



# ONE SIZE DOES NOT FIT ALL

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**NEPC'S 23<sup>RD</sup> ANNUAL INVESTMENT CONFERENCE**

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# ONE SIZE DOES NOT FIT ALL

550,000  
Plans

100 Million  
Participants

1000s  
Providers

100s  
Features

5  
Generations



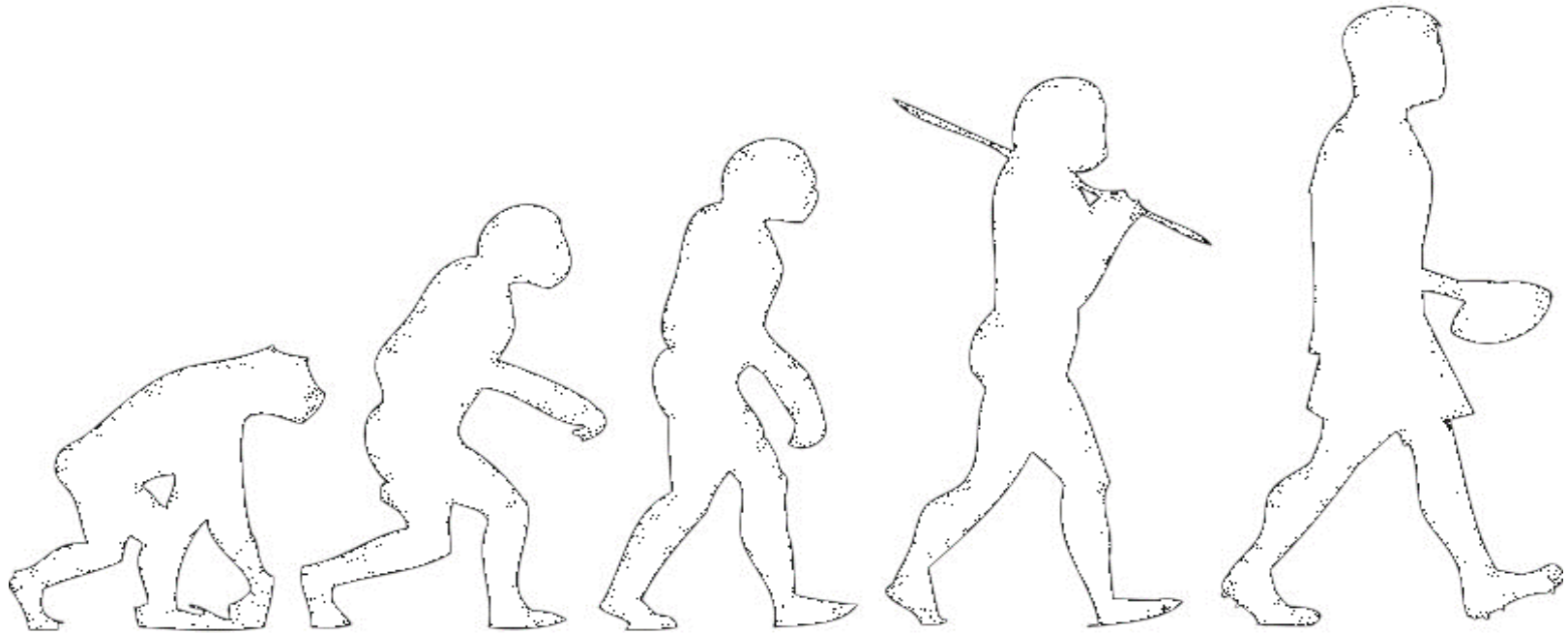
# DISRUPTION OR EVOLUTION?

*Disruption - To cause (something) to be unable to continue in the normal way :  
To interrupt the normal progress or activity of (something)*



*Evolution - The gradual development of something, especially from a simple to a more complex form*

# THE EVOLUTION OF DC PLANS



**Supplementary Savings**  
**Limited Participation**  
**Bundled Services**  
**"Kitchen Sink" Menu**

**Accumulation Vehicle**  
**Auto-Features**  
**Open Architecture**  
**Three-Tier Menu**

**Lifetime Savings Vehicle**  
**Fee Transparency & Flexibility**  
**Post-Retirement Solutions**  
**Professional Expert Oversight**

