 opinion where it held that there is “...a rebuttable presumption that a 20 percent or greater reduction in plan participants is a partial termination and that a smaller reduction is not.” The court also ruled that a reduction of less than 10% should be conclusively presumed not to be a partial termination, while above 40% should always be considered to be a partial termination.

The court went on to note that while IRS adopted the 7th Circuit’s suggested 20% presumption in Revenue Ruling 2007-43, the IRS has never specified a percentage below which there would be a conclusive presumption that no partial termination had occurred. As a result, the opinion broke new ground, if only *in dicta*.

### Aggregating Events


The percentage determination notwithstanding, the 7th Circuit explained that in general, the period over which plan reductions may be aggregated to determine whether a partial termination has occurred is a single plan year. The court pointed out, however, that an earlier, 2000 decision in

the case acknowledged that nothing “requires a significant corporate event to occur within a plan year.” As a result, Matz could aggregate all terminations of employment from 1994, 1995 and 1996, but only if he could show that the corporate events of those years were related.

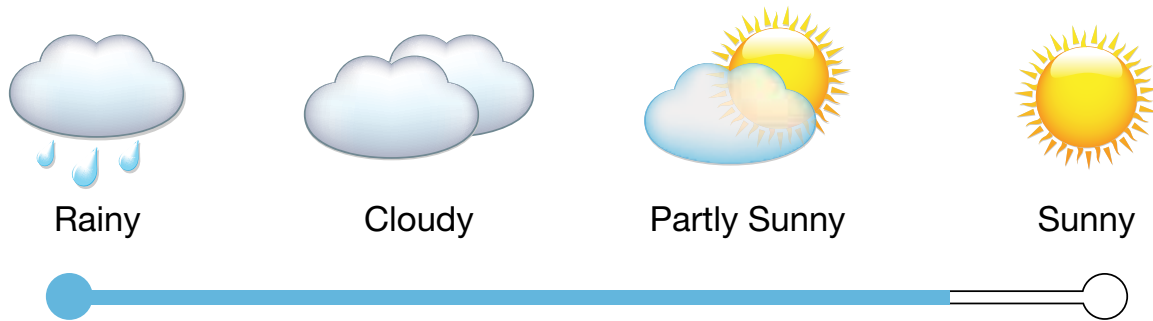
In the most recent opinion, the 7th Circuit said it believes this view “...reflects the realities of the modern corporate world. Mergers and corporate reorganizations have grown into large and complex events, and often cannot be completed in one year. Furthermore, to establish a rigid rule that only terminations in individual plan years can be counted allows an unscrupulous employer to terminate some participants in December of one year and January of the next year, thereby eviscerating ... the purpose of protecting employee benefits.”

In sum, the court held that participant terminations in multiple years can be aggregated to determine the existence of a partial plan termination if the multiple year terminations are proven to be related.

In deciding the case at hand, however, the 7th Circuit upheld the determination of the district court that the terminations in different years were not related because “... the decisions to sell particular subsidiaries had been made sequentially, on the basis of economic conditions in the particular market in which each subsidiary operated, and that these conditions had varied from market to market.” As a result, the appeals court affirmed the district court’s dismissal of the case.

The court also noted that, even if the reductions were considered as a single event, the percentage of participants terminated would still only total 17%, below the 20% threshold. 

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DC TOP INDUSTRY WHOLESALERS

# The Future of DC Wholesaling

BY FRED BARSTEIN

# A

sk most retirement industry professionals about the future of their industry and you usually get a long silence followed by halting and incomplete responses. So instead, we set out to pose that question to consultants and people who are either re-entering the market or have been out of the market for awhile — and got much more thoughtful responses.

The recurring theme echoed by Hugh O'Toole and Art Creel, former heads of sales at MassMutual and John Hancock respectively, is that, “the highest paid wholesalers are not the ones who are overpaid.” That distinction belongs to the mediocre wholesalers hiding behind murky metrics, where activity is often confused for results.

At a high level, though change is not the hallmark of the financial services industry, change is coming — but not in the form of fewer wholesalers. In other words, the demise of external wholesalers is greatly exaggerated.

So where will we see the most innovation in DC wholesaling?



## Technology

No, there will not be wholesaler avatars appearing via hologram. The integration has and will be more fundamental, enabling more predictive selling, better client information and more revealing wholesaler metrics. “Data is changing the landscape,” claims longtime industry consultant Mary Anne Doggett of Interactive Communications, who actually focuses on wholesaling. Doggett explains: “More data means more personalized information filtered to meet the needs of a client. It will also mean that there will be more self-service buying without the need for a wholesaler to interact. Data gathered from more marketing will also be used to predict when an advisor is likely to buy. Wholesalers drip, hovering to be present when the advisor buys, which is very expensive. Plus younger advisors prefer more electronic communication.” The challenge will be changing the habits of older advisors.

Data and technology will also be used to measure the effectiveness of wholesalers in an industry that, many experts we spoke to noted, measures productivity by activity. BrightScope has built a brilliant business not so much on its ratings of DC plans as much as on the sale of data to providers to help them deploy their expensive hordes of wholesalers more effectively. Those data will continue to be a part of the solution that predict when an advisor is likely to buy based on what they have bought in the past.

“Not only will wholesalers amplify themselves through social media and video conferencing,” says Art Creel, “it will highlight their effectiveness, which will result in more ‘star’ wholesalers and make it more difficult for mediocre ones to hide.”

## Marketing

Tom Modestino of Ignites Research sees providers, especially DCIOs, hiring more marketing and product people after a surge in the number of external wholesalers. Though marketing and product people may be the first to go when the market drops, visionary firms will see the incredible partnership between highly effective external and internal wholesalers and impactful marketing. Doggett notes, “Smart providers will use webcasts, for example, watching for how many times an advisor attends with

“Slick doesn’t work anymore. Good presenters are not necessarily good engagers. Presenting means selling; listening and engaging translates into adding value.”

*Mary Anne Doggett, Interactive Communications*

be holistic, combining web-based learning and face-to-face meetings,” notes Kelly Michel, the new head of retirement for AIG’s Advisor Group. “They cannot be sales- or product-oriented and should place an emphasis on current trends like new regs and laws,” she says.

You can learn a lot about what an advisor is interested in by the training they choose. And advisors are more likely to tell you more themselves after you add value — not after a sale pitch, which is becoming less and less effective. Lamenting the fact that “the industry is afraid to test,” Doggett has learned that, “providers underestimate the skill set needed by wholesalers in the new world” — intimating that changing the way they train their wholesalers and the ways they interact with advisors and marketing departments will take time.



### Top 10 DCIO Wingmen

Murray Cleaner	MFS Investment Management Company
Mark Conroy	Legg Mason
Matt Kasa	Franklin Templeton
Greg Koleno	American Century Investments
Todd Matlack	Invesco
Brian Munn	American Century Investments
Keith Neal	MFS Investment Management Company
Jeff Petersen	Franklin Templeton
Lloyd Silk	Invesco
Steve White	Federated Investors

*Note: Wingmen who received the most votes among DCIO wholesalers.*

a button that allows the advisor to ask for help. Access to advisors is more difficult with voicemail and email — providers need to ask, “how do we know when advisors want to meet and why?”

Training is another effective means to engage and learn more about advisors. Doggett advises that, “training should be simple and fast, with smaller modules on specific topics,” which will provide insights into what resonates with an advisor. She warns, “Slick doesn’t work anymore. Good presenters are not necessarily good engagers. Presenting means selling; listening and engaging translates into adding value.”

Advisor education and training “needs to

## Value Add

There is so much value add in the market these days, especially for DCIOs, one might wonder if they are in the practice management business or the money management business. But most providers have lost sight of the forest for the trees. Advisors have come to rely on the many value add tools and services from providers; but the question that providers have to ask is whether they have something — not to show up “naked” or whether their value add services are making an impact on selling new business and retaining clients. Most important is the delivery



## Top 10 Record Keeper Wingmen

Gerry Alena	John Hancock
Doug Allen	Nationwide Retirement Plans
Mark Bransford	The Standard
Christopher Felago	VOYA
Patrick Forde	Empower-Retirement
Morris Glazer	Transamerica
Jason Grantz	Unified Trust Company
Danny Kling	Transamerica
Alison Smith	Principal Financial Group
Ted Smith	Ascensus

*Note: Wingmen who received the most votes among record keeper wholesalers.*

mechanism in the form of a wholesaler who can help advisors implement value add tools and services.

The very best value add programs have three characteristics:

1. They resonate with the provider's brand.
2. They can be implemented easily, affecting an advisor's bottom line or saving them time.
3. They are unique to that provider.

Arguably, only two providers meet these requirements: Allianz, with Prof. Shlomo Benartzi's Center for Behavioral Finance, which has rocked the DC world; and Columbia, with John Carl's Retirement Learning Center, where more than 500 advisors call in to get ERISA help as well as Carl's insights into regulatory trends. The firms leverage the personalities of Carl and Benartzi to provide well-respected speakers at industry conferences and gatherings. It's also not a coincidence that these programs may be among the most expensive in the market — but remember, fees in the absence of value are always high.

So what does the future look like? In the past, says Doggett, "providers made their value add to as many advisors as possible. In the future, the tools will be more segmented, focused on practice management. Providers need to ask which advisors are not doing business with them and how can they reach those advisors." Michel agrees, lamenting that, "tool providers are focused on the upper-level advisors only." She is keen to having wholesalers help her advisors develop a strategic business

plan since most advisors got into the DC business by accident and have never looked up. Just as we have to personalize and customize services for the needs of each

**Huge margins had created a lot of fat, which is changing with industry consolidation and more accurate metrics."**

*Hugh O'Toole*

participant, value add tools should meet the unique needs of an advisor.

This brings us back to data. If wholesalers know more about who is buying from them and who is not, as well as the nature of their practice and which marketing messages resonate, they will be more likely to show up with tools that resonate with that advisor rather than a one-size-fits-all solution.

### Personnel

Remember when hybrid wholesaling was all the rage, with many predicting much smaller external sales forces? That ship has sailed, but the use of internal wholesalers

is increasing, according to Ignites research. Ignites' Modestino sees DCIOs especially hiring more internal wholesalers. "Internal wholesaling is no longer just a stepping stone to becoming an external, it's becoming a career," he declares. "Though there's a gap in pay, some people are not willing to sacrifice their lifestyle. The ratio will change for DCIOs with a greater percentage of internal wholesalers." Modestino also has noticed that more key accounts people are selling, partnering with their external partners who are getting more involved with servicing clients.

Tier 1 DCIOs have a distinct advantage, with more resources to hire a fully staffed group that includes the right mix of externals, internals, marketing, product and strategy people who have access to cutting edge technology and marketing. Clearly, the consolidation bug has not yet hit the DCIO ranks as it has with record keepers. There is hope for new DCIOs in the form of asset allocators as well as alternative investments spurred by private equity firms and hedge firms greedily eying the large and growing pool of DC and IRA assets.

Neither Creel nor O'Toole, longtime industry vets who headed up large DC sales forces, see a shift away from face-to-face selling. For O'Toole, "It's still basically a milk run. But reps will work more from home, leveraging supporting home office infrastructure. Huge margins had created a lot of fat, which is changing with industry consolidation and more accurate metrics." O'Toole predicts that wholesalers will become more institutional, aligning their goals and compensation with those of their employer. This echoes a theme that Modestino sees in compensation structures, which are becoming more variable.

Perhaps O'Toole is speaking from experience — he inherited a Hartford sales forces whose compensation was thought to be excessive. But some of the most effective Hartford wholesalers continued to command significant pay because Mass-Mutual was still able to make money with them. Institutional wholesalers are not just concerned with short-term compensation, promising anything just to make the sale even if the provider cannot service the plan or make money on it.

Creel believes in the star power of the

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**Mark Conroy**  
Southeast region

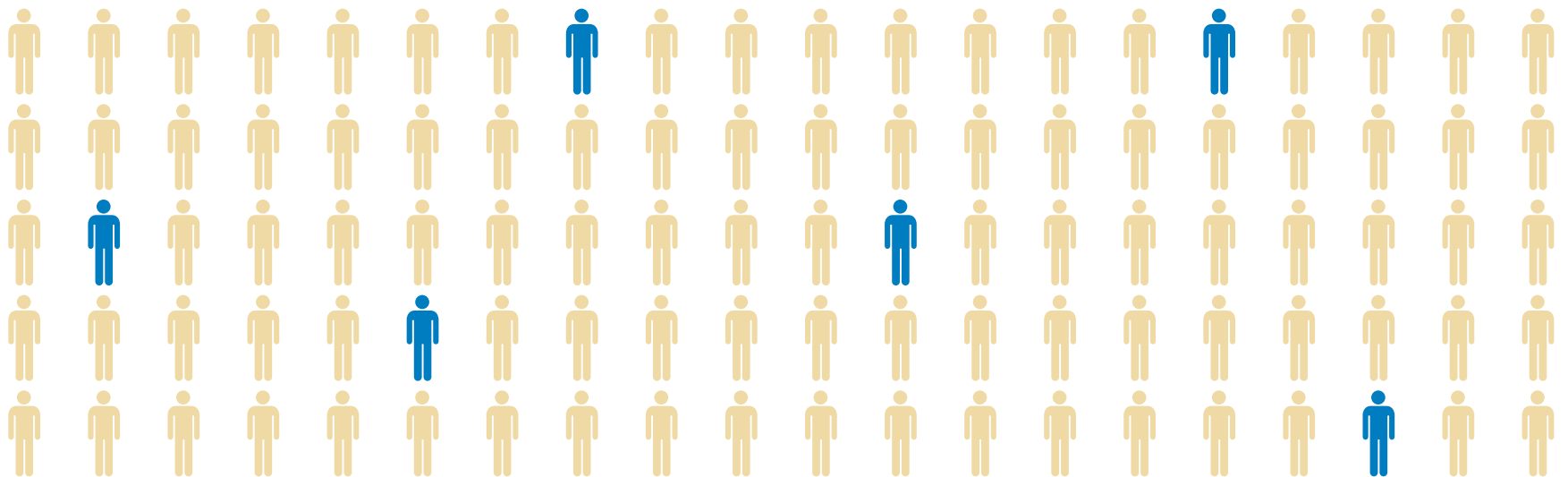
**Matt Digan**  
Northeast region

**John Kutz**  
Ohio Valley region

**Cara Magliocco**  
South Central region

**Nancy Tassiello**  
Mid-Atlantic region

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\* Over 5,000 financial advisors were surveyed by NAPA Net and asked to select the industry's top wholesalers. Through the survey, six Legg Mason DCIO sales directors received votes from a portion of these advisors in order to qualify for this year's top 100 Wingmen list.



DC TOP INDUSTRY WHOLESALERS

NAPA's 2015 100 Top DC Wholesalers — the “Wingmen” — were selected by a process overseen by a blue ribbon panel of advisors. That process was based on voting by registered NAPA Net users and NAPA members on a pool of nominees submitted by providers, as well as write-in candidates, all of whom are associated with a 2015 NAPA Firm Partner. This year we've added two new wrinkles: lists of the “Top 10 Record Keeper Wingmen” (see page 24) and the “Top 10 DCIO Wingmen” (see page 23), which highlight Wingmen receiving the most popular votes in those two categories.

