

# Raising the Bar

## Making Retirement Plans More Effective



## Discussion Objectives

- Share insights from AllianceBernstein's national survey of defined contribution (DC) plan sponsors
- Hear your thoughts about the issues plan sponsors are concerned about
- Gather information to create a custom benchmarking report for your plan
- Determine the relevant next steps to raise the bar for your plan

# AllianceBernstein's Research: Perspectives from Plan Sponsors and Participants

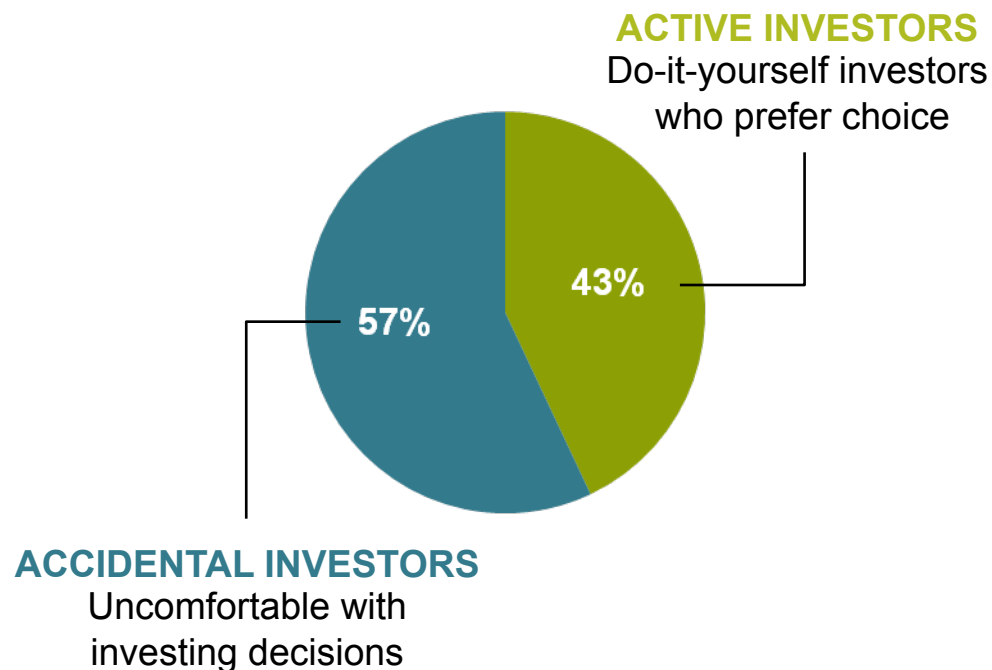
## Plan Sponsor Survey Research

- Over 1,000 DC plan sponsors
- Plans ranging in size from under \$1 million to over \$500 million

Segment	Plan Size	# of Respondents
Micro	< \$1 Mil.	207
Small	\$1 Mil.– \$9.9 Mil.	201
Mid	\$10 Mil.– \$49.9 Mil.	203
Large	\$50 Mil.– \$249.9 Mil.	204
Mega	\$250 Mil.– \$499.9 Mil.	101
Mega	\$500 Mil.+	102
<b>Total</b>		<b>1,018</b>

## Plan Participant Survey Research

- 1,000 eligible full-time employees
- Uncovered two distinct attitudes among investors



# The Findings in a Nutshell

## Plan Sponsors

- Lack confidence in participants' ability to save enough for retirement
- Define plan success as:
  - Helping participants build confidence in their prospects for retirement
  - Improving participants' understanding of investment options
- Want a plan designed to help them create better outcomes for employees

## Plan Participants

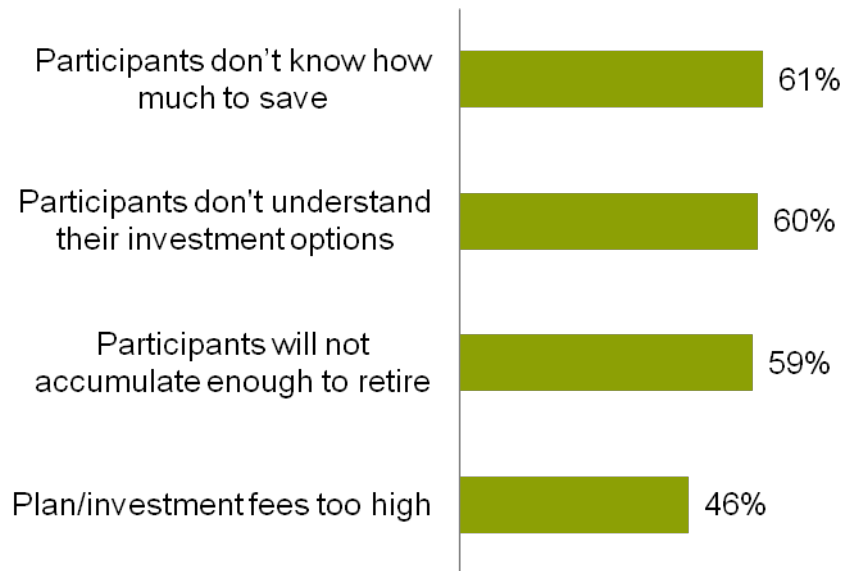
- Have low retirement confidence
- Want plans that:
  - Are easy to join
  - Simplify investment decisions
  - Minimize the number of difficult decisions that need to be made
- Want plans that help them achieve their retirement objectives