# TOPICS FOR DISCUSSION

**Investment  
Menu  
Plan Fees**

**Plan Oversight**

# INVESTMENT MENU

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# AUDIENCE QUESTIONS

## Poll Question

**Q1.** Going forward, are you likely to take steps to encourage **retired participants** to stay in the plan?

A) Yes

B) No

<https://api.cvent.com/polling/v1/api/polls/sp-2r7x66>



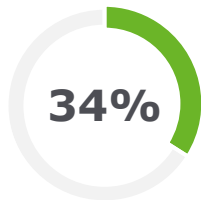
# TODAY: TIERED MENUS ARE COMMON

## Tier 1: Default Funds

“Do it for me”



Offer TDFs



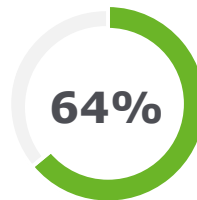
Overall DC Assets

## Tier 2: Core Menu

“I’ll do it myself”



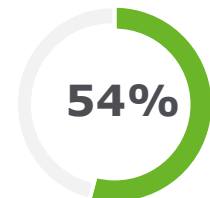
Median number of options



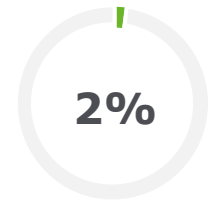
Overall DC Assets

## Tier 3: Brokerage Window

“I’m a professional”