	Jeff Abelli	Pioneer
	Gerry Alena	John Hancock
	Doug Allen	Nationwide Retirement Plans
	Staci Baker	JP Morgan
	Pete Barron	MFS Investment Management Company
	Matt Beaulieu	Franklin Templeton
	Jamie Bentley	PIMCO
	Rhea Berglund	Oppenheimer Funds
	William Blackall	BNY Mellon Asset Management
	Brian Blair	Eaton Vance
	Jon Blaze	Thornburg Investment Management
	Andre Boorady	Ascensus
	Brian Bouchard	Thornburg Investment Management
	Sally Bowen	Nationwide Retirement Plans
	Mark Bransford	The Standard
	John Briere	VOYA
	Tom Briggs	Transamerica
	Rachael Brumund	Transamerica
	Niel Cabrera	MassMutual
	Peter Campagna	BlackRock
	Chris Castro	Transamerica
	Murray Cleaner	MFS Investment Management Company
	Steve Cohen	Federated Investors
	Mark Conroy	Legg Mason
	Rick Cortellessa	Goldman Sachs Asset Management

TOP 10 DCIO WINGMEN

TOP 10 RK WINGMEN

“Now more than ever, true sales professionals who understand the industry, speak at peer-to-peer programs and work hard will be in demand — but it will be a struggle for the mediocre reps.”

*Art Creel*

very best wholesalers at the expense of the mediocre ones. There’s a certain tendency for companies to keep “A” and “B” level workers and fire “C” level workers or below. But mediocre workers who produce and have longevity and relationships are hard to let go. So why get rid of them? Because they are occupying seats that could be filled by high performers or replaced by technology and internal wholesalers.

“Providers have to be more demanding in the hiring process, focusing on impactful wholesalers,” Creel warns. “This doesn’t mean that wholesalers are dinosaurs — now more than ever, true sales professionals who understand the industry, speak at peer-to-peer programs and work hard will be in demand — but it will be a struggle for the mediocre reps.”

More than ever, the top wholesalers need to be seen as thought leaders, “helping advisors create and execute on a strategic business plan,” explains AIG’s Michel. “Current products are being commoditized. Wholesalers need to adapt these products to an advisor’s practice, helping them to develop a strategic plan.” Since wholesalers meet with hundreds of advisors, they have the unique opportunity to share what other advisors are doing to be successful.

With growing record keeper consolidation, DCIO wholesalers will be used not only to help advisors ferret out the survivors but also to identify which ones may be the right fit for an advisor and its clients. Especially for DCIOs, the wholesaler will

become more of a business consultant and mentor, which raises the stakes on the quality of the wholesaler, as well as their training and access to industry intel.

### **Industry Consolidation and Advisor Segmentation**

There are nearly 50 national record keepers and more than 500 regional record keeping TPAs. That segment of the industry is quickly consolidating as the stakes get higher, like the airline industry did. So naturally, there will be fewer wholesalers, right? Maybe not. Even though there will be fewer record keepers — which might also affect the number of platform reps needed by DCIOs — the number of wholesalers might actually increase. Why?

The number of advisors that touch or focus on retirement, especially DC plans, is growing at an exponential rate. This is in response to a societal move away from dependence on both DB plans and the Social Security system, as well as dramatic increases in life expectancy. Before the recession there were 5,000 advisors with more than \$25 million in DC AUM and 50% of all active financial advisors were paid on a DC plan. Today, those numbers have swelled to 25,000 and 90%, driven in part by a booming post-recession stock market.

Plan advisors can be segmented into three groups:

1. Elite advisors and aggregators
2. Core advisors with more than \$25 million in DC AUM
3. Emerging advisors consisting of accommodators and blind squirrels

Most providers, especially record keepers, segment their sales forces based on plan size. Except that a vast majority of sales are not made directly to plan sponsors — they are made through advisors. Though the three advisor segments might focus on plans of different sizes, that business strategy may be changing as aggregators are looking to move down market, where margins are healthier, and also looking to leverage and systematize larger plans’ best practices.

So how should providers respond? It’s common today for record keepers to have separate sales forces for different markets. That strategy will continue. Aggregators and elite advisors who might have 25 or more record keeper relationships are looking to

winnow that number down to five or less that can service small, mid-sized and large plans. Broker dealers need their providers to service not just elite or core advisors; they need support for emerging advisors as well. And those providers that only focus on one or two segments may be a great disadvantage. “Most wholesalers are focused on core and elite advisors, but we need support for all segments, especially emerging advisors,” notes AIG’s Michel. “Without multiple segment support, the providers are of little value to us as we have to support all of our advisors.” As a result, Michel expects to partner with fewer providers — even though as an independent BD she wants to accommodate her advisors by working with as many providers as possible.

### **A New Model?**

Just as they changed the investing landscape with a focus on passive strategies and low fees, Vanguard now has its sights set on the advisor sold DC market, especially small and mid market plans, via its “Vanguard Plan Access” platform, which uses Ascensus as the record keeper. Since its 2012 launch, sales have doubled every year and, according to Senior Manager Todd Feder, Vanguard is ready to gear up their sales force after a three-year “pilot.” Some might see Vanguard as anti-advisor — but that is not the case, says Feder. “Vanguard is about low cost, which comes from scale, which in turn is best achieved through sales by advisors who make multiple buys each year. In fact, sales through intermediaries are our fastest growing channel.” So how does Vanguard plan to attack the advisor DC market — and can we learn anything from them?

“Restraint” is the key word for Vanguard, according to Feder, in the form of the size of their wholesaling force, the types of sales executives they hire and their relationships with home office broker dealers. Don’t look for them to have an army of 50+ sales executives, and don’t think they will be willing to write big

**Continued on Page 42**



DC TOP INDUSTRY WHOLESALERS




Katelyn Costello-Boone	Fidelity Investments
Robert Cruz	Allianz Global Investors Distributors
John D'Agostino	JP Morgan
Matt Digan	Legg Mason
Jim Dowling	Fidelity Investments
Gene Etzig	Transamerica
Ryan Fay	John Hancock
 Christopher Felago	VOYA
 Patrick Forde	Empower-Retirement
Michael Foy	Putnam Investments
David Frost	OneAmerica
Ed Fuentes	Empower-Retirement
Michele Giangrande	T. Rowe Price
Gary Giffen	Franklin Templeton
 Morris Glazer	Transamerica
 Jason Grantz	Unified Trust Company
Mitch Haber	OneAmerica
Lea Anna Hartman	Oppenheimer Funds
Aaron Hassinger	Fidelity Investments
Ami Hindia	Fidelity Investments
Cheney Hunt	Empower-Retirement
 Matt Kasa	Franklin Templeton
 Danny Kling	Transamerica
 Greg Koleno	American Century Investments
Steve Krauszer	Invesco

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN



DC TOP INDUSTRY WHOLESALERS

John Kutz	Legg Mason
Bill Laplante	RidgeWorth Investments
Matt Leeper	American Funds
Ben Leger	Fidelity Investments
Lia Lundgren	BNY Mellon Asset Management
Kari Lusby	Nationwide Retirement Plans
Aylmer Magill	John Hancock
Cara Magliocco	Legg Mason
Lathan Mahaffey	JP Morgan
Sean Maher	Allianz Global Investors Distributors
Scott Maney	Invesco
Christian Mango	BlackRock
Mike Manosh	Fidelity Investments
David Marinofsky	Neuberger Berman
 Todd Matlack	Invesco
Kyle Milotte	Empower-Retirement
Dave Mitchell	Transamerica
Chris Monachino	American Century Investments
Kevin Morgan	JP Morgan
Michael Moschetta	Neuberger Berman
 Brian Munn	American Century Investments
Kevin Murphy	Franklin Templeton
Jay Natkow	Eagle Asset Management
 Keith Neal	MFS Investment Management Company
Elliot Pedrick	Pioneer

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN



DC TOP INDUSTRY WHOLESALERS

Jeff Petersen	Franklin Templeton
Jimmy Polito	BNY Mellon Asset Management
Grep Poplarski	Allianz Global Investors Distributors
Corey Pride	Transamerica
Doug Reber	American Century Investments
Richard Schainker	Invesco
Lloyd Silk	Invesco
Chris Sleggs	BNY Mellon Asset Management
Alison Smith	Principal Financial Group
Ted Smith	Ascensus
Mike Staples	Oppenheimer Funds
Anne Marie Sutton	PIMCO
Nancy Tassiello	Legg Mason
Carrie Temkin	Legg Mason
Matt Tollison	RidgeWorth Investments
Andy Tyndall	MFS Investment Management Company
Bill Vassas	Nationwide Retirement Plans
Art Villar	BlackRock
Jeff Weaver	Allianz Global Investors Distributors
Chris Weekley	The Standard
Eben Wheeler	BlackRock
Steve White	Federated Investors
Jim Wojciak	Federated Investors
Paul Yossem	Nationwide Retirement Plans
MJ Zayac	Alliance Bernstein

TOP 10 DCIO WINGMEN

TOP 10 RK WINGMEN





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**Gamification revolutionizes  
the process of informing and  
motivating participants  
about retirement readiness.**

# Game On!

**BY JOHN IEKEL**



**PLAY**



ou've seen them. (Maybe you're one of them.) They're everywhere — people walking, heads bowed, staring at a captivating little glowing screen, perhaps typing or scrolling with their free hand. And somehow, not walking into inconveniently placed signs, telephone poles and walls. Well, a few probably do.

Chances are that many of those irresistible screens are illuminated with games.

A diversion? Certainly. But also an opportunity.

Adding new technologies to existing efforts to increase participation and deferral rates can mean greater success in building retirement readiness. The tremendous popularity of online games and the need to increase retirement plan participation and convince employees to save more is a marriage not of convenience, but of opportunity. And its child is gamification, retirement planning style.

#### **Gamification, Defined**

Gamification is the practice of using games, and the mechanics and technology behind them, to achieve goals unrelated to entertainment and gaming themselves. In a sense it's an electronic way to accomplish what one of my teachers did in grade school when we played multiplication bingo — using a game to accomplish a more lasting result than just having fun.

Gamification also entails a new way of thinking. Mark Noble, director of sales at iJoin Solutions, LLC, explains: "Gamification, by definition, is about applying game-design thinking to non-game applications to make them more fun and engaging." Kenneth Pflug, Principal, Retirement Wealth Practice at Buck Consultants, LLC, said he considers it "forward thinking" for employers to implement gamification "to achieve their business goals by providing a more meaningful, engaging and 'fun' experience for their employees, clients and customers."

But the new mentality also applies to employees. "We're asking them to think differently about something they may not have thought about before," says Sheri Fitts,

president of ShoeFitts Marketing.

And it incorporates psychology, too. According to Pflug, gamification "is an emerging business practice which is leading the way to change behavior through engaging design based on the intersection of games and our understanding of human psychology."

Similarly, Fitts sees it in terms of changing behavior. Her advice: Take a look at your benefits plan and consider what behavior you want to elicit from an employee; then make changes to bring that behavior about.

#### **Some Basics**

Pflug calls gamification a blend of art and science that incorporates individual behavior goals to achieve business performance goals. To him, "the artistry is in developing a workplace experience that incorporates intrinsic motivators — daily motivators that no one may see but appeal to the individual — such as solving problems, working with interesting people or on an interesting subject matter."

iJoin uses a variety of techniques from simple animations and motion graphics to complex behavior engines, which Noble says helps them "understand and guide the employee's natural desire to compete and play." iJoin's approach is to define why participants should save, show them how much to save and give them guidance on where to do so.

Fitts suggests keeping in mind that it isn't necessary to use challenging technology. "It can be quite simple," she noted.

See sidebar on the next page for an example of a game by which a player can make financial and investment decisions.

Chris Whitlow, founder & CEO of edu(k)ate, offers these pointers:

- The employer should observe its workforce demographics, what has been successful in motivating employees in the past, and its short- and long-term goals.
- Create a communication strategy outlining how to articulate the vision of the goals to the employees. It's important that the employees see the employer incorporating these goals into the cor-



Gamification is the most cost-effective way to engage people and change behavior because it shifts the emphasis from cash to non-tangible rewards."

— Gabe Zichermann,  
Gamification Co.

porate culture, from the top down.

- Set realistic expectations based on the budget of time and resources.
- Look at what technology could help in implementing this new process or consider doing it in-house if possible.

Whitlow adds, “Consistency is key. If you earned miles one year but the program changed and you could not redeem them the following year, it would be hard to get people excited. Employers must be consistent, and consultants must be diligent in empowering their employer clients to stay the course by providing refreshing content, tools and encouragement.”

And it’s not just as simple as using one or two games and calling it a day, in Whitlow’s view. He cautions: “Some types of gamification are more effective than others, especially when you consider the difficulty of the task you want the user to complete. If a user is facing a deadline with consequences, their motivation for completing the task becomes exponentially greater as they approach the deadline. Gamification is a tool that aids to increase a user’s level of motivation to complete a task. If the reward is too little and the task is too great you will no doubt have ineffective

gamification. Therefore, when designing an effective gamification platform you should constantly be looking at what state a user’s motivation is at during the task, reward them appropriately, and move them onto the next challenge, further increasing engagement in your platform.”

Pflug, too, offers a note of caution. “Designing a successful gamified system which meets the business objectives is not obvious or easy, since it is difficult to artfully design these systems which are based more on psychology than technology.”

### Opportunity Knocks

In what seems like a nanosecond, electronic communication bred an entertainment corollary. Just how widespread are electronic games? More than a million people bought Minecraft less than a month after its beta version was issued; there were 100 million registered Minecraft users by the end of February 2014. And it took just four years for there to be more than 100 million paid downloads of Tetris.

Voya Financial provides another stark illustration of gamification’s potential. According to Voya, industry data suggests there

are more people in the U.S. who meet the definition of active gamers than those who save for retirement — 141 million gamers versus 61 million savers. Game apps are also the most downloaded items by smartphone owners, and iPhone users are playing games an average of 14.7 hours a month.

Like online games, the importance of saving for retirement also is not going away. Employers recognize that more can be done to build employees’ grasp of the need to save more and start earlier rather than later, which two recent studies illustrate.

Towers Watson’s study of 457 large and mid-sized U.S. employers that sponsor defined contribution plans showed that:

- 78% said that retirement readiness is a top issue for their employees, and even more — 82% — think it will become even more important to their employees in the near future.
- A mere 12% said their employees know how much they need in order to be prepared.

Aon Hewitt’s “2015 Hot Topics in Retirement,” a study of 250 employers with six million employees, found that:

- 94% plan to encourage employees

## Gamification Applied

Voya Financial uses a game app to help players learn and become conversant with basic concepts concerning finances and investing.

The firm’s “STRUCT” app includes earning points, progressing to different levels and a listings on a leader board, which Voya intends to parallel risk, diversification, and goals and achievement.

The premise of the game is that a player works with different building materials that represent different investment categories. Players also must choose characters — the three main ones correspond to conservative, moderate and aggressive investment styles — as well as fourth, a wild card character, which corresponds to risk and opportunity.

The game conveys metaphors about saving and investing as players choose their characters and pursue the game’s objectives. They progress through 12 levels, each of which introduces an investing term.