Source: AllianceBernstein research, 2011

# Assessing Your Retirement Plan

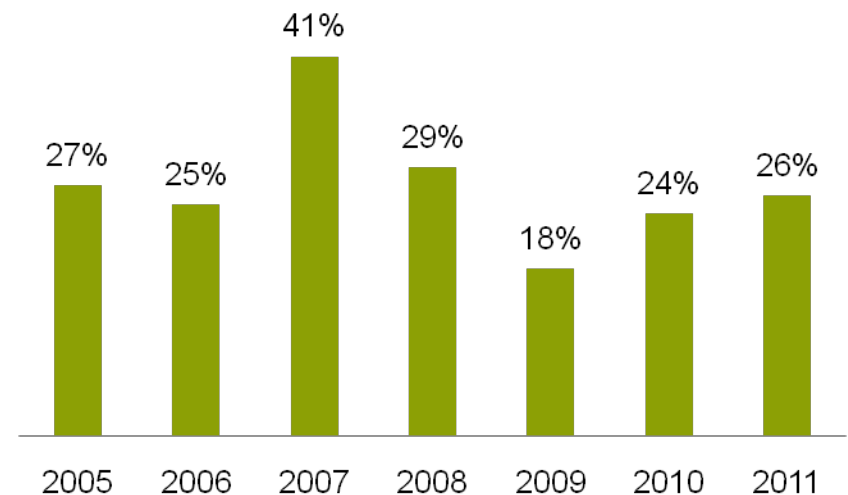
- Retirement plans are becoming the sole retirement savings vehicle
- Plan sponsors are taking a closer look at what they can do to help boost retirement readiness for their employees

## What plan sponsors are most worried about



## Are employees confident they'll have a comfortable retirement?

Respondents who are very confident/confident



Source: AllianceBernstein research, 2011

## Assessing Your Retirement Plan

1. ***What is the primary purpose of your organization's defined contribution plan?***
  - A. To serve as the sole retirement vehicle for most plan participants
  - B. To serve as a supplemental savings vehicle to accompany a defined benefit plan
  - C. Other

## Assessing Your Retirement Plan

**2. Do you think your plan participants are saving enough overall for retirement?**

A. Yes

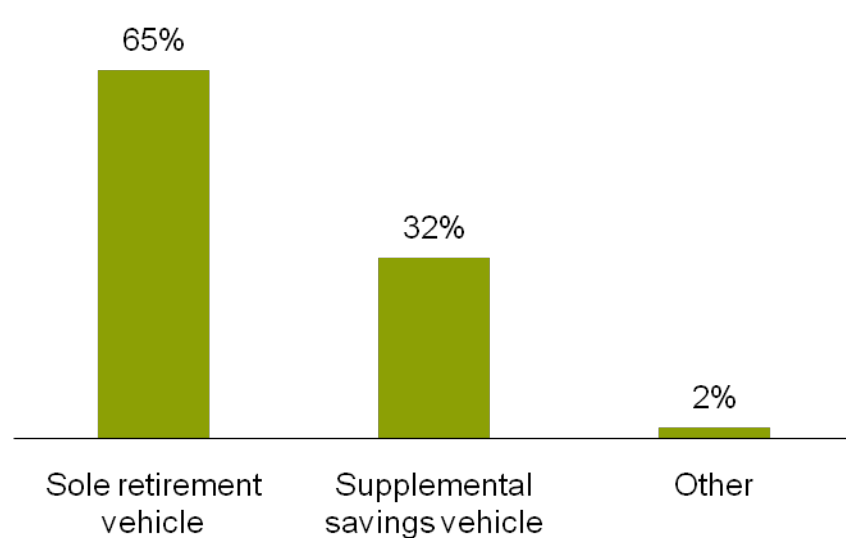
B. No

C. Don't know/not sure

# Assessing Your Retirement Plan

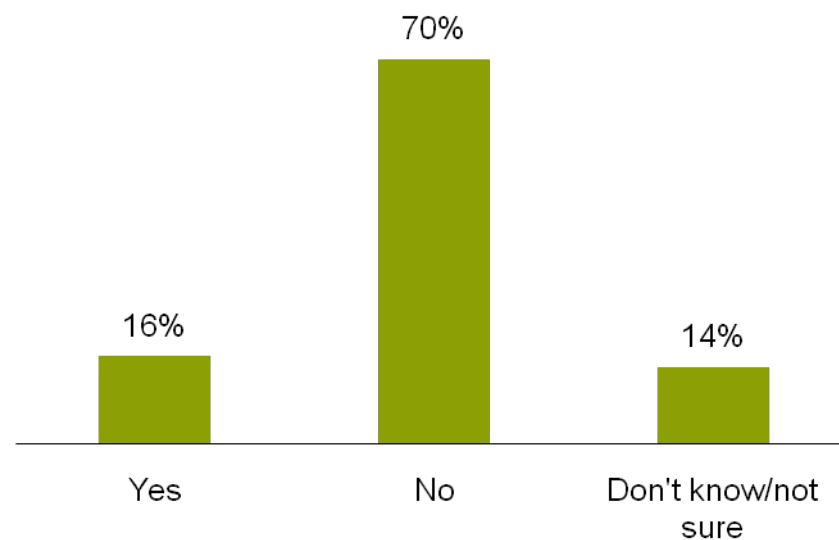
- Nearly two-thirds of plan sponsors say that they viewed their DC plan as the sole savings vehicle

## Primary purpose of defined contribution plan



- Only 16% of plan sponsors think that participants are saving enough

## Are your plan participants saving enough for retirement?



Percentages may not sum up to 100% due to rounding  
Source: AllianceBernstein research, 2011



# What Leading Plan Sponsors Are Doing to Increase Plan Effectiveness

- Asking themselves far-reaching questions about core plan issues:
  - Are we meeting all our fiduciary obligations?
  - Are we getting the best value for our plan?
  - Does the plan have the right investment lineup?
  - Do we need to enhance the plan's communications?
  - Are we receiving the type of service we need?
  - Is the plan effectively meeting our goals?
  