Offer Brokerage Window

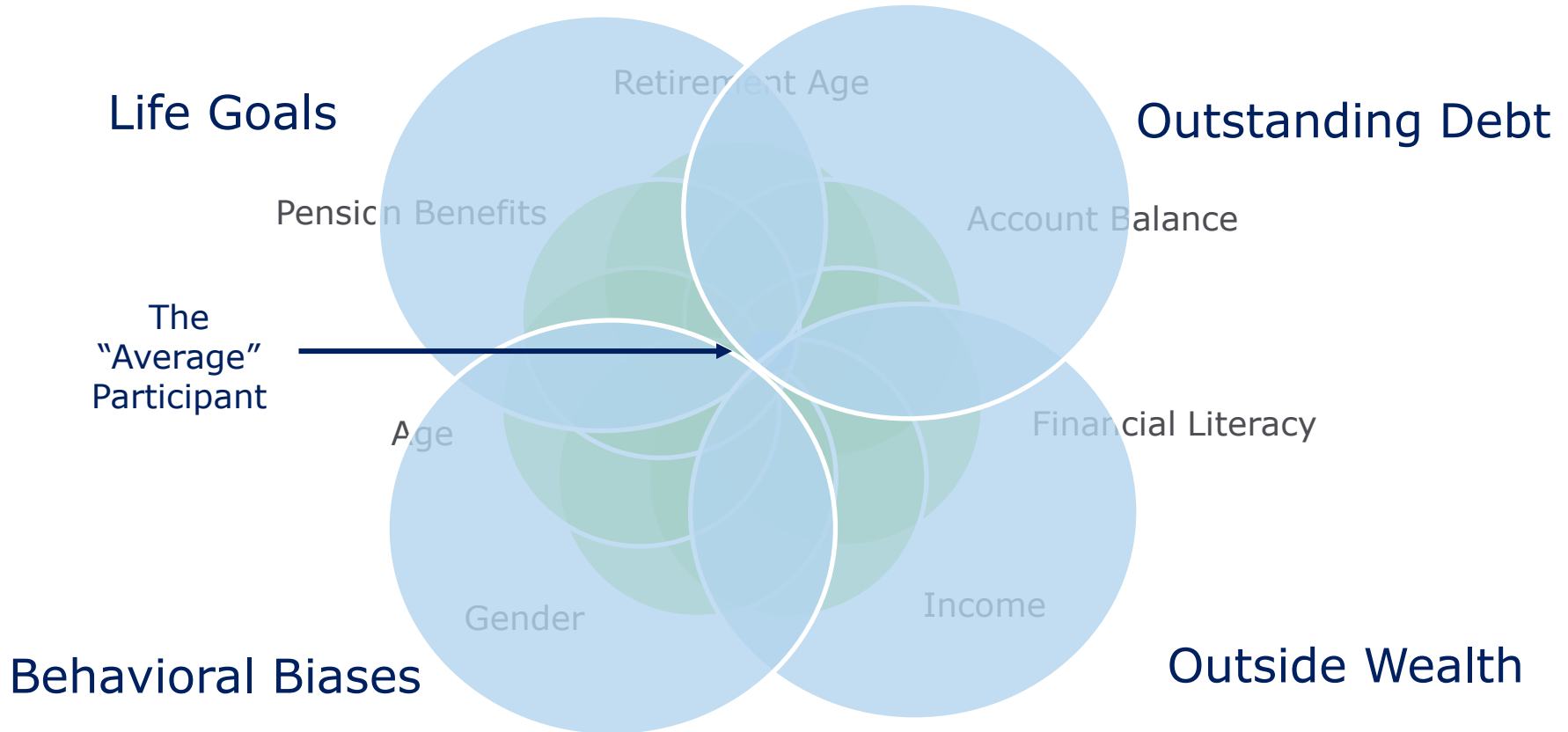


Overall DC Assets

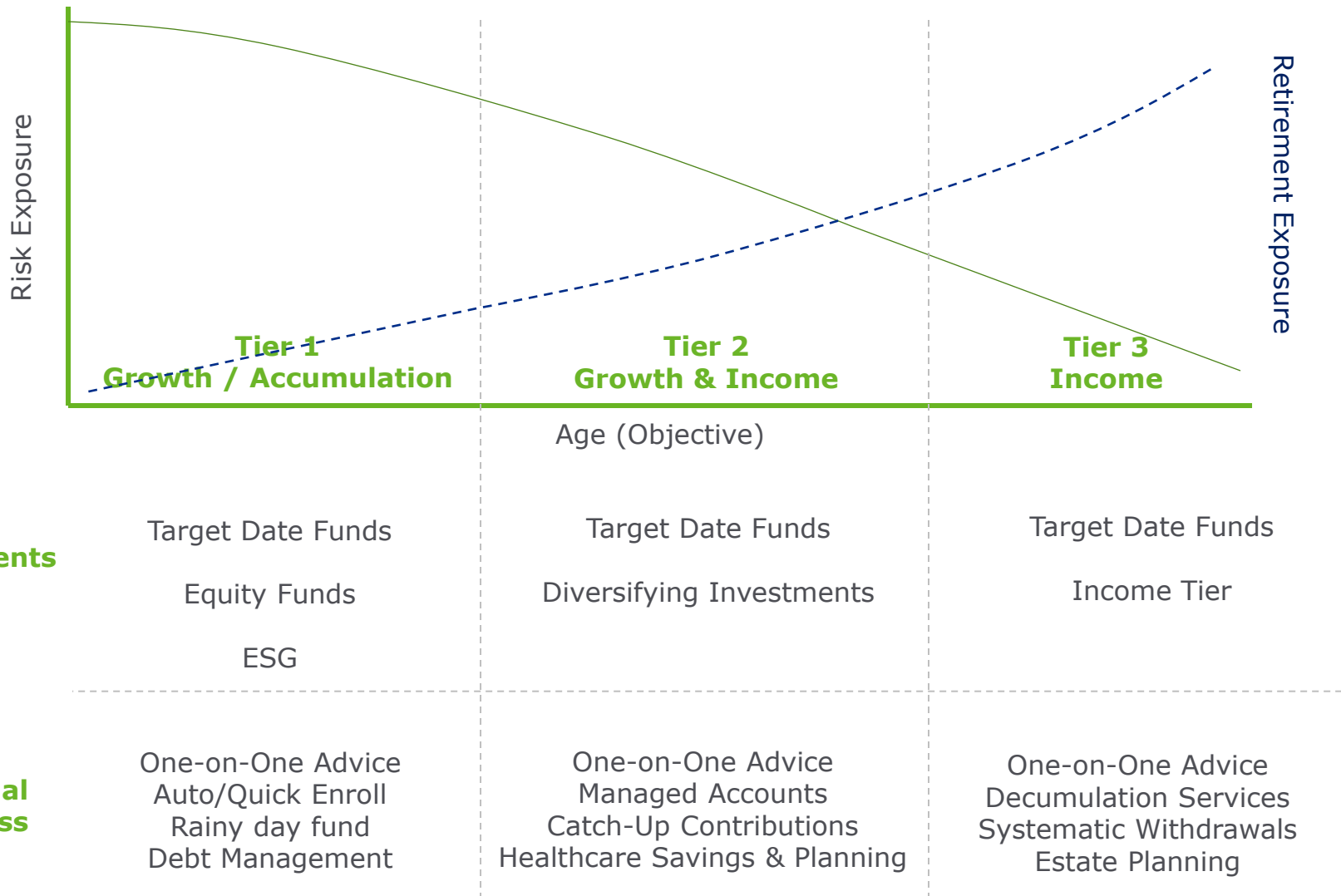