More information about Voya’s game app is available at <http://corporate.voya.com/newsroom/media-kits/struct-mobile-game-app>.



who participate in DC plans to increase their contributions to their accounts and almost as many plan to help employees recognize retirement readiness.

- 87% plan to increase employee participation in their DC plans.

And the need to engender heightened interest in retirement readiness may be even more acute regarding younger employees and new hires. Ronald O’Hanley, then-president of Asset Management and Corporate Services of Fidelity Investments, told *Institutional Investor* in July 2013 that understanding how important it is to save does not translate to acceptance that starting to do so early is more important than how much return there is on an investment.

Bolstering the contention that there is work to do concerning younger workers is a study Dawe cited that shows that most enter the workforce without a strong understanding of the need to save. The U.S. Treasury’s 2013 National Financial Capability Challenge, an

awards program designed to increase the financial knowledge and capability of U.S. high school aged youth, yielded a national average score of 69%.

### Fighting the Zzzzzz’s

Towers Watson found that most employers still rely on tried-and-true methods to educate employees about their retirement plans and retirement readiness: newsletters, group meetings, account statements, webcasts.

The problem is, that can be dry. Noble certainly thinks so — and he’s not alone. “Plan sponsors have seen firsthand that the old way of conducting enrollment meetings is outdated and not effective,” he says.

And don’t discount the value of lightening things up, Fitts points out. “It’s a pretty heavy subject,” she observes, adding that it also can evoke fear. She thinks that using “something that could be more enjoyable and entertaining and a little lighter — I think that would be a very good thing.” She added that an employer can make the results of a meeting or process even more effective by incorporating some kind of game.

Even employers that already do use technology may be able to do better. O’Hanley told *Institutional Investor* that in his view, the technology that employers are providing participants for this purpose can be difficult to use; in addition, he said that much of it is “just boring.” Towers Watson’s findings suggest many employers fall prey to that; less than 10% of the employers it studied extensively employ mobile apps or gamification.

### Has its Time Come?

Employers are beginning to get the message, at least according to Noble. “Employers are seeking ways to engage the younger workforce to start saving and saving more often.”

“The world is moving to effective digital solutions,” says Fitts, who added that with the proliferation of technology such as smartphones, she “can’t imagine it not growing.”

Gamification Co. CEO Gabe Zicher-mann indicates that Fitts is on to something. “Gamification has been forecast to become a billion dollar industry in the next year or two, and as its use spreads throughout the economy, its impact will only grow,” he remarked.

Why? Whitlow offers his take: “As social creatures who are curious and always looking for new and exciting things to keep us

entertained, being rewarded is what keeps us coming back for more. Saving for retirement is out of mind for most people, and giving participants the ability of seeing immediate rewards surrounding retirement make them more engaged in the plan overall and makes retirement fun for them to think about and take action on.”

One may expect that there would be more emphasis on targeting gamification for younger workers, given the need to increase their participation and retirement saving rate. And the stereotype is that technological applications are more for the young than for the more mature parts of the workforce. Still, Noble doesn’t think that gamification’s usefulness is isolated to just the young, explaining, “Although gamification at a glance seems to be more beneficial for a younger workforce, gamification has been shown to impact behavior across all groups and age levels. The right gamification tactics can be used to help with user acquisition, consumer engagement and behavior modifications.” He added his company developed the iJoin application “to work with multiple plan designs, serving a diverse demographic population with multiple language needs.”

### Federal Rule Keeping

Federal law does not provide tax breaks and incentives to employers to use games to encourage participation in retirement plans and build retirement readiness. ERISA only prohibits gamification that would benefit certain parties — including the employer, the union, plan fiduciaries, service providers and statutorily defined owners, officers and relatives of those parties — and care in plan design can avoid that concern.

However, Section 401(k)(4)(A) of the Internal Revenue Code provides that a 401(k) plan will not be treated as a qualified plan if any “other benefit” (other than a matching contribution) is contingent upon an employee making a salary deferral contribution to the plan. “Other benefit” is very broadly defined in the corresponding IRS regulations, so participants cannot be rewarded with even a small incentive, such as a gift card, without running afoul of plan qualification requirements.

Nonetheless, the use of games to achieve greater savings — in general, at least — does have some federal support. In December, Pres-



**Gamification**  
is about applying  
game-design  
thinking to non-  
game applications  
to make them more  
fun and engaging.”

— Mark Noble, iJoin Solutions

ident Obama signed into law the American Savings Promotion Act, which provides for the use of savings promotion raffles by financial institutions to encourage savings and amends various federal laws to allow savings promotion raffles by insured depository institutions and savings and loan associations. While it does not apply to employer-sponsored benefit plans or IRAs, it does demonstrate that Congress is amenable to the notion of promoting savings in this manner.

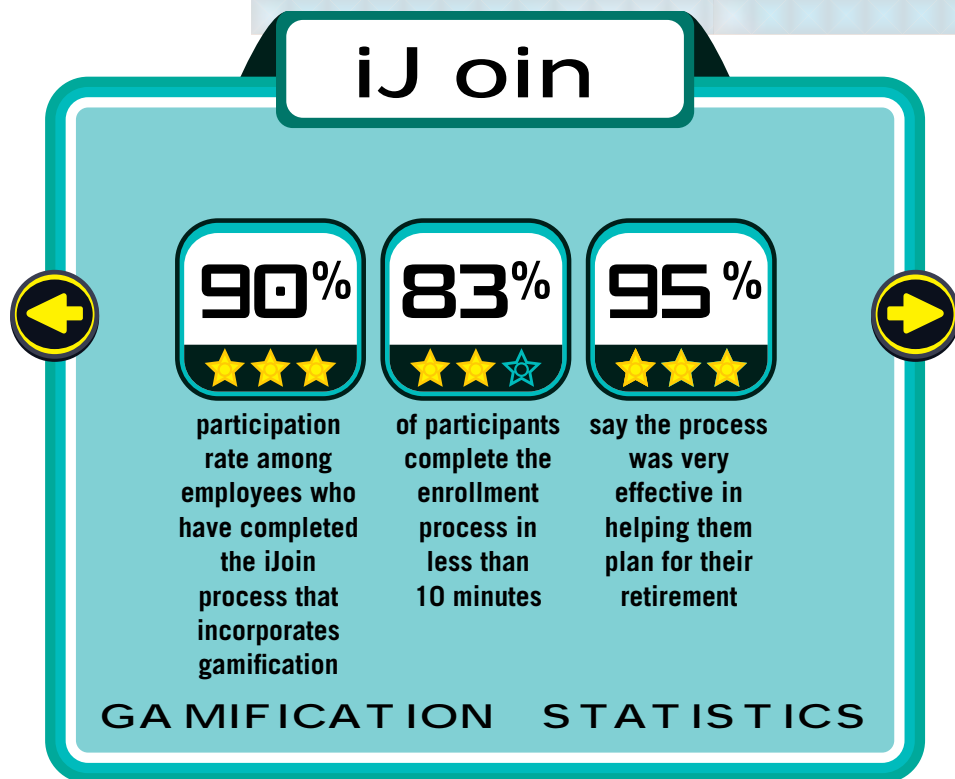
And in November, Sens. Ron Wyden (D-Ore.), Debbie Stabenow (D-Mich.), Ben Cardin (D-Md.) and Sherrod Brown (D-Ohio) sent a letter to Treasury Secretary Jack Lew asking for regulatory action by Treasury that would provide tax incentives to encourage gamification. The letter also asked Treasury to provide an exception to the “contingent benefit” section of the tax code that prohibits 401(k) plans from providing financial incentives to encourage participants to enroll in the plan.

Andrew Remo, NAPA's Congressional Affairs Manager, points out that, “Should the exception be granted, this could allow some gamification techniques with modest financial awards to get employees to participate in the plan.”

### The Bottom Line

Complementing — if not supplanting — traditional ways of recruiting and educating participants with games will better enable employers to address the need to better inform and motivate employees about retirement readiness, Zichermann believes. “Forecasting the future is incredibly difficult for people, and good financial planning requires us to make sacrifices now in order to ensure stability and security later,” he argues. “This tension/dichotomy is behind the lack of adherence to effective retirement planning among employees and individuals. By using gamification, we can help individuals understand the ramifications of their choices, visualize the future in new ways, and understand the various scenarios that result from engagement in retirement planning. In short, gamification can help inform and engage, ultimately raising participation and performance.”

Voya Financial sums up another attractive aspect of gamification: Convenience. They emphasize that a game app provides another means of reaching individuals when and



where they want to engage — such as through their smartphones and other mobile devices. That’s been iJoin’s experience, according to Noble: “We have also learned that a smartphone-carrying employee or consumer can be drawn into a gamified experience at any time, wherever they are.”

Gamification also can save an employer money, since it uses means other than an employer contribution to attract participants, Zichermann notes. “From a pure financial perspective, gamification is the most cost-effective way to engage people and change behavior because it shifts the emphasis from cash to non-tangible rewards. These rewards principally are based on my ‘SAPS’ framework: Status, Access, Power and Stuff — the rewards of gamification. So if we want to drive adherence, performance, mastery, etc., gamification can be a hugely powerful way to make that happen.”

And that’s not the only way it can save an employer money, according to Noble. “With the savings crisis in America, plan sponsors are not immune to the expenses and burden that comes with an aging workforce, which more often than not is due to the participant’s inability to retire confidently.”

### Is it Worth it?

So does gamification work? Here’s what iJoin’s statistics show:

- an average participation rate of more than 90% among employees who have completed the iJoin process that incor-

porates gamification;

- 85% of iJoin’s participants complete the enrollment process in less than 10 minutes;
- 93% say the process was very effective in helping them plan for their retirement;
- 99% of employees said the format and presentation used in gamification enhanced their learning; and
- 100% said they would complete more training in the mobile format.

“Gamification is the most effective way of engaging people and changing behavior that we’ve seen to date,” Zichermann believes. “This is because it combines the three Fs: feedback, friends and fun, to make tasks more compelling and rewarding for users.”

At edu(k)ate, Whitlow reports, “Our employers have seen our gamification platform increase engagement with retirement education for their employees 200% and more above normal plan rates. Using our contest platform to offer prizes to employees for completing retirement readiness tasks, we have seen engagement rates increase 400%-600% based on the demographics of the organization.”

Perhaps Whitlow sums it all up best: “Only time will tell how these practices will get employees closer to retirement readiness, but if history is any indication, I believe these programs will be very successful.”



FEATURE

# Resisting the Path of Least Resistance

Their own behavioral-finance issues can influence sponsors to forgo plan design changes.

BY JUDY WARD



nertia, excessive fear of negative results, prioritizing short-term needs — ahh, the challenges of dealing with plan sponsors on plan design improvements.

When advisors make the argument for implementing design best practices, the dynamics of behavioral finance apply not just to participants but to many plan sponsors in agreeing to make those design enhancements. “We only think about behavioral finance in terms of investors,” says Stephen Horan, a managing director at the CFA Institute. “But the principles are just general biases in all decision-making. The same behavioral factors influence 401(k) sponsors.”

Along with tangible concerns such as costs, the behavioral factors that lead participants astray also can impact sponsors’ willingness to change. “You always have a small segment of plan sponsors who like being ahead of the curve,” says advisor Jim O’Shaughnessy, a Northbrook, Illinois-based managing partner at Sheridan Road. “But with the retirement plan, a lot of companies take the approach of, ‘If it’s not broken, let’s not make any changes.’ The path of least resistance is to do nothing — which is exactly what we’re talking about with participants.”

Let’s hear from some industry experts about how behavioral finance comes into play and how advisors can help.

### Staying with the Pack

Many sponsors want to be in the pack, not in front of it. “A big part of that is the fiduciary concern,” says Bill Karsten, a Chicago-based senior consultant at advisor PlanPilot. “It’s that fear of making a bad decision that could have personal liability consequences for them.”

Some sponsors also have a philosophical issue with more-aggressive plan design, says Brady Dall, senior vice president at Sandy, Utah-based 401k Advisors Intermountain. They worry about taking on too much of a role of Big Brother, he says: “Their big concern is, ‘Why do we need to be their parents?’”

Enter the advisor, with an answer. “It is up to a proactive advisor to make them understand that employees need help,” Dall says. “If an advisor rolls over and plays dead, 90% of companies aren’t going to do anything. If a committee kiboshes it in one meeting, we always say, ‘We want to put it

“A lot of companies take the approach of, ‘If it’s not broken, let’s not make any changes.’ The path of least resistance is to do nothing — which is exactly what we’re talking about with participants.”

*Jim O’Shaughnessy, Sheridan Road*

on the agenda for the next meeting.”

O’Shaughnessy agrees. “A lot of times, it’s how I manage the situation, in not just taking the first ‘No,’” he says. “I may have to take two, three or five ‘No’s’ before they want to move forward.” During that time, he says, he and his Sheridan Road colleagues speak often to the sponsor about optimal plan design. “We’re talking about, ‘This is where we see the industry today, and here is where we see it going in one, three, five or 10 years,’” he says. They talk about it both in terms of regulatory developments and emerging best practices.

Advisors can help by sharing with sponsors industry statistics and client case studies that illustrate the move toward enhanced plan design to improve participant outcomes, says Glenn Dial, head of retirement strategy at Allianz Global Investors in New York City. An advisor also can talk to a sponsor about the reality that if the sponsor does not pursue best-practice design features, that sponsor effectively makes the statement that those do not serve the best interests of that plan’s participants.

“If you look at the decision-making process — and this is a harder conversation to have — many plan sponsors do not realize that by not making a decision, they are making a decision,” Dial says. “There is no neutral position.”

### Framing Decisions

The framework in which sponsors think about plan design changes plays a part in their decisions. “What is the goal of your plan? That is going to decide how you implement these things,” Dial says. “If your goal is to truly be a retirement plan, and for employees to end up replacing a certain percentage of their income, then document that.”

Encourage sponsors to think through their plan goals, and put them in writing. “We push for documented goals,” Dall says. “The goals used to be around having better metrics than the peer group. Now, we focus on one measurement: getting people ready to enjoy their vision of retirement.” Setting that singular goal makes subsequent conversations about plan design simpler, he says.

The intensified focus on fees and value received has helped spur more sponsors to willingly have this discussion, O’Shaughnessy says. “A lot of what we’re trying to put the focus on is: ‘What are the long-term objectives of the plan?’” he says. “That is difficult for them, because they’re being tasked in their day-to-day job to create short-term results, but we find that it’s critical.”

Sheridan Road has found it helpful to schedule a fifth meeting with sponsors each year that focuses more on planning, O’Shaughnessy says. At that meeting, the sponsor and advisor have a more focused, in-depth discussion on improving plan design. At regular quarterly meetings, he says, “In a lot of cases, those discussions are left toward the tail end of the normal review, and there is not enough time to have an adequate discussion.”

### Feeling Inertia

Not only participants suffer from inertia: When it comes to strengthening auto-enrollment features, it often affects sponsors, too. “A lot of people don’t want to be on the leading edge,” Dial says. “They wait for others to do it.”

Many sponsors feel reluctant to boost auto features beyond the automatic enrollment safe-harbor provisions, despite the reality that they aren’t enough to lead to adequate retirement savings. “There’s this concern that they really want to stick to

“If you look at the decision-making process, many plan sponsors do not realize that by not making a decision, they are making a decision. There is no neutral position.”

