

Can a Professional Retirement Plan Advisor really make *that much* of a difference?



Study Sponsors



In December 2011, the Retirement Advisor Council received results of a fundamental research study regarding the value plan sponsors receive from doing business with a Professional Retirement Plan Advisor. At the onset, it wasn't clear what results would come from the study; but the findings are definitive. The study demonstrates that:

Yes, partnering with a Professional Retirement Plan Advisor has impactful benefits for plan sponsors.

Plan sponsors who partner with Professional Retirement Plan Advisors

enjoy:

- Superior retirement outcomes for their participants
- Superior understanding of fiduciary issues
- Better plan designs
- Better plan arrays
- Better overall asset allocation among plan participants
- More reasonable fees
- Greater confidence in plan compliance and investment options



The study raises questions for plan sponsors that do not yet do business with a Professional.

Three-quarters of plan sponsors with plan assets in the \$5 million to \$500 million range do not yet use the services of a Professional. Most do business with a generalist advisor; some do not use an advisor or consultant at all. Now that evidence exists of superior results from partnering with a Professional, it is incumbent upon each and every plan fiduciary to articulate (1) why s/he decided to forego the option of partnering with a Professional and (2) how retaining the current advisor to the plan is in the best interest of participants and beneficiaries.



Do I need an advisor?

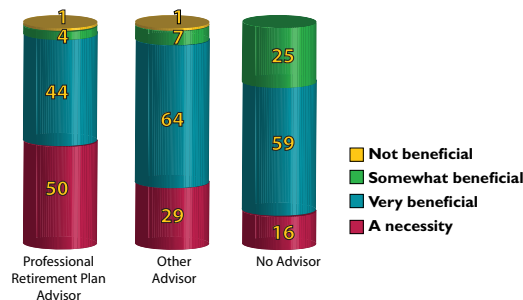
A small number of plan sponsors do not use an independent advisor. The study found that most of those have used an advisor in the past, and have conducted an advisor search in the last 10 years. They simply haven't found the right person to help them.

The majority of plans that retain the services of a Professional Retirement Plan Advisor find it a rewarding necessity. One employer who attended a focus group discussion for this study put it best:

"In my opinion a firm like this is a necessity if you have a 401(k) plan, anybody who has been given the fiduciary responsibility. I've seen too many people on TV walking into the Federal courthouse, and that's not going to be me and so I would refuse to serve on a committee that didn't have that type of professional oversight. Absolutely, it's a personal legal protection."

401(k) Plan Sponsor - Raleigh

How beneficial is it for you to retain the services of a Professional Retirement Plan Advisor for your organization's 401(k)/403(b) plan?



100 or more employees—
\$5-\$500 million in plan assets

What is a Professional Retirement Plan Advisor?

The study defines a Professional Retirement Plan Advisor as an investment advisor, securities broker, investment consultant, or benefits consultant who works primarily or exclusively with retirement plans. Additionally, a Professional Retirement Plan Advisor may have ancillary business.



Who uses the services of a Professional Retirement Plan Advisor?

Within the population of organizations with 100 or more employees and plan assets in the range of \$5 million to \$500 million, employers of all economic sectors, all industries, and all sizes use Professionals more or less in the same proportions. Contrary to popular opinion, it is not necessary to be a large organization to partner with a Professional. 44% of plan sponsors who rely on a Professional have 100 to 500 employees.

What services can a Professional deliver?

Services received by more than two-thirds of clients of Professionals:

- Periodic review of investment options
- Examination of plan compliance with applicable laws, regulations, and stated policies
- Assistance with the understanding of the fees providers charge for their services
- Support with investment provider due diligence
- Assistance with the implementation of the fiduciary process
- Monitoring of fulfillment of services by the retirement plan service provider
- Assistance with Investment Policy Statement formulation with service provider due diligence
- Assistance with corrections as possible
- Coordination of participant access to the education, communication, services and asset allocation counseling needed to make informed decisions

Generally, Professionals are the contact of first resort for plan sponsors when a serious problem or concern arises; they are also the predominant source of new ideas for the plan. The majority of plan sponsors who rely on a Professional find the services their advisors deliver absolutely critical. Advisors receive glowing reports from their clients. For instance, more than 70% of plan sponsors who use the services of a Professional to help formulate their Investment Policy Statement say their advisor did an *outstanding job*.



Help establish the Retirement Plan Committee and keep it on track

More than any other category of plan sponsors, clients of Professionals rely on a retirement plan committee that meets regularly to make plan decisions. Committee decision making demonstrates a purposeful and deliberate process is in place to exercise fiduciary duties. Committee proceedings can be documented in agendas and minutes. If a situation raises eyebrows, the rationale behind decisions can be presented as evidence of purpose.

Better investment process, more diversification

We can demonstrate that clients of Professionals use fewer investment options and replace fewer options at any given review meeting. They are neither more nor less likely to use index funds. They are more likely to include target-date funds in the investment array and their selection of target-date funds is more thoughtful. Plan assets of clients of Professionals are better diversified: lower percent in company stock and lower percent in self-directed brokerage accounts.

Better understanding of fees, more reasonable fees

Clients of Professionals have a better understanding of fees. Over 80% of plan sponsors either agree or strongly agree that their fees are reasonable.

Retirement outcomes

Overall, 46% of plan sponsors have measured the retirement readiness of their participant population more than once. Clients of Professionals are unique in that 75% monitor year-over-year changes and 31% say more than 70% of their participants are on-track to achieve a successful retirement. These superior outcomes may be the result of plan designs that encourage saving. Another contributing factor could be new ideas that clients of Professionals adopt more readily than other plan sponsors.

What questions do I ask my advisor to verify I am dealing with a Professional?

Start with:

- Is advising retirement plans your exclusive or primary business?
- What scope of services do you provide?
- Can you provide me a written compensation statement or a services contract?

Follow with a Request-For-Proposal using the Council recommended format.

More than half of plan sponsors who use an advisor other than a Professional met their advisor after a cold-call from the advisor. On the other hand, 43% of plans that rely on a Professional conducted a formal search using a request-for-proposal process. It is a deliberate process. To help you, the Council has developed a template RFP document that you may want to leverage for your plan. There are many ways to compensate a Professional Retirement Plan Advisor. A Professional will provide you with a written document (compensation agreement or services contract) detailing specifics.

About the research

The study was conducted by EACH Enterprise, a research organization specialized in Retirement Plans. The 70-item survey was administered online between September 6 and September 27, 2011. A total of 409 respondents included 141 clients of Professional Retirement Plan Advisors, 198 clients of other advisors, and 70 plan sponsors who do not do business with an advisor. The composite sample oversampled clients of Professional Retirement Plan Advisors to facilitate meaningful comparisons.

About the Retirement Advisor Council

The Council advocates for successful qualified plan and participant retirement outcomes through the collaborative efforts of experienced, qualified retirement plan advisors, investment firms and asset managers, and defined contribution plan service providers. The Council accomplishes this mission by its focus on:

- Identification of duties, responsibilities and attributes of the professional retirement plan advisor
- Sharing our professional standards with plan sponsors who are responsible for the success of their plans
- Providing collective thought capital to decision makers, product providers, legislators and the public
- Giving voice to the retirement plan advisor community
- Tools to evaluate advisors, ensuring the quality of services needed for successful retirement outcomes.

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For additional information

Ask the sponsors of the research about the *Value of a Professional Retirement Plan Advisor*

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