# WHY MIGHT TIERING NEED TO CHANGE?

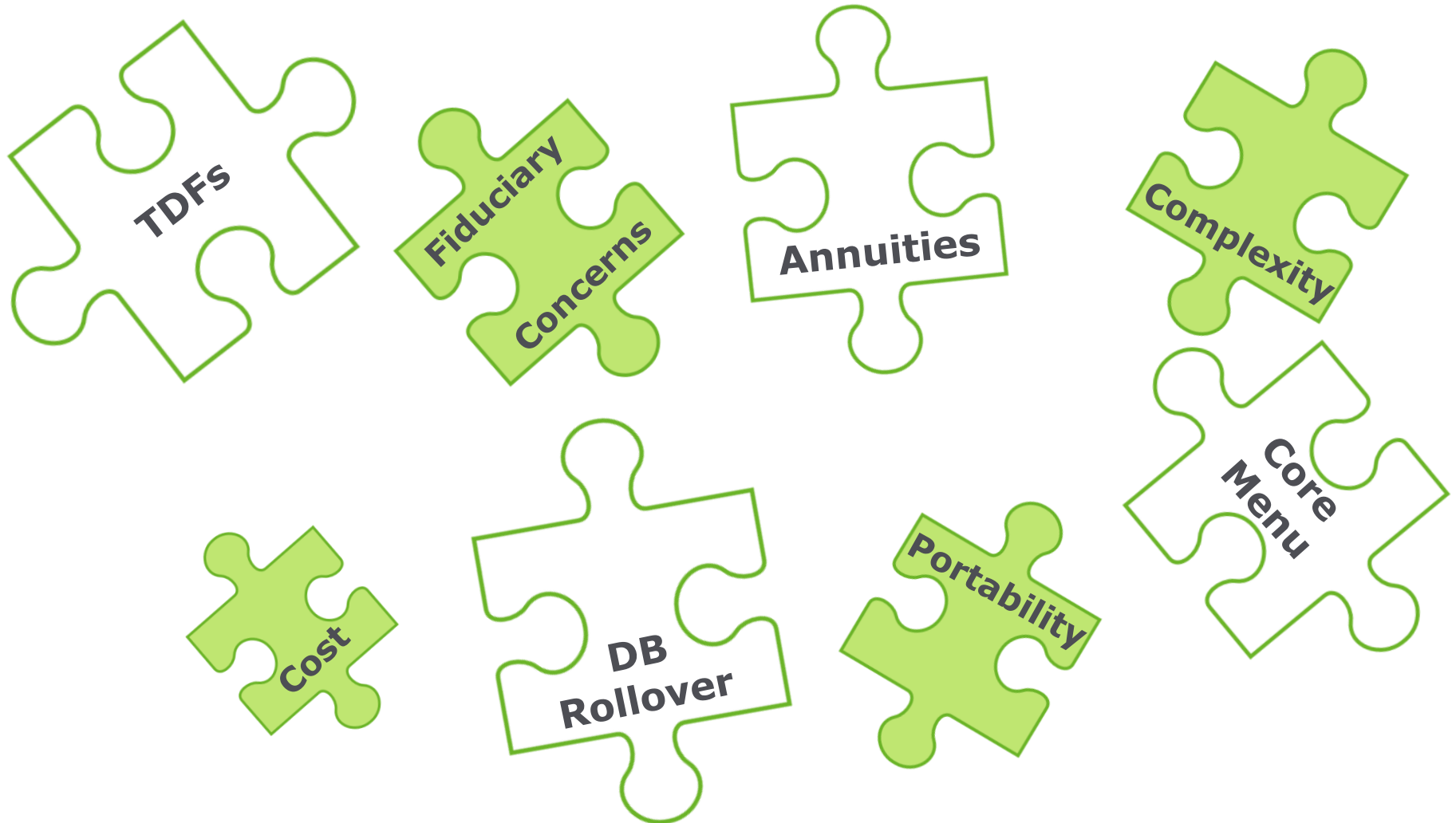
There is no such thing as the “average participant”