*Glenn Dial, Allianz Global Investors*

the guidelines,” Karsten says. “They don’t understand that these are the bare-minimum guidelines.”

And many sponsors worry about employee reaction if they go beyond the safe-harbor minimums. “Without trying it, many folks just assume that it won’t work,” Dial says. “We’ve got the silent majority, and then we’ve got the ‘squeaky wheels,’ who tend to make themselves more visible, so their opinions can get weighed more heavily. “Sometimes we let the fringes of the workplace dictate plan design,” he says.

An advisor can explain to sponsors the compelling reason for moving forward. “It’s up to the advisor not to be a pushover,” Dall says. “We constantly reinforce to committees, this [plan design] is the single most powerful way that you can create better outcomes for your employees.”

Troy Hammond, president and CEO of Santa Barbara, California-based advisor Pensionmark Retirement Group, also points to an advisor’s critical role. “We can sit down with the plan sponsor and say, ‘Look, here’s the right thing to do, and you’re almost there. If what you’re really trying to accomplish is to create some financial security for employees at retirement, you have to be more aggressive,’” he says. “I would point the finger at advisors and say, advisors need to step up. They need to show the empirical data and encourage plan sponsors to make changes.”

Pensionmark shares with sponsors data from its previous plan work that illustrates employee reaction to higher auto features. “Whether you auto-enroll people at 3% or 6%, guess what? The same amount of people stay in,” Hammond says. “Whether you auto-increase people at 1% or 2% a year, guess what? The same number of people stay in.”

### Overweighting Backlash Fears

Despite success in automatically enrolling new hires, many sponsors still haven’t done it for non-participating current employees. While budget issues play a role, focusing too much on potential negative participant reactions also explains part of it. Some HR staffers “are afraid that there will be backlash from the ‘squeaky wheels,’ and that is going to create more work and problems for them,” Dial says. Facing a very heavy workload already, he says, “They say, ‘I don’t want to deal with it.’”

Pensionmark uses evidence from reenrollment done at other plan clients to ease sponsors’ worries. “We can change sponsors’ perception of, ‘I don’t want to take money out of peoples’ paychecks,’” Hammond says. “It’s this perception that needs to change. What employees are really thinking is, ‘I want to be in the plan.’ We have found that nine out of 10 [reenrolled] employees thank you. We really don’t get blowback.”

Employers may struggle with feelings that their lower-wage employees already live paycheck to paycheck and can’t afford higher contributions, Karsten says. “When we see that is the main issue, we have to back up and deal with that issue,” he says. That can mean bringing in a third-party organization to provide help and education to participants on budgeting and debt-counseling issues, so that they’ll be better able to save for retirement. “You are not going to get participants to contribute 5% or 10% if they are struggling with debt and just scraping by,” he says.

401k Advisors Intermountain has been experimenting recently with an interesting way to show reluctant sponsor clients the real-life consequences of not doing reenrollment: It runs a mini-simulation of how reenrollment would have affected

the retirement savings of actual employees. “In a committee meeting, we identify three long-time, valued employees from the company’s database. Then we show the committee the difference it would have made to these employees if they would have been automatically enrolled from the start,” Dall says. “We say, ‘Frank hasn’t saved anything. We’ve failed him.’ This is a good tactic, because it brings some emotion to the committee.”

### Prioritizing Short-term Needs

Lenient 401(k) loan features give some participants what they want in the short term at the expense of the retirement savings they need in the long term. “If I had my druthers, you could not borrow money from a 401(k),” Hammond says, adding

“The goals used to be around having better metrics than the peer group. Now, we focus on one measurement: getting people ready to enjoy their vision of retirement.”

*Brady Dall, 401k Advisors Intermountain*

that he has seen participant “loan-aholics” at some plans. Some sponsors agree with him in theory, but they also can remember stressed, cash-strapped employees coming into their office to take a loan. “There’s an emotional component to it,” he says. “When you have the emotional heartstring, it’s a challenge to take that away.”


Advisors can help balance that by illustrating to sponsors the negative impact of their lenient loan provisions, Dall says. To do that, 401k Advisors Intermountain runs a plan-level analysis of what loans have cost participants in terms of lost investment

“We can sit down with the plan sponsor and say, ‘Look, here’s the right thing to do, and you’re almost there.’”

*Troy Hammond, Pensionmark Retirement Group*

returns, negative tax consequences, and the number of defaults.

Few employers will eliminate loans altogether. “For most of our clients, their approach is that the loan provision is important to give participants comfort that if they need access to the money, it is available,” O’Shaughnessy says. “But a lot of clients are willing to go down to allowing no more than one or two loans outstanding at a time. The issue is, what is in the best interests of participants? Do they want participants to have a ton of flexibility with loans?”

Some sponsors who don’t want to limit the number of loans will agree to only allow participants to take money on loan from their own contribution, and not from the employer match, Dall says. “So these employers are saying, ‘We are providing the match specifically for retirement, not just as a cash bonus,’” he says. 

» Judy Ward is a freelance writer who specializes in covering retirement plans.

## OUTCOMES NOT YET ON EMPLOYERS’ RADAR AS SUCCESS MEASURE

While behavioral finance clearly has had an impact on participant outcomes, outcomes don’t seem to be very high on the priority list for plan sponsors.

Asked how they felt their organizations did on several key plan success measures, overall participation rate ranked highest, and was most commonly measured, according to an American Century survey of 310 plan sponsors. Participant outcomes, not so much.

Regarding overall participation rates as a measure, 83% of respondents formally measured overall participation rates. But only 28% of the plan sponsor respondents formally measure how ready employees are for retirement. Still, 5% feel they are doing an excellent job here, 17% a very good job, and 39% a good job. Just 7% say they are doing a poor job, but 10% admit they don’t know.

Nor do plan sponsors appear to be concerned about their accountability for those participant outcomes. Asked about their level of concern that employees might sue if they don’t achieve the results they feel they should, nearly two-thirds (63%) said they were “not concerned.” Only 7% were “very concerned,” and 27% were “somewhat concerned.”

Among the other measures of plan success:

- 81% formally measured the percent of eligible employees taking full advantage of the match.
- 72% formally measure the general contribution rate.
- 68% track the participation rate of NHCEs.
- 61% monitor the percent of employees who contribute the maximum.

Ironically (in view of the success measures), when asked to rank the importance of several corporate goals when it comes to offering a retirement savings plan, “supporting employees’ efforts to have a secure retirement” topped the list. That goal was cited as “extremely important” by 62% of respondents — outpacing the 54% who opted for the traditional “attracting and retaining workers.”

Just 28% said that how ready employees are for retirement is extremely important (though another 47% said that factor was very important). The general contribution rate (24%) and percent of employees who contribute the maximum (17%) were also on the “extremely important” list.



checks to BDs to get access to their advisors. “Vanguard is looking for like-minded advisors,” says Feder. They would rather say no to an advisor representing a plan that is outside their parameters, which means they cannot service it properly. Pricing is based on the services offered, not the relationship with an advisor. Likewise, their wholesalers — whom they call “sales executives” — will see the world the same way that Vanguard does, which gets back to hiring the right people.

With a large base of participants and as one of the few providers whose research is respected, Vanguard is pursuing the concept of “advisor alpha,” showing that advisors can add as much as 3% to participants and are in a strong position to help some, not all, participants.

#### Conclusions

Change cannot be stopped for DC wholesaling, both for record keepers and DCIOs — though in different forms. Tech-

“Most wholesalers are focused on core and elite advisors, but we need support for all segments, especially emerging advisors.”

*Kelly Michel, AIG's Advisor Group*

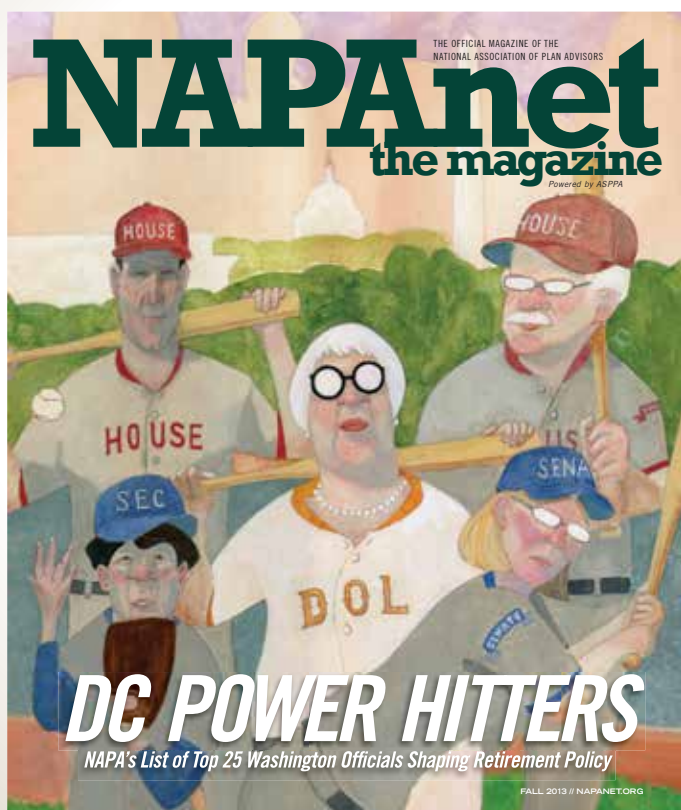
nology and data will highlight those professionals who are really producing results as providers align their interests, incentivizing wholesalers to only sell plans and products that the provider can service and make

money from.

Technology and marketing, with external wholesalers working in concert with internals, marketing and product people as well as key accounts, will benefit the highly productive “star” wholesalers, while mediocre professionals will be ferreted out. These star wholesalers will be able to work longer since less travel will be required via technology that amplifies their voices — and because their better understanding of when an advisor is likely to buy means they do not need to hover.

Value add will be customized not just by advisor segment but by individual advisor, and delivered in training sessions by wholesalers who engage rather than sell or present. And someday, as consolidation heats up, record keepers will get selective about the types of plans and advisors they work with — which means they need to hire the right types of wholesalers with a proper mix of internal, marketing and strategic resources. **N**

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# NAPA PARTNER CORNER

The NAPA Partner Corner connects plan advisors with leading record keepers and DC Investment Only (DCIO) firms, highlighting their services, resources and positioning in the market, as well as business metrics and contact information for their sales and support people. Currently, only NAPA Firm Partners at a certain membership level have the opportunity to publish a basic (one-third page) or enhanced (full page) listing in the Partner Corner. The same information that is provided in the pages that follow is also available in enhanced online form on NAPA Net, at <http://www.napa-net.org/>.



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Business Metrics	
<a href="http://www.americancentury.com">www.americancentury.com</a>	
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 <sup>SM</sup> 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 <sup>SM</sup> Target Date Portfolios	American Century Strategic Allocation
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# BNY MELLON

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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.

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\*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](http://www.bnymellon.com/investorrelations/creditratings.com).

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  - 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

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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)

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- Zero revenue share institutional mutual fund share classes
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- 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](mailto:margaret.massaro@bnymellon.com);  
**Caitlin Loesch, 212.922.5243,**  
[caitlin.loesch@bnymellon.com](mailto:caitlin.loesch@bnymellon.com)

Business Metrics	
<a href="http://www.bnymellonretirement.com">www.bnymellonretirement.com</a> , <a href="http://www.dreyfus.com">www.dreyfus.com</a>	
Number of external wholesalers:	
DC:	5
DC AUM:	\$37 Billion
Total Firm AUM:	\$1.5 Trillion
Investments:	<ul style="list-style-type: none"> <li>Retail Mutual Funds</li> <li>Zero Revenue Share Institutional Mutual Fund Share Classes</li> <li>ERISA Qualified Bank Collective Funds - multiple share classes with and without revenue share</li> <li>Institutional Separate Accounts</li> <li>Customized Approaches</li> </ul>
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

It is the mission of CUNA Mutual Retirement Solutions to recognize the powerful human story of the service and accomplishments of hard-working Americans, and partner with retirement financial advisors to help them meet their challenge in achieving a secure retirement. To do this, CUNA Mutual Retirement Solutions provides an array of practical retirement solutions that deliver the personal attention, customer-focused resources and guidance needed to help real people save for the future and live retirement on their terms. CUNA Mutual Retirement Solutions offers record-keeping and plan administration services needed by organizations in order to simplify plan management and help ensure participants' success.

Services provided by CUNA Mutual Retirement Solutions include plan design, plan conversion, investment management, compliance testing, reporting, legislative updates, distribution services, audit and fiduciary support, and plan health reports.

CUNA Mutual Retirement Solutions has created a new focus on participant outcomes, emphasizing the retirement aspirations of hard-working Americans nationwide and reinforcing the value of our expertise.

At the center of its outcome-focused approach is a comprehensive educational platform. When it comes to adequately saving for the future, many plan participants need some form of guidance or other educational assistance. That's why CUNA Mutual Retirement Solutions equips them with the right knowledge and tools to help them set and stay on target with their goals.

The company's tools, products, expertise and resources are geared toward improving retirement outcomes for its target market. This includes new retirement plan offerings that are designed for flexibility for plan sponsors, as well as an online participant tool set, known as RetireOnTarget®.

RetireOnTarget is an online tool that makes it easier for participants to make informed investment decisions and create a targeted plan for a secure retirement.

At CUNA Mutual Retirement Solutions, a strong financial foundation is behind every product and service. It means that a relationship with them is one backed by their straightforward service satisfaction guarantees.

In 2009, CPI Qualified Plan Consultants was acquired by CUNA Mutual Group, and is now part of CUNA Mutual Retirement Solutions. Paul Chong, senior vice president of retirement plan services for CUNA Mutual Group, the parent company, stated in a March 2014 news release that the arrangement helps realign the overall purpose of the company to support small-market clients' retirement outcomes.

CUNA Mutual Group continues to serve the financial needs of credit unions and their members, including the provision of qualified and non-qualified retirement plans for credit union employees.

CUNA Mutual Retirement Solutions is building on the reputation of its parent company within the small-plan market, focusing on business with plans with 100 or fewer employees. The new focus drives collaboration between CUNA Mutual Retirement Solutions and financial advisers to help small business owners and their employees achieve retirement readiness.

CUNA Mutual Retirement Solutions has consistently ranked as a top performer in the annual Boston Research Defined Contribution Plan Sponsor & Loyalty study (Boston Research Group, 2013 DCP Plan Sponsor Satisfaction & Loyalty Study for Plans with assets up to \$5 million). Some of the notable attributes outlined in the study include: offering innovative solutions to difficult problems; easy to do business with; and effective in helping participants reach their financial goals for retirement.

### About CUNA Mutual Group

CUNA Mutual Group has been identified as one of the world's most ethical companies, according to Ethisphere Institute, an international organization that rates companies' business ethics and corporate social responsibility. The methodology for the World's Most Ethical Companies includes reviewing codes of ethics, litigation and regulatory infraction histories, evaluating the investment in innovation and sustainable business practices, looking at activities designed to improve corporate citizenship, and studying nominations from senior executives, industry peers, suppliers and customers.

More information on CUNA Mutual Retirement Solutions is available at <http://www.cunamutuals.com>.

Securities distributed by CUNA Brokerage Services, Inc., member FINRA/SIPC, a registered broker dealer.