- Benchmarking their experience versus that of other plan sponsors
  
- Defining areas of their plans that are in need of enhancement

Source: AllianceBernstein research, 2011

# Are You Meeting All Your Fiduciary Obligations?

3. *Do you consider yourself a plan fiduciary?*

A. Yes

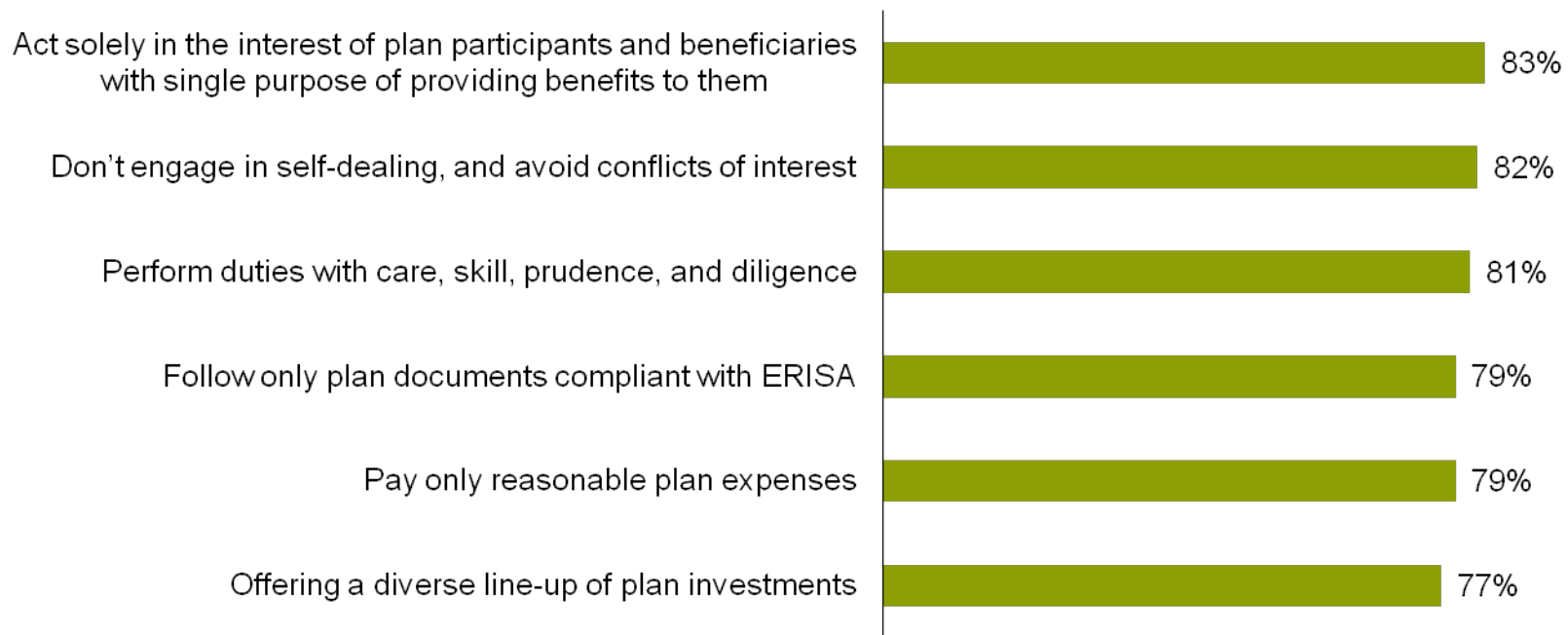
B. No

C. Don't know/not sure

# Are You Meeting All of Your Fiduciary Obligations?

- 61% of plan sponsors consider themselves plan fiduciaries
- A majority of plan sponsors feel they understand the fiduciary core standards

## Plan sponsors confident/very confident they understand core standards



Source: AllianceBernstein research, 2011

## Are You Getting the Best Value for Your Plan?

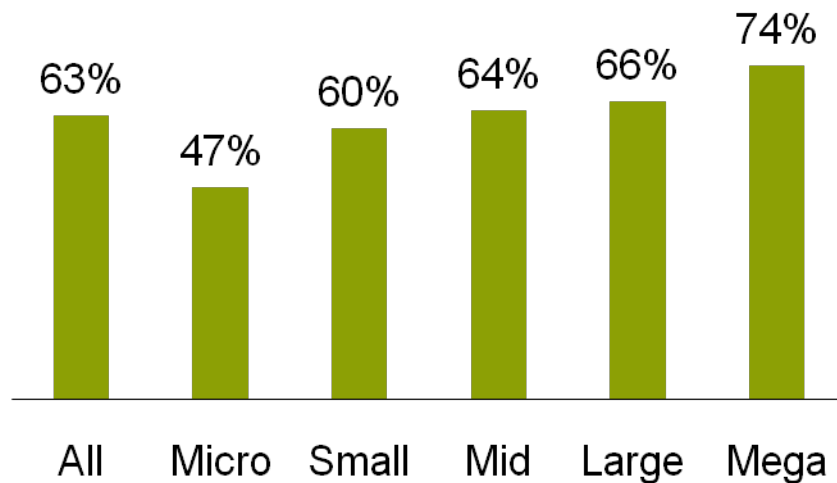
**4. *How confident are you that you understand all of the fees that you and your participants are paying for your plan?***

- A. Very confident
- B. Confident
- C. Somewhat confident
- D. Not very confident
- E. Not at all confident

# Are You Getting the Best Value for Your Plan?

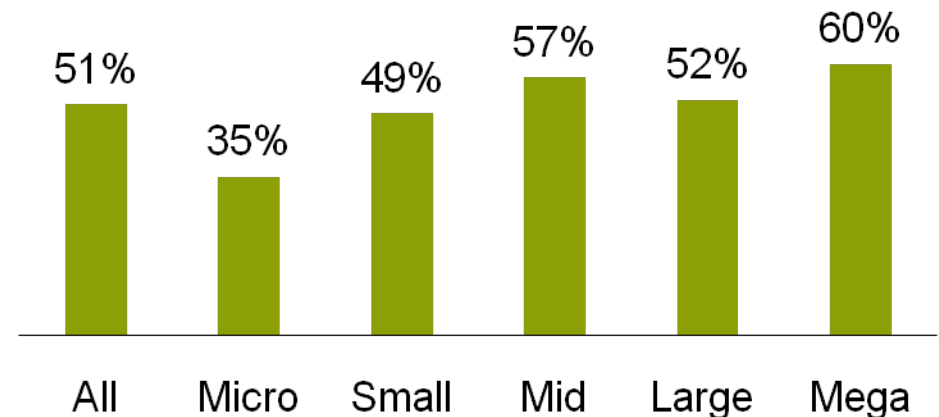
■ Just under two-thirds of plan sponsors understand all the fees they pay for their plans