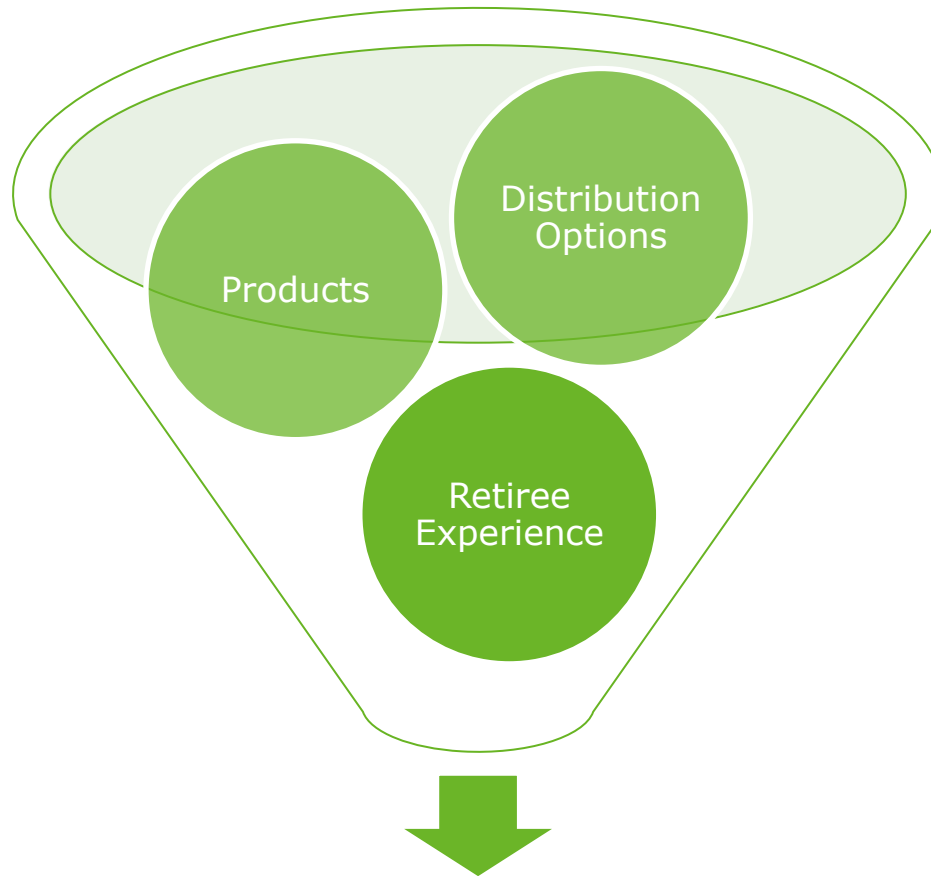
# A NEW APPROACH TO TIERING



# RETIREMENT INCOME: CURRENT STATE



# WHERE TO NEXT?



Income Tier

# AUDIENCE QUESTIONS

## Poll Question

**Q1.** Do you believe that we should highlight different **investment choices** to participants of different ages?

- A) Yes
- B) No
- C) Maybe

<https://api.cvent.com/polling/v1/api/polls/sp-3w6v48>



# 3 CONSIDERATIONS

**Look at how  
investments are  
tiered**

**1**

**Evolve  
investment menu  
and features**

**3**

**2**

**Review utilization of  
investment options by  
age**

# PLAN FEES

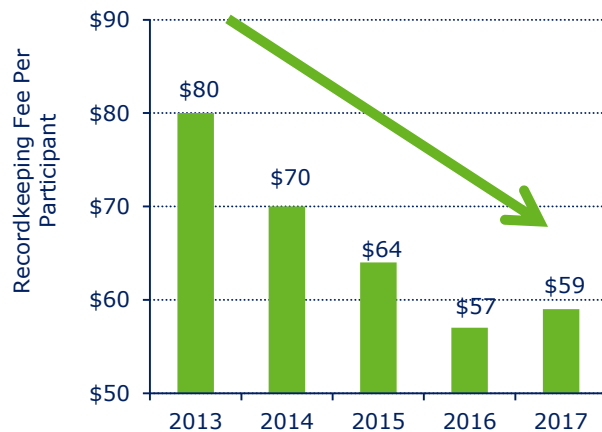
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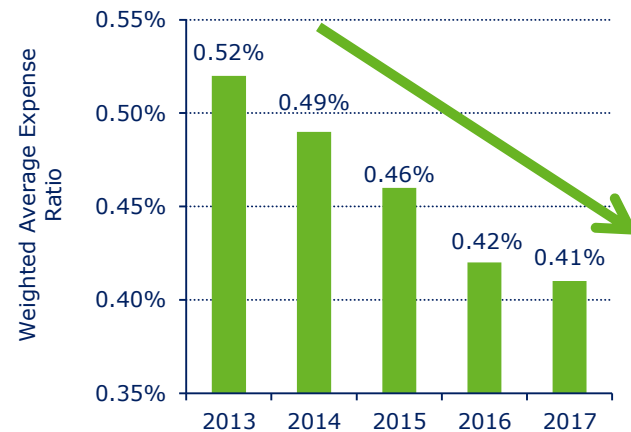
# A FOCUS FOR MORE THAN A DECADE