CUNA Mutual Retirement Solutions is the marketing name for CPI Qualified Plan Consultants, Inc. a member company of CUNA Mutual Group. CUNA Mutual Group is the marketing name for CUNA Mutual Holding Company, a mutual insurance holding company, its subsidiaries and affiliates. Life, accident, health and annuity insurance products are issued by CMFG Life Insurance Company. Each insurer is solely responsible for the financial obligations under the policies and contracts it issues. Corporate headquarters are located in Madison, Wisconsin.

CMRS-917348.1-0514-0616

### Key Contacts:

To talk to a CUNA Mutual Retirement Solutions representative, please call us at 800.491.7859, or email us at [intermediarysolutions@cunamutual.com](mailto:intermediarysolutions@cunamutual.com).

Website: [www.cunamutuals.com](http://www.cunamutuals.com)

## Business Metrics

[www.cpiqpc.com](http://www.cpiqpc.com)

Number of external wholesalers:

25

DC AUM:

Total: \$13 Billion

Retirement AUM:

\$17.8 Billion

Total AUM:

\$17.8 Billion

DC Plan UM:

6,100

Retirement Plans UM:

6,900

DC Participants UM:

307,000

Retirement Participants UM:

338,000

Asset Allocation Funds:

TDF Proprietary/Outside: Outside

TDRisk Proprietary/Outside: Outside

Custom Glide Path: No

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

Both

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

Advisor

Primary Market(s) Served:

Micro (<\$1 million): Yes, but not primary

Small (\$1-\$10 million): Yes, primary

Mid (\$10-\$100 million): Yes, but not primary

Large (\$100-\$250 million): Yes, but not primary

Mega (+\$250 million): Yes, but not primary

Plan Type(s):

DC

DB

457

IRA

Cash Balance

Money Purchase

Tax Exempt

Fiduciary Services Offered:

3(21)

3(38)

3(16) (Same Plan Types)





(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	
<a href="http://www.advisor.fidelity.com/dcio">www.advisor.fidelity.com/dcio</a>	
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 final 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](http://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

SMA's

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	
<a href="http://www.jhinvestments.com">www.jhinvestments.com</a>	
Number of external wholesalers:	
DC: 7 Retail: 70	
DC AUM:	
Total: \$7.5 Billion	
Total AUM:	
\$75 Billion	
Investments:	
Mutual Funds	
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](http://www.jhrps.com).  
(For plans domiciled in New York, visit [www.jhrps.com/ny](http://www.jhrps.com/ny).)

**Key Contacts:**

Sales: 1.877.346.8378

**Business Metrics**

[www.jhrps.com](http://www.jhrps.com), [www.jhrps.com/ny](http://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:	
Total:	\$92 Billion
Total AUM:	
Total:	\$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](http://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



**OppenheimerFunds®**  
The Right Way to Invest

**Firm Profile**

Known for its tagline, “The Right Way to Invest,” OppenheimerFunds is one of the largest and most respected investment management companies. As of June 30, 2014, OppenheimerFunds, including subsidiaries, managed more than \$249 billion in assets, including mutual funds having approximately 13 million shareholder accounts, including sub-accounts.

OppenheimerFunds’ Retirement Consultants work with you to embrace the many changes and trends in today’s DC plan environment. Our technical expertise and practical retirement experience, coupled with OppenheimerFunds’ five decades of investment excellence as a renowned investment manager, allow us to offer ideas beneficial to your practice. This includes new ways of thinking about plan design, and ideas about niche products and asset classes not often seen in the DC marketplace.

Through the lens of a unique perspective shaped by our expertise in both plan design and investment strategies, we help financial advisors develop tactics to seize opportunities in this market. Our goal is to work with you as a consultative partner on the many facets of your retirement business.

*Shares of Oppenheimer funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency and involve investment risks, including the possible loss of the principal amount invested.*

*Before investing in any of the Oppenheimer funds, investors should carefully consider a fund’s investment objectives, risks, charges and expenses. Fund prospectuses and summary prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, visiting [oppenheimerfunds.com](http://oppenheimerfunds.com), or calling 1.800.525.7048. Read prospectuses and summary prospectuses carefully before investing.*

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RPL0000.216 August, 2014

**Key Contacts:**

**National Retirement Sales Director – West: Clint Modler,  
303.378.4644**

**National Retirement Sales Director – East: Paul Temple,  
212.323.5119**

Business Metrics	
<a href="http://www.oppenheimerfunds.com">www.oppenheimerfunds.com</a>	
Advisor Support:	
External senior retirement consultants: 12	
Internal regional retirement consultants: 6	
Total Retirement AUM:	
\$104 billion*	
DCIO AUM:	
\$35 billion*	
Total OFI AUM:	
\$249 billion*	
Top Five OFI DCIO Funds:	
Oppenheimer Developing Markets Fund	
Oppenheimer International Growth Fund	
Oppenheimer Global Fund	
Oppenheimer International Bond Fund	
Oppenheimer Main Street Mid-Cap Fund	
*As of 6/30/2014	

## 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 \$64 billion, as of December 31, 2014. 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 (THOFX)

### 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](http://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

SMA's

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](http://trsretire.com)

**Key Contacts:**

Sales: 888.401.5826

Business Metrics	
<a href="http://www.trretire.com">www.trretire.com</a>	
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:	<ul style="list-style-type: none"> <li>• Micro (&lt;\$1 million)</li> <li>• Small (\$1-\$10 million)</li> <li>• Mid (\$10-\$100 million)</li> <li>• Large (\$100-\$250 million)</li> <li>• Mega (+\$250 million)</li> </ul>
Plan Type(s):	DC, DB, Non-ERISA 403(b), 457, Taft Hartley, Non Qualified, IRA
Fiduciary Services Offered:	3(21) 3(38)

## Alliance Benefit Group, LLC (RK)

### Key Contacts:

Don Mackanos, 904-610-4058,  
don.mackanos@abgnational.com  
Sales: sales@abgnational.com

### Business Metrics

[www.abgnational.com](http://www.abgnational.com)

Number of external wholesalers:

105

Total AUM:

\$56 Billion

Retirement Plans UM:

16,000

Retirement Participants UM:

1.1 Million

Asset Allocation Funds:

TDF: Proprietary/Outside

Target Risk

Custom Glide Path

Service Models (Bundled/unbundled/both):

Both

Distribution Models (advisor/direct/both):

Both

Primary Market(s) Served:

Micro (<\$1 Million)

Small (\$1-\$10 Million)

Mid (\$10-\$100 Million)

Large (\$100-\$250 Million)

Plan Type(s):

DC

DB

Non-ERISA 403(b)

457

Taft Hartley

Non-qualified

IRA

Fiduciary Services Offered

3(21)

3(38)

3(16)

## 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](http://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

## AIG VALIC

### Key Contacts:

Sales and Service:  
John Malcom, Vice President, Qualified Plans Distribution  
973-701-9208  
John.Malcom@VALIC.com

### Business Metrics

[www.valic.com/IA](http://www.valic.com/IA)

Number of external wholesalers:

9

DC AUM:

\$66,701,916,802

Retirement AUM:

\$19,503,934,471 (other than DC Plans)

Total AUM:

\$86,705,851,273

DC Plans UM:

30,828

Retirement Plans UM (Other than DC):

7,365

DC Participants UM:

Approx. 2,000,000

Retirement Participants UM:

Approx. 2,000,000

Asset Allocation Funds:

TDF: Proprietary/Outside (list)

TDRisk: Proprietary/Outside (list)

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

Both

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

Both

Primary Market(s) Served

Small (\$1-\$10 million)

Mid (\$10-\$100 million)

Large (\$100-\$250 million)

Mega (+\$250 million)

Plan Type(s)

DC

DB via 3rd Party Alliance

Non-Erisa 403(b)

457

Taft Hartley

Non Qualified

IRA

Fiduciary Services Offered

3(21)

3(38)

3(16)

## AB

### Key Contacts:

Sales/Service: AB Retirement Sales Desk  
800-243-6812

### Business Metrics

[www.abglobal.com](http://www.abglobal.com)

Number of external wholesalers:

DC: 6

Retail: 50

DC AUM:

Total: \$37.4B as of 12/31/14

Investments:

Mutual Funds

Collective Trusts

SMA's

Fixed Income

Bonds

Asset Allocation Funds:

TDF: Through

Target Risk

Passive/Active/Both:

Both

Capital Preservation Funds

Money Market

Top 5 Funds by DC Assets:

Target Date:	Discovery Value: \$939 Million
High Income: \$639 Million	Global Bond: \$536 Million
Discovery Growth: \$316 Million	

## Allianz Investors

### Key Contacts:

Sales/Service:  
Forrest Wilson, Director, Head of Retirement Sales  
Forrest.Wilson@allianzgi.com, 917.828.6926  
Kilie Donahue, Vice President, Manager,  
Internal Retirement Consulting Team,  
Kilie.Donahue@allianzgi.com, 212.739.4278

### Business Metrics

[www.allianzinvestors.com](http://www.allianzinvestors.com)

Number of external wholesalers:

DC: 5

Retail: 25

DC AUM:

Total: \$12.5 Billion

Non-IRA Retirement AUM:

\$12.5 Billion

Total AUM:

\$52.1 Billion

Investments:

Mutual Funds

Group Annuity

Collective Trusts

SMA's

Fixed Income

Bonds

Asset Allocation Funds:

TDF (To/Through/Both): To

Target Risk

Managed Accounts

Passive/Active/Both:

Active

Top 5 Funds by DC Assets :

(with asset total & last year new flow)

NFJ Small-Cap Value: \$1,274,557,255	NFJ International Value \$327,564,212
NFJ Dividend Value: \$911,333,611	Retirement Funds: \$218,266,602
Technology Fund: \$150,622,255	

## 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](http://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

SMA's

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:

Brendan Mahoney, 800-421-9535  
 Brendan\_Mahoney@capgroup.com

### Business Metrics

[www.americanfunds.com/advisor](http://www.americanfunds.com/advisor)

Number of external wholesalers:

Retail: 102  
 Retirement: 37  
 Institutional: 7

DC AUM:

Total: \$220 Billion

Retirement AUM:

\$789 Billion

Total AUM:

\$1.3 Trillion

DC Plans UM:

40,212 as of 10/31/2014

Retirement Plans UM:

40,212 as of 10/31/2014

DC Participants UM:

934,182 as of 10/31/2014

Retirement Participants UM:

934,182 as of 10/31/2014

Asset Allocation Funds:

TDF Proprietary/Outside: Proprietary  
 TDRisk Proprietary/Outside: Proprietary

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)

Plan Type(s):

DC  
 Non Qualified  
 IRA

Fiduciary Services Offered:

3(21)  
 3(38)

## Ameritas

### Key Contacts:

Sales and Service: National Sales Desk  
 800-923-2732, rpsales@ameritas.com

### Business Metrics

[www.ameritas.com](http://www.ameritas.com)

Number of external wholesalers:

Retail: 7

DC AUM:

\$3.46 Billion

Retirement AUM:

\$1.2 Billion

Total AUM:

\$4.67 Billion

DC Plans UM:

2,738

Retirement Plans UM:

377

DC Participants UM:

63,957

Retirement Participants UM:

8,124

Asset Allocation Funds:

TDF Proprietary/Outside:

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)

Plan Type(s):

DC  
 DB  
 Taft Hartley  
 IRA

Fiduciary Services Offered:

3(21)  
 3(38)

## Ascensus

### Key Contacts:

Anthony Bologna, VP, National Sales Director  
 257-549-5187, Anthony.bologna@ascensus.com  
 Karen Watt, VP, Internal Sales Support  
 215-648-5187, Karen.watt@ascensus.com

### Business Metrics

[www.ascensus.com](http://www.ascensus.com)

Number of external/internal wholesalers:

Retail: 14

DC AUM:

\$50 Billion

Retirement AUM:

\$50 Billion

Total AUM:

\$120 Billion (including College Savings division)

DC Plans UM:

40,000+

Retirement Plans UM:

40,000+

DC Participants UM:

1.75 Million

Retirement Participants UM:

1.75 Million

Asset Allocation Funds:

TDF

TDRisk

15,000 Available Investments

Custom Glide Path

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)

Plan Type(s):

DC  
 DB  
 IRA

Fiduciary Services Offered:

3(21)  
 3(38)

## Aspire Financial Services (RK)

### Key Contacts:

Sales: Pete Kirtland 813-517-0561,  
pete.kirtland@aspireonline.com  
Mark Luckinbill 919-279-0514,  
mark.luckinbill@aspireonline.com  
Service: Mark Agustin 813-517-0582,  
mark.agustin@aspireonline.com

Business Metrics	
www.AspireOnline.com	
Number of external wholesalers:	5
DC AUM:	Total: \$7,675.1 M
Retirement AUM:	\$342 M
Total AUM:	\$8,016.6 M
DC Plans UM:	6,748
Retirement Plans UM:	34
DC Participants UM:	158,510
Retirement Participants UM:	4,209
Service Models (bundled/unbundled/both)	Both
Distribution Models (advisor/direct/both)	Both
Primary Market(s) Served:	Micro (<\$1 Million) Small (\$1-\$10 Million) Mid (\$10-\$100 Million)
Plan Type(s):	DC DB Non-ERISA 403(b) 457 IRA
Fiduciary Services Offered:	None

## BlackRock (DCIO)

### Key Contacts:

Sales: Dick Darian, Head of DC Advisor-Sold Distribution,  
551-697-1165, richard.darian@blackrock.com

Business Metrics	
www.blackrock.com/dc	
Number of external wholesalers:	DC: 17 Retail: 148
DC AUM:	Total: \$4.65 Trillion with \$594 Billion in DC Assets*
Investments:	Mutual Funds Collective Trusts SMAs Fixed Income
Asset Allocation Funds:	TDF: To Target Risk Managed Accounts
Capital Preservation Funds:	Money Market
Top 5 DC Funds	BlackRock LifePath Target Date Funds BlackRock Index Funds BlackRock Total Return Fund BlackRock Global Allocation Fund BlackRock Equity Dividend Fund

\*As of 12/31/14

## Cohen & Steers (DCIO)

### Key Contacts:

Sales and Service: Matthew Gannon, 212-478-4453

Business Metrics	
www.cohenandsteers.com	
Number of external wholesalers:	Retail: 10
Investments:	Mutual Funds Collective Trusts SMAs

## Columbia Management

### Key Contacts:

Sales: Joseph Feloney, National Sales Manager, Investment Only, 617-912-2230, joseph.feloney@columbiamanagement.com

Service: Martin Courage, Divisional Sales Director-Investment Only, 617-912-2223

martin.courage@columbiamanagement.com

### Business Metrics

www.columbiamanagement.com

Number of external wholesalers:

DC: 8

Retail: 64

Number of internal wholesalers:

DC: 5

Retail: 56

Number of National Account Managers:

5

DC AUM:

\$32.2 Billion\*

Total AUM:

\$361 Billion\*

Investments:

Mutual Funds

Collective Trusts

SMA's

Variable Portfolios

Fixed Income

Asset Allocation Funds:

Target Risk

Managed Accounts

Passive/Active

Passive and Active

Capital Preservation Funds

Stable Value

Money Market

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

Columbia Dividend Income Fund

Columbia Mid Cap Value Fund

Columbia Contrarian Core

Columbia Acorn Fund & Columbia Acorn International

Columbia Index Funds (Small, Mid & Large Cap)

\*As of 12/31/14

## DailyAccess Corp.

### Key Contacts:

888-535-4322

sales@dailyaccess.com

### Business Metrics

www.dailyaccess.com

Number of external wholesalers:

DC: 8

DC AUM:

Total: \$7.5 Billion

Retirement AUM:

\$7.5 Billion

Total AUM:

\$7.5 Billion

DC Plans UM:

1,265

Retirement Plans UM:

1,265

DC Participants UM:

132,000

Retirement Participants UM:

132,000

Asset Allocation Funds:

TDF Proprietary — Custom InterServ Model Asset Portfolios/Outside — 1325 TDFs

TDRisk Custom InterServ Model Asset Portfolios/Unable to determine if any of the 1325 TDFs are risk adjusted

Custom Glide Path — Custom InterServ Model Asset Portfolios/Unable to determine if any of the 1,325 TDFs incorporate custom glide paths

Service Model(s):

Unbundled

Distribution Model(s):

Advisor

Primary Market(s) Served:

Micro (<\$1 Million): Exception

Small (\$1-\$10 Million)

Mid (\$10 - \$100 Million)

Plan Type(s):

DC

DB

457

Taft Hartley

Non Qualified

Fiduciary Services Offered:

3(21)

3(38)

3(16): Not in-house; third party availability

## Eagle Asset Management

### Key Contacts:

Sales: Raniero Gimeno, SVP, National Director of DCIO Sales, ran.gimeno@eagleasset.com, 727-249-3546

Service: Internal Sales Desk, 727-573-3870

### Business Metrics

www.eagleasset.com

Number of external wholesalers:

DC: 2

Retail: 20

DC AUM:

New 2013: Nearly \$1 Billion

Total AUM:

\$31.2 Billion (as of 9/30/14)

Investments

Mutual Funds

Collective Trusts

SMA's

Fixed Income

Passive/Active/Both

Active

Top 5 Funds by DC Assets

(with asset total & last year new flow):

Eagle Small Cap Growth Fund

Eagle Mid Cap Growth Fund

Eagle Smaller Company Fund

Eagle Growth and Income Fund

Eagle Capital Appreciation Fund

## Federated Investors, Inc.

### Key Contacts:

Sales: Bryan Burke, SVP, National Sales Manager Retirement/Insurance, 412.491.1066, bburke@federatedinv.com

Service: Wally Jones, Platform Specialist, 412.720.8567 wjones@federatedinv.com

Jason Kessler, Platform Specialist, 724.720.8503 jkessler@federatedinv.com

### Business Metrics

[www.federatedinvestors.com](http://www.federatedinvestors.com)

Number of external wholesalers:

DC: 8

Retail: 57

DC AUM:

Total: \$40 Billion as of 9/30/14

New 2014: Approx. \$6 Billion

Non-IRA Retirement AUM:

\$45 Billion as of 9/30/14

Total AUM:

\$350 Billion as of 9/30/14

Investments:

Mutual Funds

Collective Trusts

SMA's

Fixed Income

Bonds

Passive/Active/Both

Both

Capital Preservation Funds:

Stable Value

Money Market

GICs

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

Capital Preservation Fund

Strategic Value Dividend Fund

Federated Total Return Bond Fund

Federated Kaufmann Fund

Federated Institutional High Yield Bond Fund

## Fidelity Investments (RK)

### Key Contacts:

Sales: 800.684.5254, option 1

Service: 866.444.4015

### Business Metrics

[www.Fidelity.com](http://www.Fidelity.com), [www.Advisor.Fidelity.com](http://www.Advisor.Fidelity.com)

Number of external wholesalers:

38

Retirement AUM:

Total: \$1.2 Billion

DC Plans AUM:

22,660

DC Participants 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

## Goldman Sachs Asset Management (DCIO)

### Key Contacts:

Sales: David A. Solomon, (212)-902-2409, David.A.Solomon@gs.com

Service: Jim Waters, (312)-655-5882, James.Waters@gs.com

### Business Metrics

[www.GSAMFunds.com](http://www.GSAMFunds.com)

Number of external wholesalers:

DC: 6

Retail: 70+

DC AUM:

Total: \$76.9 Billion

Total AUM:

\$999.2 Billion

Investments:

Mutual Funds

Collective Trusts

SMA's

Passive/Active/Both:

Both

Capital Preservation Funds

Stable Value

Money Market

Top 5 Funds by DC Assets

GS Mid Cap Value Fund: \$6,403 million

GS Small Cap Value Fund: \$4,390 million

GS Growth Opportunities Fund: \$4,390 million

GS Strategic Income Fund: \$611 million

GS Financial Square Money Market Fund: \$568 million

## Guardian Retirement (RK)

### Key Contacts:

Steve Davis, 643-753-2647, [stephen\\_j\\_davis@glic.com](mailto:stephen_j_davis@glic.com)  
 Sales and Service: 866-390-7268 (option #2)  
[401ksalesdesk@glic.com](mailto:401ksalesdesk@glic.com)

### Business Metrics

[401k.GuardianLife.com](http://401k.GuardianLife.com)

Number of external wholesalers:
21
DC AUM:
\$3.0 Billion
Retirement AUM:
\$14.7 Billion
Total AUM:
\$14.7 Billion
DC Plans UM:
2,741
Retirement Plans UM:
2,741
DC Participants UM:
72,307
Retirement Participants UM:
72,307
Asset Allocation Funds:
TDFs: From T. Rowe Price, American Century and Vanguard
TDRisk: Vanguard Lifestyle Funds in The Guardian Choice® and MFS Funds in The Guardian Advantage®
Custom Glide Path: We offer Managed Account Services with custom glide paths through Stadion Management, LLC.
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)
Plan Type(s):
DC
DB
Taft Hartley
Fiduciary Services Offered
3(21)
3(38)

## JP Morgan Asset Management (DCIO)

### Key Contacts:

Sales: Mike Miller, (727) 204-7825  
[Michael.d.miller2@jpmorgan.com](mailto:Michael.d.miller2@jpmorgan.com)  
 Service: Dan Dean, (212) 648-1980  
[daniel.a.dean@jpmorgan.com](mailto:daniel.a.dean@jpmorgan.com)

### Business Metrics

[www.jpmorganfunds.com/retirement](http://www.jpmorganfunds.com/retirement)

Number of external wholesalers:	
DC: 9	
Retail: 92	
DC AUM:	
Total: \$133 Billion (as of 9/30/14)	
New 2013: \$109,119	
Total AUM:	
\$1.557 Trillion (as of 9/30/14)	
Investments:	
Mutual Funds	
Collective Trusts	
SMA's	
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 (total and last year)	
JPMorgan Smartretirement: \$26.5 Billion \$11.9 Billion	JPMorgan Mid Cap Value Fund: \$15.2 Billion \$5.9 Billion
JPMorgan Large Cap Growth Fund: \$14.9 Billion \$5.0 Billion	JPMorgan Core Bond Fund: \$25.0 Billion \$2.7 Billion
JPMorgan US Equity Fund: \$11.1 Billion \$2.0 Billion	

## July Business Services (RK)

### Key Contacts:

Sales: Blake Willis, Chief Consulting Officer  
 888-333-5859 x105, [bwillis@julyservices.com](mailto:bwillis@julyservices.com)  
 Adam Barker, Director of Strategic Relationships  
 210-861-5507, [abarker@julyservices.com](mailto:abarker@julyservices.com)  
 Service: Michelle LeCates, Vice President of Client Services, 888-333-5859 x188, [mlecatess@julyservices.com](mailto:mlecatess@julyservices.com)  
 Heather Stewart, Vice President of Plan Services, 888-333-5859 x136

### Business Metrics

[www.julyservices.com](http://www.julyservices.com)

Number of external wholesalers:
6
DC AUM:
\$2.34 Billion
Retirement AUM:
\$2.43 Billion
Total AUM:
\$2.43 Billion
DC Plans UM:
2,900+
Retirement Plans UM:
3,100+
DC Participants UM:
83,000+
Retirement Participants UM:
86,000+
Asset Allocation Funds:
TDF: Outside — open investment architecture
TD Risk: Outside — open investment architecture
Custom Glide Path: open investment architecture
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)
Plan Type(s):
DC
DB
Non-ERISA 403(b)
Fiduciary Services Offered
3(21) via strategic partnerships
3(38) via strategic partnerships
3(16) via strategic partnerships



## MFS

### Key Contacts:

Ryan Mullen, Senior Managing Director,  
National Sales, 617.954.6914, rmullen@mfs.com

Todd Leszczynski, Managing Director,  
512.417.5393, tleszczynski@mfs.com

Business Metrics	
www.mfs.com	
Number of external wholesalers:	
DC: 9	
Retail: 86	
DC AUM:	
Total: \$34 Billion	
New 2013: \$30 Billion	
Total AUM:	
\$429.5 Billion (as of 10/31/14)	
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 \$10.1 Billion, \$8.6 Billion	MFS Asset Allocation Funds \$3.2 Billion, \$3.6 Billion
MFS International Value \$3.1 Billion, \$1.8 Billion	Massachusetts Investors Growth \$2.6 Billion, \$1.9 Billion
MFS International Equity \$2.6 Billion, \$1.9 Billion	

## Milliman (RK)

### Key Contacts:

Sales: Gerald Erickson, 952-820-2401,  
gerald.erickson@milliman.com

Service: Laura Van Domelen, 303-672-9050,  
laura.vandomelen@milliman.com

Business Metrics	
www.milliman.com	
DC AUM:	
\$27 Billion	
Retirement AUM:	
\$71 Billion	
Total AUM:	
\$161 Billion	
DC Plans UM	
831	
Retirement Plans UM	
1,059	
DC Participants UM	
647,804	
Retirement Participants UM:	
1,876,614	
Asset Allocation Funds	
TDF: Outside	
TD Risk: Proprietary	
Custom Glide Path	
Service Model(s) (bundled/unbundled/both):	
Both	
Distribution Model(s) (advisor/direct/both)	
Both	
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)	
3(38)	

## Mutual of Omaha

### Key Contacts:

Sales: Pat Bello, 215-962-1279,  
patrick.bello@mutualofomaha.com

Services: Patty Hutchinson, 402-351-6495,  
patty.hutchinson@mutualofomaha.com

Business Metrics	
www.getretirementright.com	
Number of external wholesalers:	
25	
DC AUM:	
\$3.4 Billion	
Retirement AUM:	
\$69,560,000	
Total AUM:	
\$3,405,000	
DC Plans UM:	
42,544	
Retirement Plans UM:	
1,012,065	
DC Participants UM	
647,804	
Retirement Participants UM:	
1,876,614	
Asset Allocation Funds	
TDF: Outside Vanguard, GlidePath Retirement Services	
Service Model(s) (bundled/unbundled/both):	
Both	
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	
DB	
Fiduciary Services Offered	
3(21)	
3(38)	
3(16)	

## Nationwide Financial (RK)

### Key Contacts:

Sales and Service: National Sales Desk, 1-800-626-3112

### Business Metrics

[www.nationwide.com](http://www.nationwide.com)

#### Number of External Wholesalers

43

#### DC AUM:

\$94.6 Billion

#### Retirement AUM:

\$95.7 Billion

#### DC Plans UM

28,295

#### Retirement Plans UM

28,950

#### DC Participants UM

\$2,037,602

#### Retirement Participants UM:

2,039,789

#### Asset Allocation Funds

TDF: Proprietary and outside from multiple fund families, e.g., Vanguard, American Funds, T. Rowe Price

TD Risk: Proprietary and outside from multiple fund families, e.g., Vanguard, American Funds, T. Rowe Price

#### 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)

#### Plan Type(s)

DC

DB

Non-ERISA 403(b)

457

Taft Hartley

Non-Qualified

#### Fiduciary Services Offered

3(21)

3(38)

3(16)

## Nuveen (DCIO)

### Key Contacts:

#### Sales:

Brian Brummell, 949-440-4815, [brian.brummell@nuveen.com](mailto:brian.brummell@nuveen.com)

Paul Redden, 937-643-3005, [paul.redden@nuveen.com](mailto:paul.redden@nuveen.com)

Neal Smith, 312-917-7991, [neal.smith@nuveen.com](mailto:neal.smith@nuveen.com)

Jacklyn King, 312-917-9798, [Jacklyn.king@nuveen.com](mailto:Jacklyn.king@nuveen.com)

#### National Accounts:

Chris Fitzgerald, 312-917-7768, [christopher.fitzgerald@nuveen.com](mailto:christopher.fitzgerald@nuveen.com)

James Folwell, 508-660-1605, [james.folwell@nuveen.com](mailto:james.folwell@nuveen.com)

Anders Smith, 312-917-6904, [anders.smith@nuveen.com](mailto:anders.smith@nuveen.com)

### Business Metrics

[www.nuveen.com/401Kollege](http://www.nuveen.com/401Kollege)

#### Number of External Wholesalers

DC: 4

Retail: 54

#### DC AUM:

Total: \$13 Billion

New 2013: \$2 Billion

#### Total AUM:

\$850 Billion

#### Investments:

Mutual Funds

Collective Trusts

SMAs

Fixed Income

Target Risk

Managed Accounts

Bonds

#### Passive/Active/Both:

Both

#### Top 5 Funds by DC Assets

Real Estate Securities \$5,050M/\$350M

Winslow Large Cap Growth \$1,188.2/\$70M

Mid Cap Growth Opportunities \$1,291M/\$135M

Mid Cap Index \$665M/\$58M

Dividend Value \$1,730/\$54M

## OneAmerica

### Key Contacts:

Brandon Kaboski, Vice President, National Accounts  
609-838-9085, [brandon.kaboski@oneamerica.com](mailto:brandon.kaboski@oneamerica.com)

Sales and Service: National Sales Desk:  
1.866.313.7355,

[nationalsales.rs@oneamerica.com](mailto:nationalsales.rs@oneamerica.com)

### Business Metrics

[www.oneamerica.com](http://www.oneamerica.com)

#### Number of external wholesalers:

25

#### DC AUM:

\$28.3 Billion

#### Retirement AUM:

\$32.2 Billion

#### Total AUM:

\$32.2 Billion

#### DC Plans UM:

9,800

#### Retirement Plans UM:

10,000

#### DC Participants UM:

600,000

#### Retirement Participants UM:

700,000

#### Asset Allocation Funds:

TDF Proprietary/Outside: Outside (Alliance Bernstein, Allianz, American Century, BlackRock, Fidelity, Russell, T. Rowe Price, and TIAA-CREF)

TDRisk Proprietary/Outside: Outside (American Century, Manning & Napier, MFS, Russell, Mesirow, OnePath Portfolios)

#### Custom Glide Path

#### 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

Non Qualified

IRA

#### Fiduciary Services Offered:

3(21)

3(38)

## Pioneer Investments

### Key Contacts:

Sales: Chris Laucks, 617-422-4637,  
 chris.laucks@pioneerinvestments.com  
 Service: Brandi Kinsman, 617-422-4718  
 brandi.kinsman@pioneerinvestments.com

Business Metrics	
us.pioneerinvestments.com	
Number of external wholesalers:	
DC: 5	
Retail: 48	
DC AUM:	
Total (YTD as of 11/30/14): \$3.1 Billion	
New 2014 (YTD as of 11/30/14): \$1.5 Billion	
Non-IRA Retirement AUM (YTD as of 11/30/14)	
\$3.1 Billion	
Total AUM:	
\$245.6 Billion (as of 10/31/14)	
Investments:	
Mutual Funds	
Collective Trusts	
SMA's	
Fixed Income	
Bonds	
Asset Allocation Funds:	
Target Risk	
Capital Preservation Funds:	
Money Market	
Passive/Active/Both	
Active	
Top 5 Funds by DC Assets (with asset total and last year flow)	
AUM (YTD as of 11/30/14): Strategic Income Fund \$672,545,022; Fundamental Growth Fund \$627,765,670; Bond Fund \$570,173,841; Equity Income Fund \$344,877,795; Pioneer Fund \$223,492,881	
Sales (YTD as of 11/30/14): Bond Fund \$661,168,363; Strategic Income Fund \$233,562,833; Fundamental Growth Fund \$150,879,344; Equity Income Fund \$78,640,461; Select Mid Cap Growth \$48,488,363.	