**Sponsors who are confident/very confident in understanding plan fees**



■ About half of plan sponsors believe their plan is getting the best value for the fees they're paying

**Sponsor who are confident/very confident they are getting best value for their fees**



Source: AllianceBernstein research, 2011

## Are You Getting the Best Value for Your Plan?

**5. *How confident are you that you understand the new US Department of Labor service provider fee disclosure rules (408(b)(2))?***

- A. Very confident
- B. Confident
- C. Somewhat confident
- D. Not very confident
- E. Not at all confident

## Are You Getting the Best Value for Your Plan?

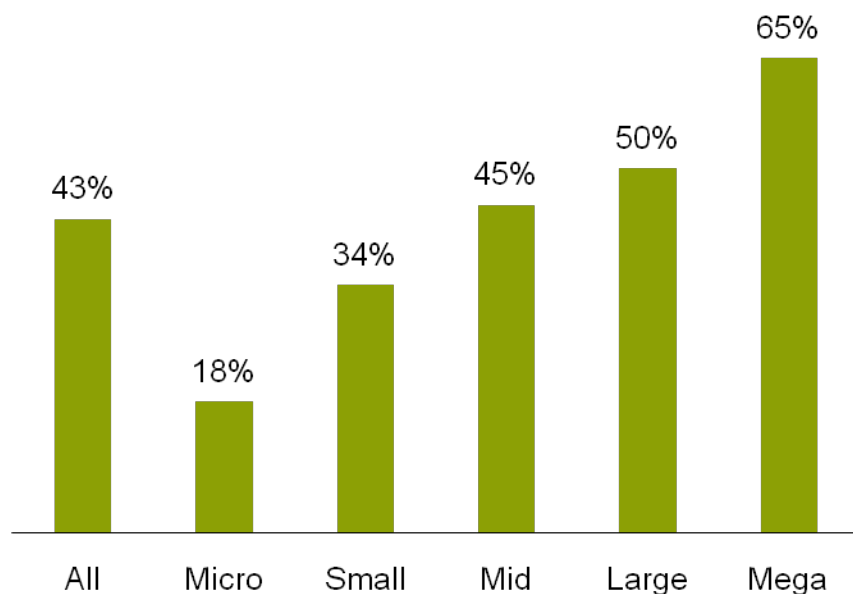
**6. *How confident are you that you understand the new US Department of Labor service participant fee and investment disclosure (404a-5) rules?***

- A. Very confident
- B. Confident
- C. Somewhat confident
- D. Not very confident
- E. Not at all confident

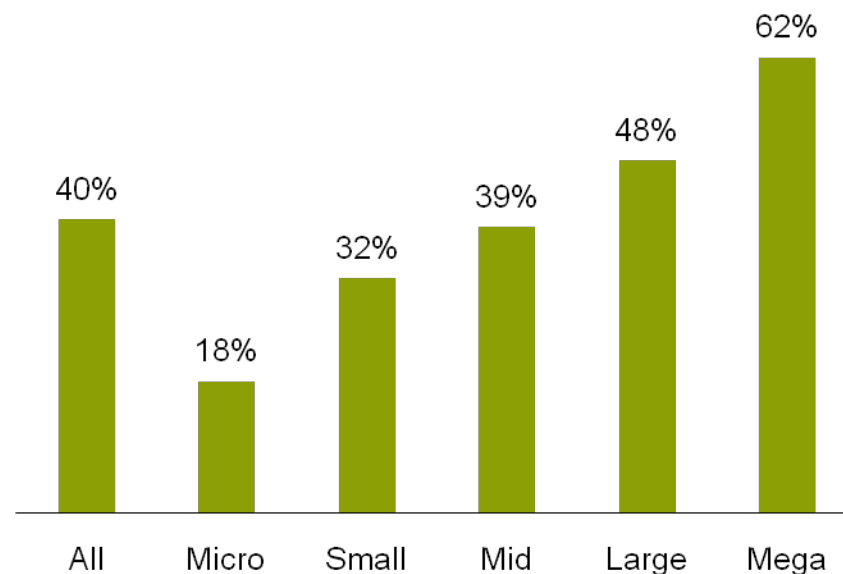
# Are You Getting the Best Value for Your Plan?

- Less than half of plan sponsors understand the 2012 DOL fee disclosure rules

Sponsors who are confident/very confident they understand service provider disclosure (408(b)(2))



Sponsors who are confident/very confident they understand service provider disclosure (404a-5)