- **Over 60 class action lawsuits**
- **Significant fee compression**

**Plan Recordkeeping Fees, Survey Median**



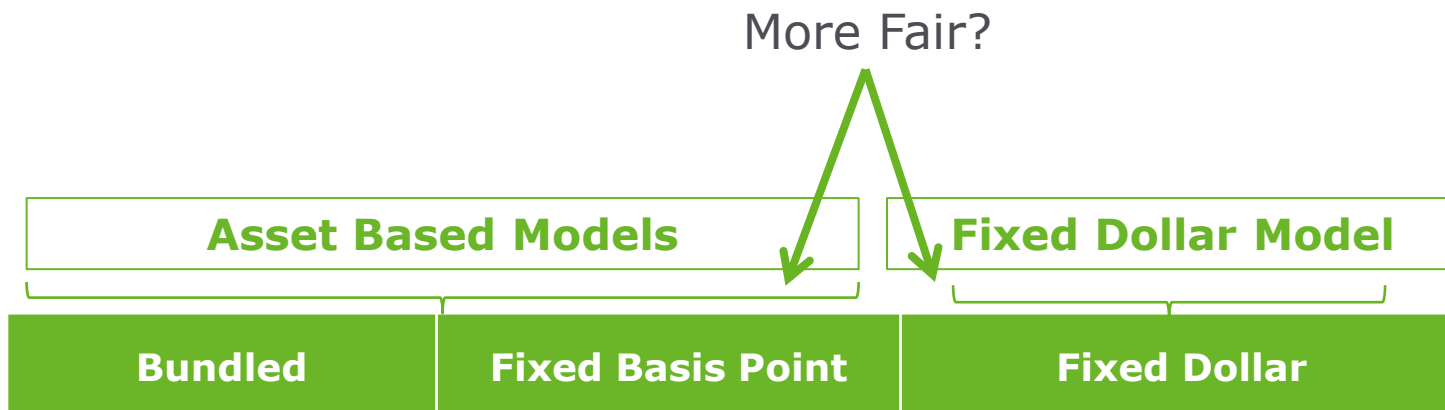
**Plan Investment Fees, Survey Median**



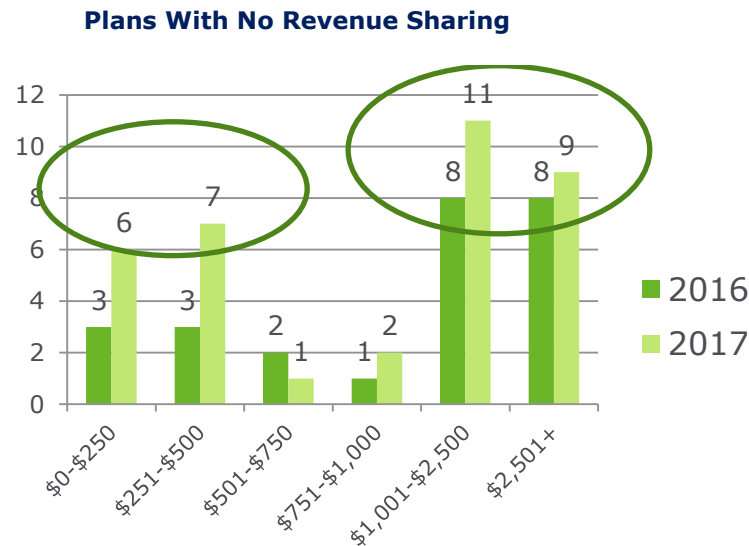


# WAYS TO PAY FOR THE PLAN

- **Plans are moving to participant “fee leveling” models**
- **There are three common ways to pay plan record keeping fees**
  - Through revenue sharing (bundled)
  - An asset based fee (participant level fees)
  - A flat per participant fee (participant level fees)