## Principal Financial Group (RK)

### Key Contacts:

Sales: Doug Grove, 1-800-952-3343  
 Service: Tim Minard, 1-800-952-3343

Business Metrics	
www.principal.com	
Number of external wholesalers:	95
DC AUM:	\$151.4 Billion
Retirement AUM:	\$183.1 Billion
Total AUM:	\$513.5 Billion
DC Plans UM:	34,025
Retirement Plans UM:	41,343
DC Participants UM:	3.9 Million
Retirement Participants UM:	4.3 Million
Asset Allocation Funds	
TDF: Principal LifeTime Portfolios, Principal Trust SM Target Date Funds; a variety of outside options are also available.	
TD Risk: Principal Strategic Asset Management (SAM) Portfolios; a variety of outside options are also available.	
Service Models (bundled/unbundled/both)	Both
Distribution Models (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)

## 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	
SMA's	
Asset Allocation Funds:	
TDF (To/Through/Both): To (Retirement Advantage 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	

## 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](http://www.ridgeworth.com), [www.planadvisortools.com](http://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
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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
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## T. Rowe Price (DCIO)

### Key Contacts:

Sales: Mark Cover, Director, Distribution Services  
410.345.4956  
800.371.4613  
mark\_cover@troweprice.com

### Business Metrics

[www.troweprice.com/fi](http://www.troweprice.com/fi)

Number of external wholesalers:

DC: 9

DC AUM:

Total: \$354 Billion

DCIO AUM:

Total: \$200 Billion

Total AUM:

\$731.2 Billion

Investments:

Mutual Funds

Collective Trusts

SMAs

Asset Allocation Funds:

TDF: "Through" glide path: 1) Retirement Funds 2) Target Retirement Funds and Trusts

Target Risk: Personal Strategy Funds, Spectrum Funds

Passive/Active/Both

Active

Capital Preservation Funds:

Stable Value

Money Market

Fixed Income:

Mutual Funds

Top 5 Funds by DC Assets:

Retirement Funds

Growth Stock Fund

Blue Chip Growth Fund

Equity Income Fund

Mid-Cap Growth Fund

## T. Rowe Price (RK)

### Key Contacts:

Kim Wayne, Director of Consultant Relations  
410-345-7783, Kimberly\_Wayne@troweprice.com  
Sales and Service: Kevin Collins, Head of Sales  
410-345-7783, Kevin\_Collins@troweprice.com  
Mike Shamburger, Head of Territory Sales  
410-577-4478, Mike\_Shamburger@troweprice.com

### Business Metrics

[rps.troweprice.com/intermediaries](http://rps.troweprice.com/intermediaries)

Number of external wholesalers:

12

DC AUM:

Total: \$354 Billion

Total AUM:

\$731.2 Billion

DC Plans UM:

3,156

Retirement Plans UM:

3,156

Asset Allocation Funds:

TDF: Proprietary: T. Rowe Price Retirement Funds, Retirement Date Trusts, Retirement Active Trusts, Target Retirement Funds  
Outside: Many

TDRisk: Proprietary: Personal Strategy Balanced, Growth and Income Funds  
Outside: Many

Custom Glide Path

Service Model: (bundled/unbundled/both)

Bundled and Unbundled

Distribution Model: (advisor/direct/both)

Advisor

Primary Markets Served

Micro (<\$1 Million)

Small (\$1-\$10 Million)

Mid (\$10-\$100 Million)

Large (\$100-\$250 Million)

Mega (+\$250 Million)

Plan Types

DC

DB

457

Non-Qualified

IRA

## TIAA-CREF Asset Management

### Key Contacts:

Sales: 1.866.481.3653, option 4

Service: 1.866.481.3653, option 3

Business Metrics	
<a href="http://www.tiaa-cref.org/assetmanagement">www.tiaa-cref.org/assetmanagement</a>	
DC AUM:	\$443 Billion
Total AUM:	\$620 Billion (as of 12/31/2014)
Asset Allocation Funds:	TDF Proprietary & Outside TDRisk Proprietary & Outside
Service Model(s): (bundled/unbundled/both)	Bundled & Unbundled
Distribution Model(s): (advisor/direct/both)	Advisor
Investments:	Mutual Funds Collective Trusts Fixed Income
Asset Allocation Funds:	TDF: Through Target Risk
Passive/Active/Both:	Both
Capital Preservation Funds:	Money Market

## VOYA

### Key Contacts:

Sales: 1.866.481.3653, option 4

Service: 1.866.481.3653, option 3

Business Metrics	
<a href="http://www.voya.com">www.voya.com</a>	
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)



BY DAVID N. LEVINE

# IRAs — A Look Forward

Careful advance planning and compliance efforts will help proactively position you for the new world of IRAs following the DOL's conflict of interest rule.

Sitting here in front of my laptop in late January 2015, the rumors have been swirling for weeks about when the Department of Labor's proposed "conflict of interest rule" — formerly known as the fiduciary definition rule — will be released. What will be in it? This question may have been answered by the time you read this — but regardless, it is likely that a key focus of the rule will be on IRAs.

So why should advisors care about IRAs? For those who do personal wealth management in addition to advising plans, IRAs are already a key portion of their business. For those who don't, we've all heard a wide range of views about advising participants on IRA rollovers. With more retirement funds held in IRAs than in employer-sponsored DC plans and these amounts continuing to rise, the focus on IRAs is likely to continue.

Furthermore, as state mandates are enacted requiring payroll deduction IRAs (such as the various state Secure Choice programs) and the Federal myRA program continues to move forward, IRA visibility and knowledge will continue to grow.

Because of this increasing focus on IRAs, advisors looking at or involved in the IRA marketplace should note the following:

- **Regulatory Authority.** Many have noted that the DOL does not have jurisdiction over IRAs, so why are they focusing on IRAs? The fact is that the DOL does have a significant amount of regulatory jurisdiction pursuant to "Reorganization Plan No. 4" (a presidential executive order) promulgated in 1978 as ERISA was being implemented. The DOL has issued various pieces of guidance on IRAs over the years — and even collaborates with the IRS on

The DOL has issued various pieces of guidance on IRAs over the years — and even collaborates with the IRS on IRA-related audits and investigations.

- **IRA Rollovers.** Many advisors have looked to the DOL's Advisory Opinion 2005-23A, commonly referred to as the "Deseret" advisory opinion, for guidance. While there are many nuances to take away from the advisory opinion, some advisors have looked to it as a framework for how to advise on IRA rollovers. It is likely that some of the flexibility read into the advisory opinion by some individuals will be eliminated in the proposed conflict of interest rule.
- **Advising on IRA Assets.** Though IRAs are subject to Internal Revenue Code prohibited transaction rules that parallel ERISA's prohibited transaction rules, IRAs traditionally have been subject to less regulatory oversight and requirements. The proposed conflict of interest rule is likely to increase the regulatory oversight of IRAs, and could lead to more scrutiny of the same issues — specifically conflicts and fees — that have been at the center of 401(k) plan fiduciary compliance in recent years.
- **Role of Multiple Regulatory Agen-**

cies. Much like 401(k) plans, there are multiple agencies — from FINRA and the SEC (thus impacting broker dealers and RIAs) to the IRS and DOL and the Consumer Financial Protection Bureau — that can impact IRAs and the advisors who work with them.

- **Health Savings Accounts.** Much has recently been said about HSAs and the business opportunities they present to advisors. Advisors should keep in mind that HSAs are subject to much of the same prohibited transaction rules that apply to IRAs.

Based on this framework, what is an advisor to do?

While the conflict of interest rule will definitely change the IRA landscape, advisors need not believe they should walk away from this market. There are likely to be numerous exemptions and special rules for IRAs (whether in the proposed rule or the final one) that, it is hoped, will make it possible for IRA advisors to continue to service the many IRA owners who need advice. Furthermore, with the focus on state and federal payroll deduction IRA programs, there may be more potential clients — and even 401(k) plans, if employers "graduate" from IRAs to employer plans as some policymakers hope.

However, the increased opportunities will come with increased obligations; it is likely that many of the ERISA conflicts and fee disclosure concepts will be imported into the IRA world. Careful advance planning and compliance efforts will help proactively position an advisor for this new IRA world. While there are no guarantees, many advisors will be well positioned to play a key role in the ever-growing IRA marketplace. **N**

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BY STEFF C. CHALK

# Rethinking the Education of Plan Trustees

Attorneys and plan advisors should be doing everything they can to team up in delivering education to plan fiduciaries.

**I**n my experience with DOL audits from both afar and within, the summation of the DOL audit has never included a finding that the plan trustees are overqualified for the role in which they serve. That's an absurd comment, of course — but one worth noting.

Awareness of the ERISA rules is possessed in various degrees by financial advisors, investment advisors, bankers, insurance agents, attorneys, accountants and corporate executives — which is not an insignificant number of professionals. Then why are the majority of individuals who are tasked with the oversight of qualified plan assets so ill-prepared for the task?

Even after 40 years of ERISA, there remains a very small pool of qualified and knowledgeable professionals within the corporate environment from which an organization can draw with confidence when constructing a qualified retirement plan committee. If we take a page from collegiate and professional sports organizations, which have reduced the art of developing talent to a science, we could easily question the education process of today and how fiduciaries have been educated.

The inability of corporate America to develop strong qualified plan fiduciaries has been a glaring failure affecting the retirement industry. There is little benefit to beating this dead horse when the results are so obvious to retirement plan advisors and plan sponsors. When working from a baseline as low as what we have today, the low-hanging fruit of improvement — in the form of knowledgeable, capable and willing plan fiduciaries — comes from looking forward and determining solutions and opportunities.

## Enter an Open Course Environment

Quality content exists for the training and education of retirement plan fiduciaries. What we need to discuss is how to improve access to that content.

There are retirement plan advisors who are most interested in keeping the plan fiduciary in the dark because doing so creates a false sense of value in the worth of the plan advisor. That advisor is a walking dinosaur. So is the ERISA attorney who for years has pursued the business model of making substantially more money fixing mistakes and defending fiduciary breaches than helping fiduciaries avoid those mistakes and breaches. (The Investment Policy Statement is a perfect example of this. For years, plan advisors have been espousing the benefits of installing an IPS as a safeguard for the retirement plan committees/fiduciaries — only to be stonewalled by a segment of ERISA attorneys who prefer to “fix things” when they need fixing, as opposed to collecting the small billable fee associated with distributing a 5- to 15-page document that protects the fiduciaries.)

Attorneys and plan advisors should be doing everything they can to team up in delivering education to plan fiduciaries. There are a number of ways a plan advisor can create value in bringing quality education to the interested plan fiduciaries.

## Enter Corporate Education

Corporate education is on the rise — and for good reason. Traditional post-secondary education is failing to produce qualified graduates with adequate skills and knowledge — including retirement plan fiduciaries. (If that sounds harsh to you, consider the requisite skills and knowledge of a retirement plan fiduciary.) The tradi-

“Why are the majority of individuals who are tasked with the oversight of qualified plan assets so ill-prepared for the task?”

tional education system has become lax on math (many of today's non-financial plan fiduciaries are unable to compute percentages), process and ethics. So even if the HR representative is degreed, what is the value to the retirement plan committee if he or she cannot function as a prudent investor?

There now exist colleges and universities where promising students are sponsored by private firms to take the courses that the sponsoring firm wants those students to take. Can widespread acceptance of corporate education be far behind?

The potential downside to corporate education may be that sponsoring corporations drive curricula. Thus, you may have 40 attorneys who graduate with a specialty in patent and trademark law — but who did not take any constitutional law courses. Is that desirable?

The upside: Plan participants may find comfort in knowing that their plan fiduciaries took that “How to Be a Responsible and Prudent Plan Fiduciary” class. **N**

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



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BY DONALD B. TRONE

# How TDFs May Change the Role of the Retirement Advisor

## What's not to love about target date funds?

**T**arget date funds are a blessing to participants, plan sponsors and retirement advisors. They have helped overcome the hurdles associated with participant communication and education. Plan sponsors no longer have to master the arcane vocabulary associated with portfolio management

And for the advisor, TDFs can reduce their workload by an estimated 80%. Instead of conducting research and due diligence on hundreds of different individual mutual funds, the advisor just needs to be familiar with the characteristics of a handful of different TDF platforms.

TDFs sure are a beautiful thing. What more is there to say? End of article, right?

If you haven't guessed by now, I'm being facetious.

Mae West is famous for saying, "Too much of a good thing is wonderful." In the case of TDFs, maybe the more appropriate quote is: Too much of a good thing might not be a good thing. With the adoption of TDFs, what becomes of the advisor? Once the advisor sets up a plan sponsor with an appropriate TDF platform, what critical role does the advisor play on an ongoing basis?

To illustrate, consider the accompanying two graphs in Figure 1.

The top graph represents the traditional advisory relationship. As the advisor took the plan sponsor through the process of preparing an IPS, conducting due diligence on investment options and delivering periodic performance reports, the advisor had the opportunity to broaden and deepen their relationship with the plan sponsor.

The bottom graph represents the new TDF advisory relationship. The advisor still manages a critical process, but the focus has

shifted to the point of sale. Once the plan sponsor chooses the TDF platform, the advisor's role may begin to diminish.