Source: AllianceBernstein research, 2011



## Do You Have the Right Investment Lineup?

**7. *How do you feel about the number of investment options in your plan?***

- A. Too many
- B. Needs more
- C. Right amount
- D. Don't know

## Do You Have the Right Investment Lineup?

**8. *With what general frequency do you conduct an evaluation/review of the investment options in your plan?***

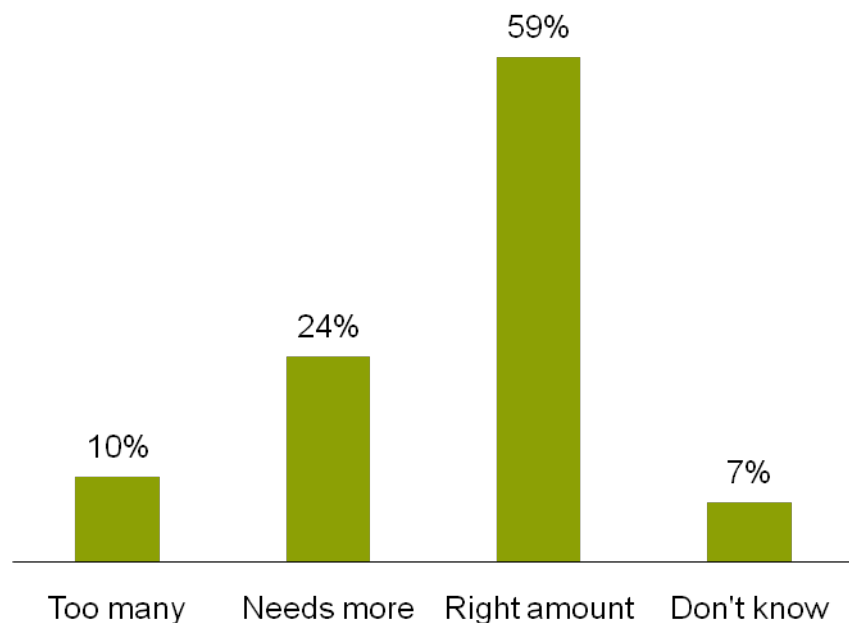
- A. Quarterly
- B. Every 6 months
- C. Every year
- D. Every 2 years
- E. Every 3 years
- F. Greater than 3 years
- G. Have not evaluated the investment options since the plan was established

# Do You Have the Right Investment Lineup?

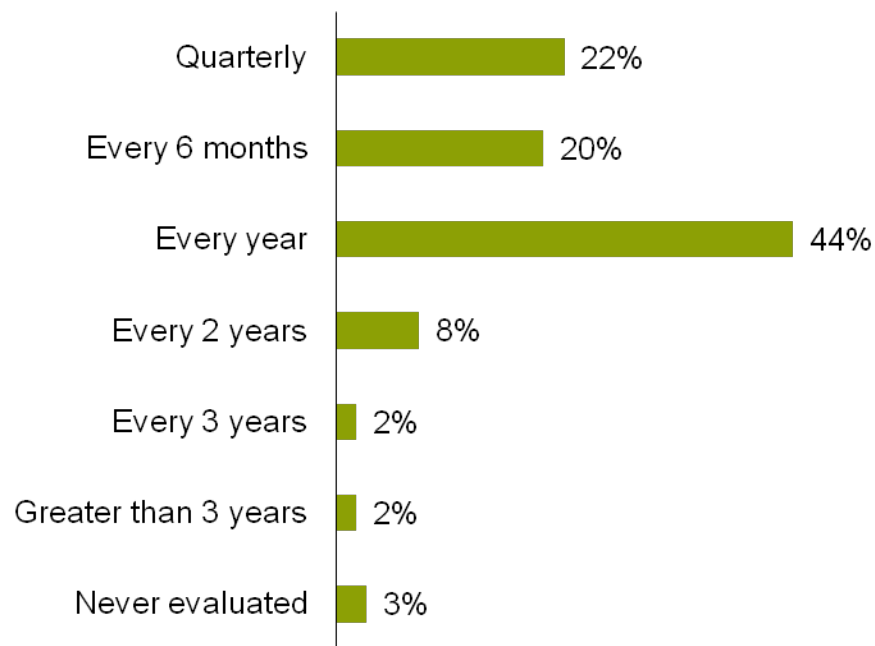
- 59% of plan sponsors feel that their plans offer the right number of investment options

- Nearly all plan sponsors evaluate their investment menu at least annually

How do plan sponsors feel about the number of investment options in their plan?



Frequency of conducting evaluation of current investment menu\*



\*Percentages may not sum up to 100% due to rounding  
Source: AllianceBernstein research, 2011

## Do You Have the Right Investment Lineup?

**9. Does your organization's plan currently offer target-date funds?**

- A. Yes
- B. No, but we plan on adding them
- C. No, and we don't plan on adding them