# METHODS TO PAY RECORD KEEPING FEES



- **Explicit account charges are becoming more common**
  - While many plans still use revenue sharing to help cover fees, the trend has been moving towards fixed dollar or fixed basis arrangements
- **Smaller plans are also eliminating revenue sharing**

# AUDIENCE QUESTIONS

## Poll Question

**Q1.** Going forward, which **fee model** do you feel is most appropriate?

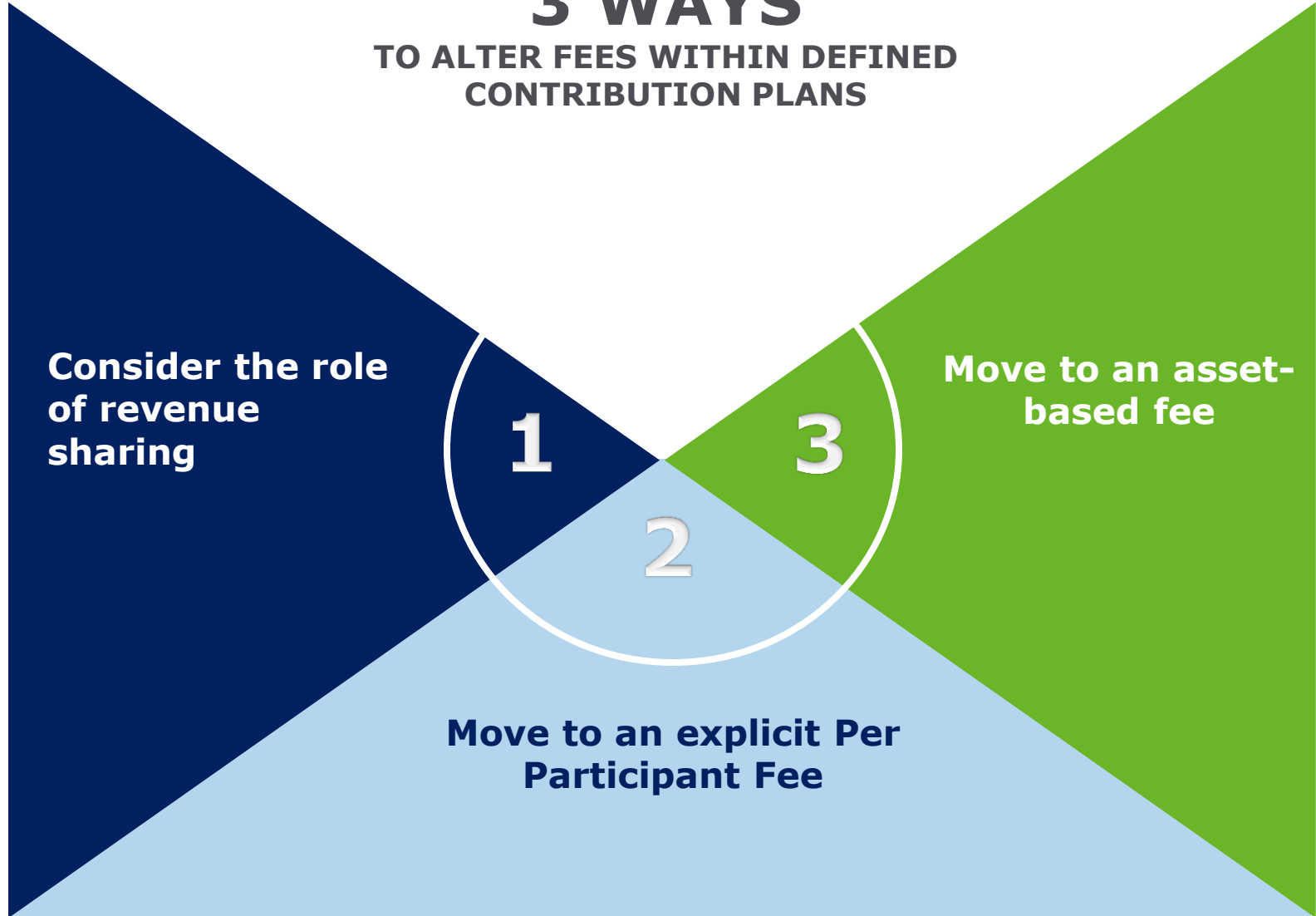
- A) Revenue Sharing (Bundled)
- B) Explicit Per Head Fee
- C) Asset Based Fee