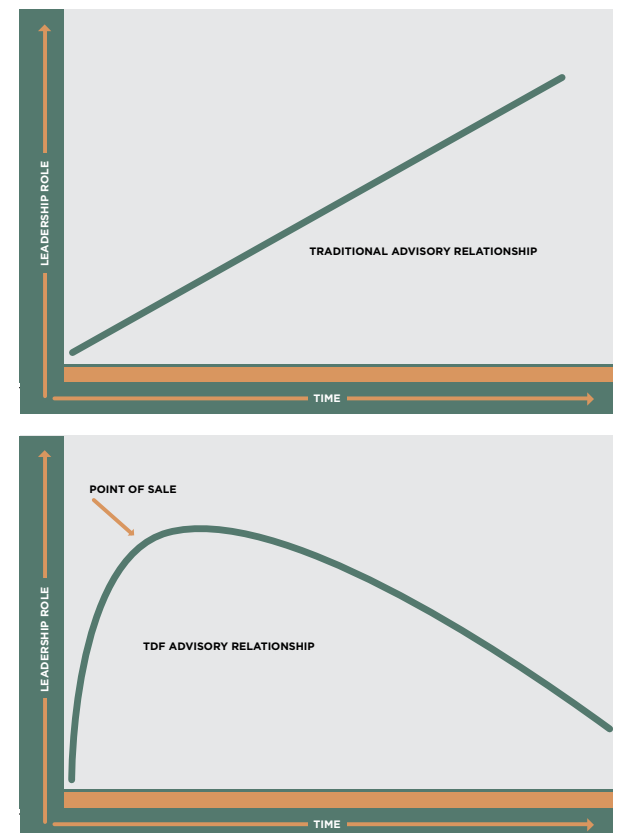
Over the past seven years both the U.S. Coast Guard Academy and the U.S. Naval Academy have purchased a fleet of new 44-foot sailing craft specifically designed to be handled by Cadets and Midshipmen. Why? Because both service academies discovered that with advancements in technology on cutters and ships, young graduates were losing the capacity to properly consider how the wind, waves, tides and currents were going to affect ship handling. Military pilots have faced similar challenges. Planes, jets and even helicopters have become so sophisticated that it's difficult for pilots to feel that they're in control of their own aircraft.

The retirement industry has reached a similar juncture. Consider where we were 15 years ago and how we have made significant improvements in the delivery of investment advice, portfolio management and record keeping services. However, if we're not careful, we may begin to lose our professional edge. A TDF platform has significant advantages, particularly for the retirement advisor. But post-sale, the advisor needs to take on a new role — specifically, a leadership role.

### Leadership and Stewardship is the New Fiduciary

For more than a quarter of a century we have talked about the importance of adopting the best practices associated with a fiduciary standard of care. We still advocate the need to master these best practices. However, the ability to manage a fiduciary process is no longer going to be the point of differentiation between a great retirement

Figure 1: The Advisory Relationship

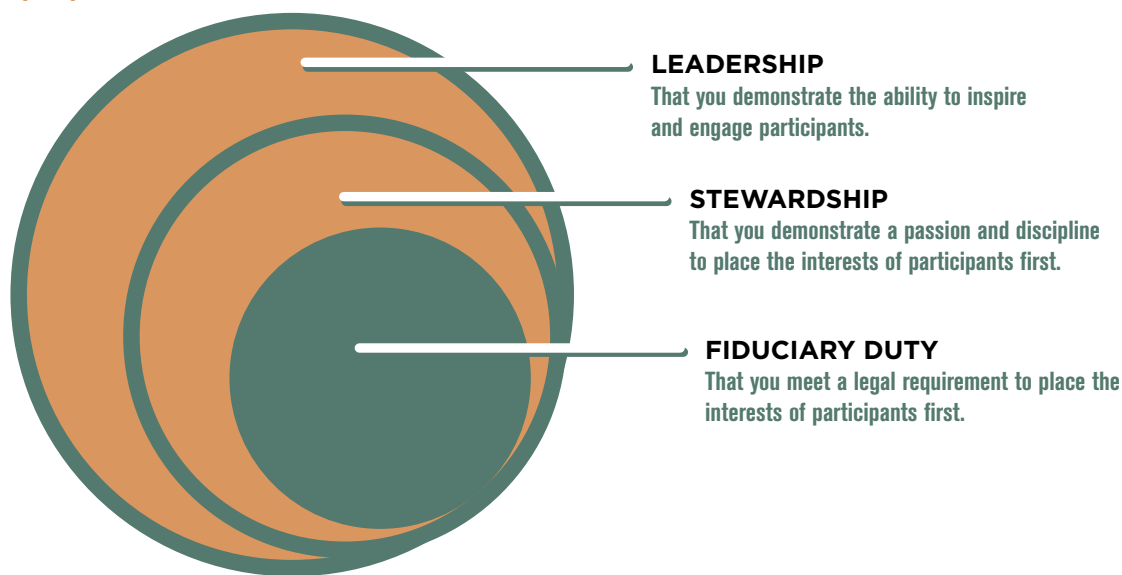


advisor and an elite one — leadership and stewardship will.

My "Inside the Stewardship Movement" column in the Fall 2014 issue was about how trust may have the greatest impact on participant outcomes. Surveys show that 60% of employees don't trust the company they work for. If they don't trust the company, they're not going to trust the company's 401(k) plan.

If it's determined that there is a trust issue, only a top-down leadership approach is going to make a difference. Elite advisors are finding that in order to have a material impact on participant outcomes, besides the investment committee, the advisor has to

Figure 2: Fiduciary Duty as a Subset



be able to work effectively with the company’s C-suite (CEO, COO, CFO and VP/HR) and board of directors. That conversation needs to be about leadership and stewardship; start the conversation with fiduciary and you’ll be sent back to the investment committee.

So how do you start a leadership conversation with a client or prospect? Simple, ask the question: Who’s going to lead the 401(k) plan?

By now, I’m sure you’ve mastered the conversation about the differences between a 3(38) and 3(21) advisor. The heart of that discussion is really about discretion. Now shift the focus to leadership. Rather than asking who’s going to have discretion, ask: Who’s going to lead? The answer to that question will likely be quite different than the answer to 3(38) versus 3(21). In the minds of most trustees, discretion is like a hand grenade with the pin pulled — and most trustees will gladly let the advisor hold the grenade.

Leadership, on the hand, is a different story. Some trustees will actually take the time to ponder that question before they respond. There will be a percentage who will likely realize, perhaps for the first time, that the 401(k) plan is a leadership opportunity. The 401(k) plan is not just a quarterly event that interferes with their already crowded calendar — it’s an opportunity to have a material leadership role in the company; an opportunity to demonstrate their commitment to corporate stewardship.

Regardless of who’s going to lead — you or a designated trustee — the next step is to discuss how leadership and stewardship

actually evoke an even higher sense of purpose than fiduciary. Fiduciary duty doesn’t go away — the plan sponsor still needs to demonstrate the prudence of their decision-making process. What changes is that it is now treated merely as a subset (think Venn diagram, as in Figure 2) of good leadership and stewardship.

You’ll also discover when you begin to talk about leadership and stewardship that others will want to learn more about it. When was the last time someone asked you

“The ability to manage a fiduciary process is no longer going to be the point of differentiation between a great retirement advisor and an elite one — leadership and stewardship will.”

to talk more about fiduciary responsibility? “Oh please, tell us another story about the importance of 408(b)2!”

Finally, we need to change the way we train clients on how they should manage the decisions associated with their 401(k) plan, particularly if they’ve implemented TDFs.

I think we have made mistakes in the past in trying to teach plan sponsors how to be great portfolio managers. They’re never going to “get” the differences between alpha and beta, or the significances of passive versus active. No one can become an expert in anything if they only practice it for two hours every quarter.

Instead, we need to teach plan sponsors a leadership framework they can apply every day. A framework they can use to define a project management standard for the staff; a governance standard for the board of directors; and a fiduciary standard for when the investment committee meets. You, then, become the leadership coach. You broaden and deepen key client relationships by becoming the trusted advisor who is helping the plan sponsor to integrate leadership and stewardship with their decision-making process. 🗣️

» Donald B. Trone, GFS® is the founder and CEO of 3ethos, which trains key decision-makers who are serving in critical leadership roles. He was the principal founder of fi360; founder of the Foundation for Fiduciary Studies; and was the first person to head the Institute for Leadership at the U.S. Coast Guard Academy. Don and Mary Lou Wattman have recently coauthored their first book on leadership: *LeaderMetrics®: What Key Decision-makers Need to Know When Serving in a Critical Leadership Role.*



BY FRED BARSTEIN

# Will Plan Advisors Suffer the Fate of Travel Agents?

Are robo advisors the equivalent of online booking agents?

**A**irline industry consolidation seems to provide a glimpse into what may happen to DC record keepers. But is there a lesson for plan advisors there too? Are advisors akin to travel agents, many of whom were driven out of business by online booking agents?

Driven by cost and excess capacity, the U.S. airline industry has been winnowed down to just four major carriers. In 1991, airlines flew at 56% capacity, a measure that rose to 82% in 2014; meanwhile, fares have spiked as a result of fewer choices. And even though fuel costs have dropped, the surviving airlines have been able to keep prices high.

The airline industry has been used by UCLA Anderson Prof. Shlomo Benartzi to describe how the retirement industry has focused too much attention on savings and not enough on retirement income or helping people when they retire. Benartzi says that the focus on savings is like an airline crew taking off — at which point the pilots parachute out, abandoning the passengers to figure out how to land the plane themselves.

Online booking agents replaced a great percentage of travel agents who did little more than explain options and help travelers shop for best prices on flights and hotels. And some airlines succeeded by encouraging travelers to buy from them directly — especially Southwest, which looks and feels a lot like Vanguard.

## Rise of the Robots

In the DC market, could more sales go direct as the market matures, especially if state-mandated auto-IRA plans proliferate? And isn't automated plan design already accomplishing 90% of the goals to get people

to save enough for retirement?

So are robo advisors the equivalent of online booking agents? Industry expert Michael Kitces has quipped that if robo advisors can replace everything that a live advisor can do, then that advisor should be worried and deserves to be disintermediated.

Larger providers like Fidelity, Vanguard and Schwab have either created their own robo advisor or have partnered with one.

**“The number of advisors that go beyond the ‘three Fs’ — fees, funds and fiduciary — is limited and they are running at close to full capacity.”**

One of the most successful new firms in the DC industry is Financial Engines, which is essentially a robo advisor. Morningstar, which also offers managed accounts, has acquired budgeting site Hello Wallet and account aggregator By All Accounts. And LPL's Worksite Financial platform combines advisors, telephone reps and technology to work with participants and plan sponsors.

## Survival of the Fittest

Unlike the record keeping industry, there is very little excess capacity among truly gifted and experienced plan advisors who understand that their true value cannot be replaced by a robo advisor.

Of the 300,000 or so active financial

advisors, 90% are being paid on a DC plan, up from 50% before the recession; 25,000 have at least \$25 million in DC AUM, up from 5,000. But the number of advisors that go beyond the “three Fs” — fees, funds and fiduciary — is limited and they are running at close to full capacity.

Getting companies to recognize that they need a DC plan and designing the plan to replace 50% or more of income is not hard anymore, nor is delivering the three Fs — which is why many advisors are experiencing extreme price compression.

The real value that an advisor brings to a plan sponsor is to help them ensure that:

- their plan is in compliance (*i.e.*, they would pass a DOL or IRS audit);
- their time and liability is minimized; and
- their employees have enough money to retire “on time,” to minimize the costs that older workers incur and make room for younger talent.

Like today's surviving travel agents, plan advisors can maintain their value and price points by helping workers to not only arrive on time, but also help them once they reach their destination by designing a financial plan that incorporates all of their assets and is customized for that individual and their family.

But the vast majority of today's advisors can be replaced if they do little more than the equivalent of arranging flights and hotels — adding little to the auto plan services now readily available to plan sponsors or the off-the-shelf financial plans for participants now offered by robo advisors. **TV**

» Fred Barstein is the founder of The Retirement Advisor University (TRAU) and The Plan Sponsor University (TPSU). He serves as NAPA's Industry Ambassador.



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BY NEVIN E. ADAMS

# Starting ‘Points’

Auto plan features are living up to their billing.

**T**here’s plenty of evidence that plan design features such as automatic enrollment, contribution acceleration and QDIAs can help workers achieve a more financially secure retirement.

But the data suggests that everybody isn’t getting the full “auto” treatment.

Industry surveys have tended to find a growing, albeit slowly, number of employers providing automatic enrollment. Among larger plans, those adoption rates generally run north of two-thirds. However, smaller programs have been much slower to embrace the provisions. (Doubtless some of that apparent reluctance can be attributed to the adoption of safe harbor 401(k)s.)

More’s the pity, since a recent Vanguard study finds that automatic enrollment more than doubles participation rates, at least among new hires. During the three-and-a-half-year period of the study, the participation rate for new hires was 91% under automatic enrollment (AE) versus 42% under voluntary enrollment (VE). Moreover, the Vanguard study found that after three years, 89% of participants hired under AE were still participating versus 51% of participants under VE who had chosen to join the plan.

The design had a striking impact across all income, age and genders. Just 22% of workers earning less than \$30,000/year participated in the VE plans, compared with 87% in AE programs. As income rose, participation rates also rose in VE plans; 41% of those earning \$30,000 to \$50,000 participated, 49% of those earning \$50,000 to \$75,000, and 65% of those earning \$75,000 to \$100,000. However, among AE plans, the participation rates were 90%, 93% and 94%, respectively.

However, automatic enrollment alone has its limitations. After three years, fewer than a third of participants have chosen to override the employer’s default and raise contribution rates, and another 9% have signed up for a contribution rate increase. In

total, around 9 in 10 eligible participants after three years remain at the default deferral rate or higher.

## Target Practices

Another area where the selective application of automatic features seems to be showing up is in target date funds, which now are the dominant asset holding among those in their 20s, though they are much smaller components for other 401(k) participants. A recent update from the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) finds that TDFs now represent 35% of the account balances of those in their 20s (another 12.4% is invested in balanced funds), compared with 31.9% in equity funds. In contrast, just 13% of the balances of participants in their 60s are invested in TDFs. Even among participants in their 30s, TDFs represent just under 23% of their balance (and balanced funds only 8.2%), while equity funds comprise nearly 45%.

Once again, that dominance seems to be more about tenure than age. Perhaps as a result of the growing use of automatic enrollment and QDIAs (including TDFs), recently hired participants were more likely to hold TDFs than those with more years on the job: At year-end 2013, 51% of participants with two or fewer years of tenure held TDFs, compared with 41% of participants with more than 5 to 10 years of tenure, and a quarter of participants with more than 30 years of tenure.


The shifts since the passage of the Pension Protection Act of 2006 are readily seen; about two-thirds of recently hired 401(k) plan participants in 2013, 2012 and 2011 held balanced funds, compared with less than half in 2006, and only a third in 2002. At year-end 2013, 51% of recently hired 401(k) participants held TDFs, while 16% held non-target-date balanced funds. Moreover, at year-end 2013, 77% of recently hired participants holding balanced funds had more than 90%

“The so-called ‘automatic’ plan provisions work as touted, boosting participation rates, and that the growing availability and presence of asset allocation funds (such as TDFs) as defaults is channeling a growing percentage of assets to those options.”

of their account balance invested in balanced funds, compared with 43% in 2006 and 7% in 1998.

TDFs were available in 71% of the 401(k) plans in the year-end 2013 database; those plans, in aggregate, offered TDFs to two-thirds of the participants in the EBRI/ICI database. Among participants who were offered TDFs, 62% held them at year-end 2013. TDF assets represented nearly a quarter (24%) of the assets of plans offering such funds in their investment lineups.

What conclusions can be drawn from these studies? Certainly that the so-called “automatic” plan provisions work as touted, boosting participation rates, and that the growing availability and presence of asset allocation funds (such as TDFs) as defaults is channeling a growing percentage of assets to those options.

In sum, automatic features are living up to their billing — at least where they are given an opportunity to do so. 

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