## Do You Have the Right Investment Lineup?

**10. If yes, is a target-date fund currently your plan's qualified default investment alternative (QDIA)?**

A. Yes

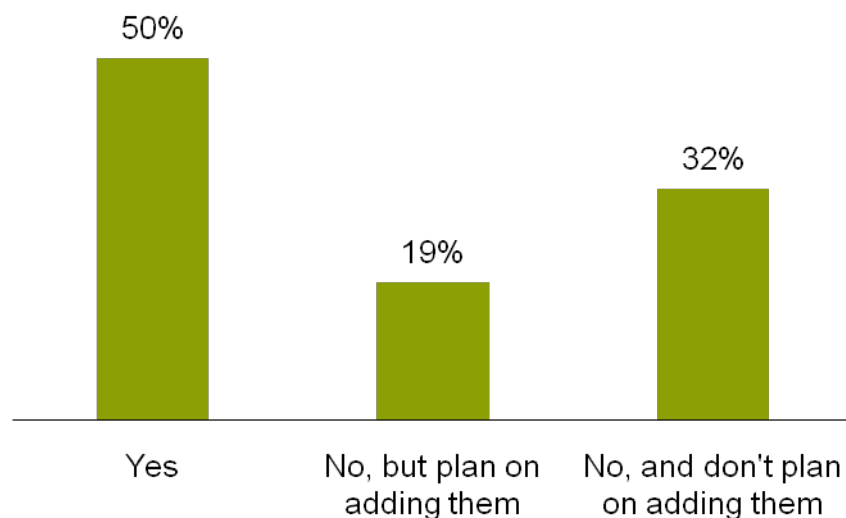
B. No

# Do You Have the Right Investment Lineup?

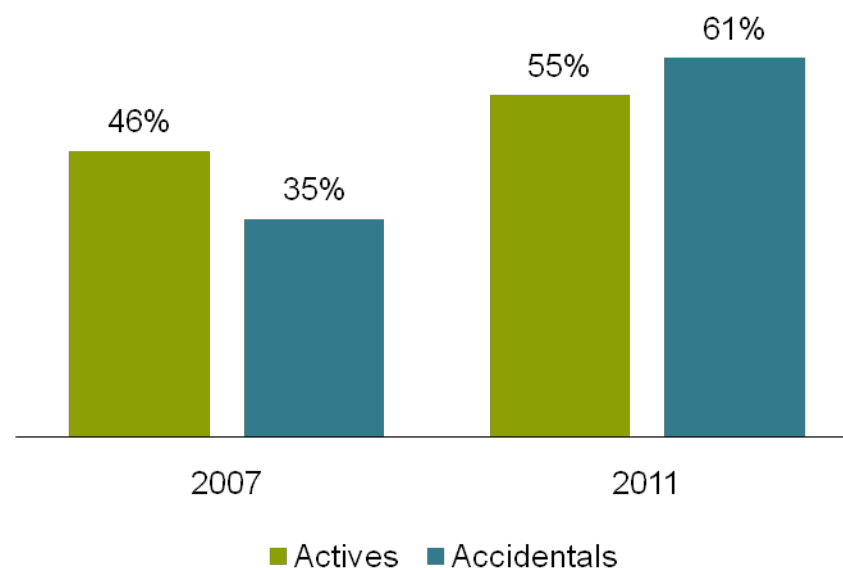
- Almost 70% of plans either offer target-date funds or plan to add them

- Participants' interest in target-date funds is growing

Does your organization's plan currently offer target-date funds?



Participants allocating 40% or more of their assets to target-date funds



- 50% of plans that offer target-date funds use these funds as the QDIA

Source: AllianceBernstein research, 2011

## How Well Does Your Communications Program Work?

**11. What is the main goal for your communications program to address at this time?**

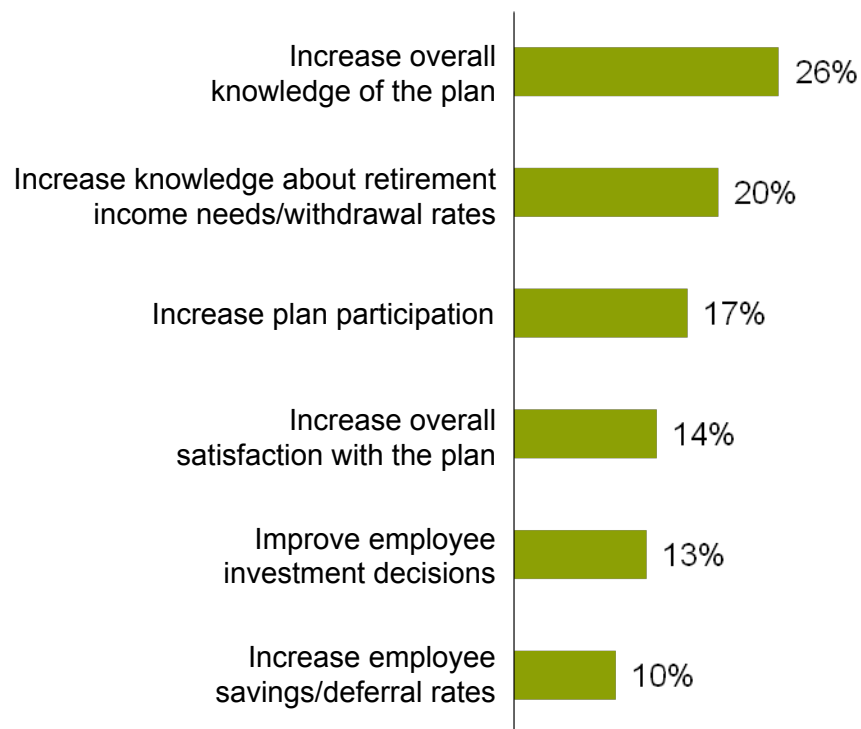
- A. Increasing plan participation
- B. Increasing employee savings/deferral rates
- C. Improving employee investment decisions
- D. Increasing knowledge about retirement income needs/withdrawal rates
- E. Increasing overall satisfaction with the plan
- F. Increasing overall knowledge of the plan

# How Well Does Your Communications Program Work?

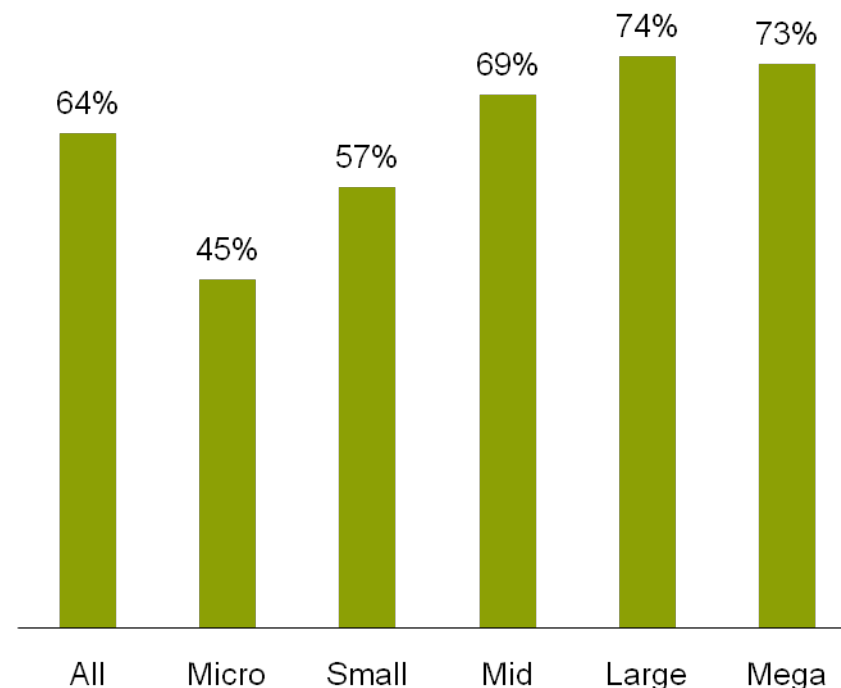
- Almost half of plan sponsors are focused on increasing participants' knowledge of their plan and retirement-income needs

- About two-thirds of plan sponsors feel it's important to improve their communication program's effectiveness

## Main Goal of Communication Program



## Very Important/Important to Improve Effectiveness of Communications Program



Source: AllianceBernstein research, 2011



## Are You Receiving the Type of Service You Need?

***12. How would you rate the overall service you receive from your recordkeeper?***

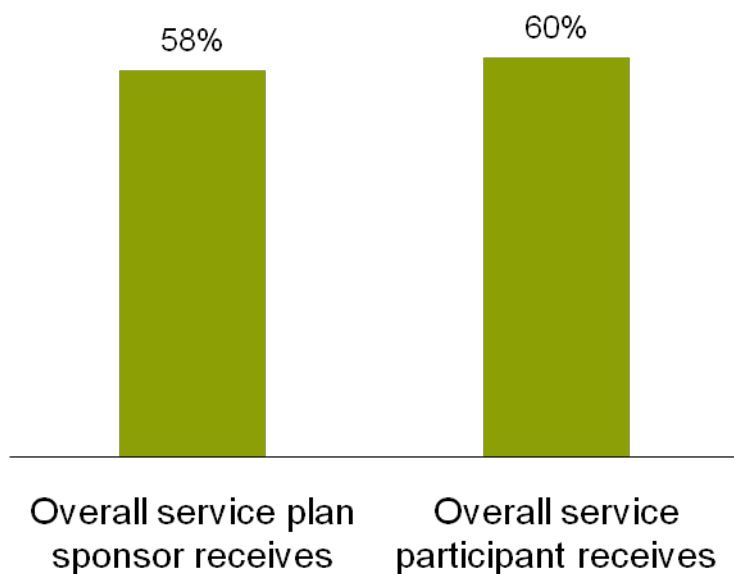
- A. Excellent
- B. Very good
- C. Good
- D. Fair
- E. Poor
- F. Don't know/not sure

# Are You Receiving the Type of Service You Need?

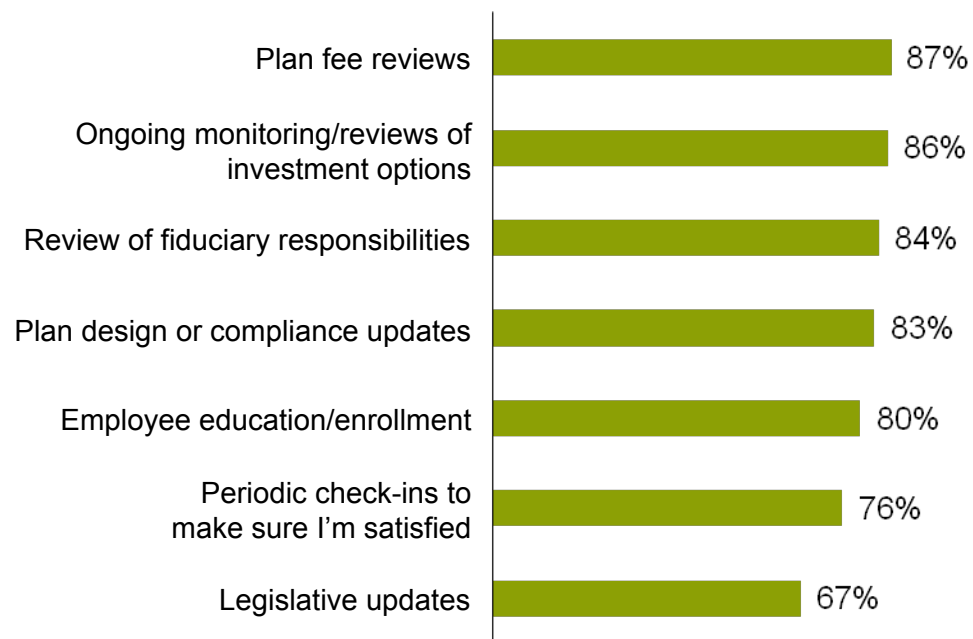
- More than half of plan sponsors say overall service from recordkeeper is excellent/very good

- Most plan sponsors consider consultative services most important

Sponsors saying service from recordkeeper is excellent/very good



Sponsors saying service is important/very important



Source: AllianceBernstein research, 2011

## Is the Plan Effectively Meeting Your Goals?

**13. How important is it for you to increase plan participation in your plan at this time?**

- A. Very important
- B. Important
- C. Somewhat important
- D. Not very important
- E. Not at all important

## Is the Plan Effectively Meeting Your Goals?

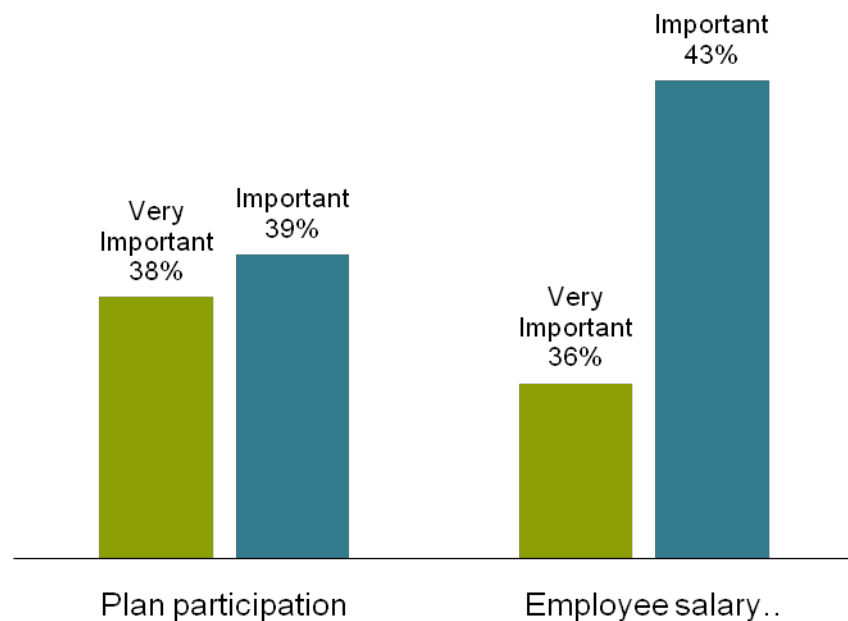
**14. How important is it for you to increase employee savings in your plan at this time?**

- A. Very important
- B. Important
- C. Somewhat important
- D. Not very important
- E. Not at all important

# Is the Plan Effectively Meeting Your Goals?

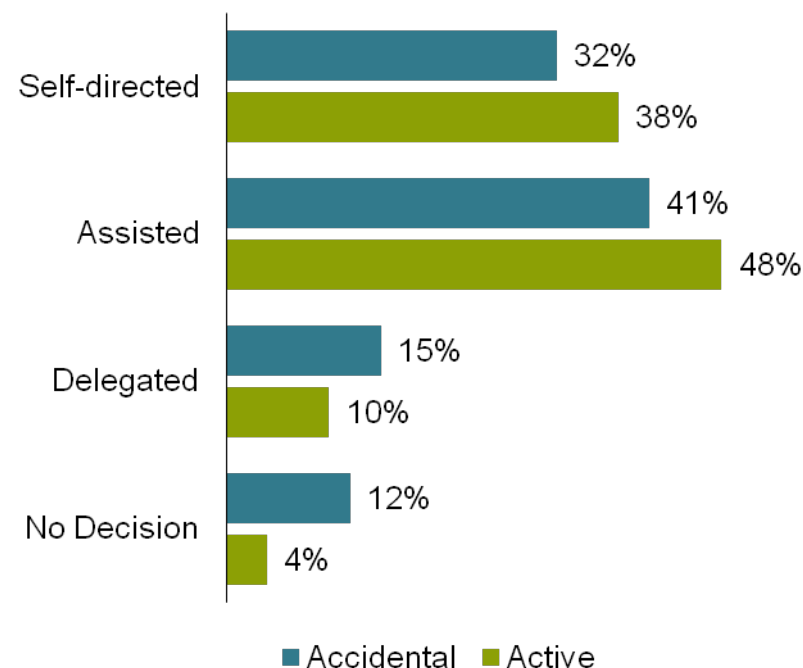
- Sponsors feel it is very important/important to increase plan participation and employee salary deferral rates

**Importance of increasing plan participation and salary deferral rates**



- Fewer than four in 10 investors make investment decisions on their own

**How do you make decisions related to your retirement plan?**

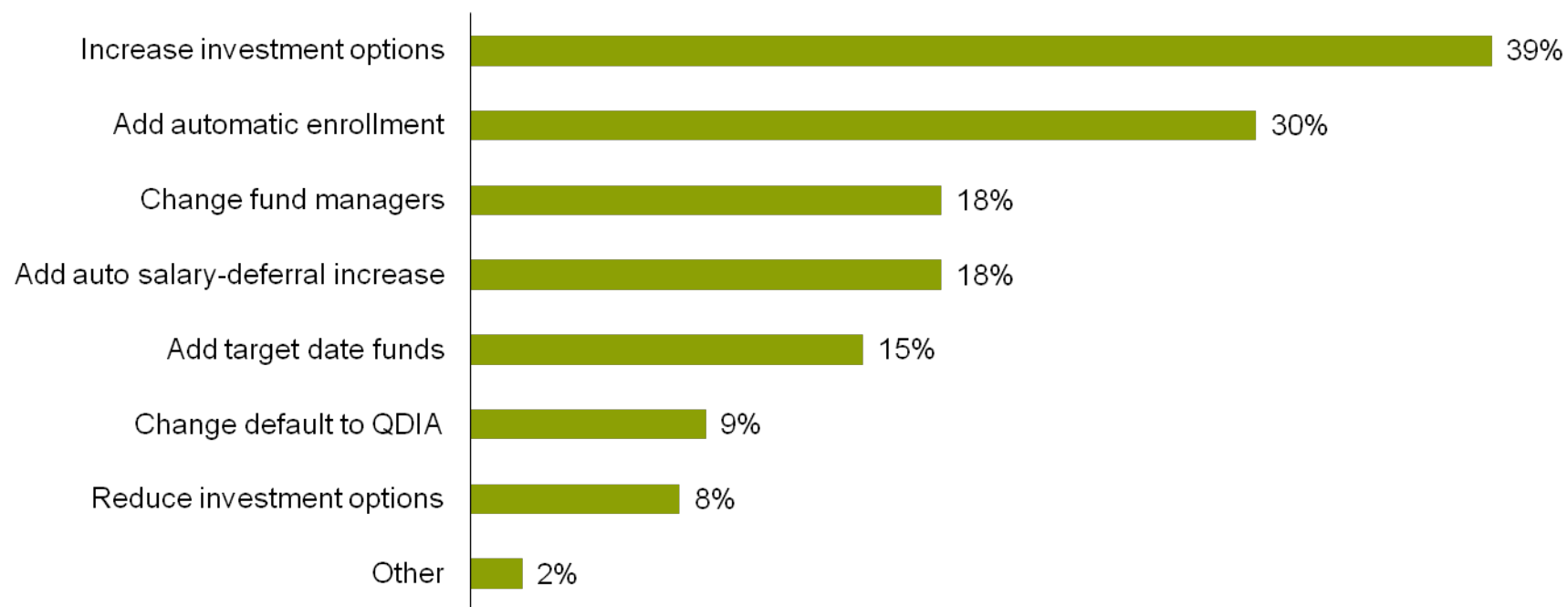


Source: AllianceBernstein research, 2011

# Is the Plan Effectively Meeting Your Goals?

- Plan sponsors are considering changes to improve their retirement plan
- The focus is on offering the right investments and increasing plan participation

## Changes sponsors are considering making in next 2 years\*



\*Survey asked sponsors to select all that apply  
Source: AllianceBernstein research, 2011

# The Value of Benchmarking Your Experience

- Provides context to identify top plan priorities
- Defines potential action items for future plan enhancements
- Helps you fulfill your fiduciary obligations



## Next Steps

- Develop benchmarking report based on your input today
- Meet to discuss the report and prioritize specific recommendations
- Continue dialogue to help you and your employees achieve your goals



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