<https://api.cvent.com/polling/v1/api/polls/sp-3bulu3>



# 3 WAYS

TO ALTER FEES WITHIN DEFINED  
CONTRIBUTION PLANS



# **PLAN OVERSIGHT**

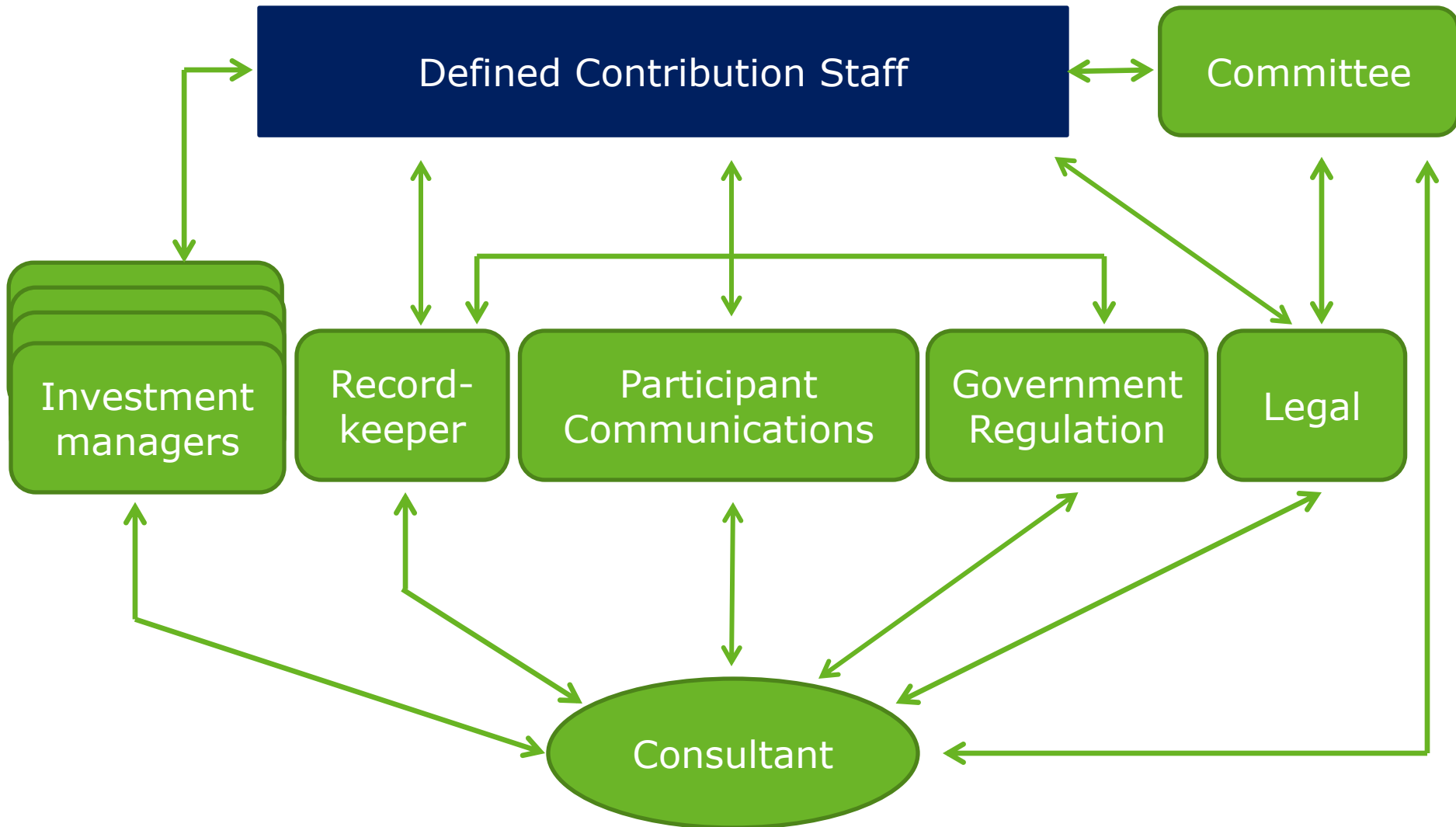
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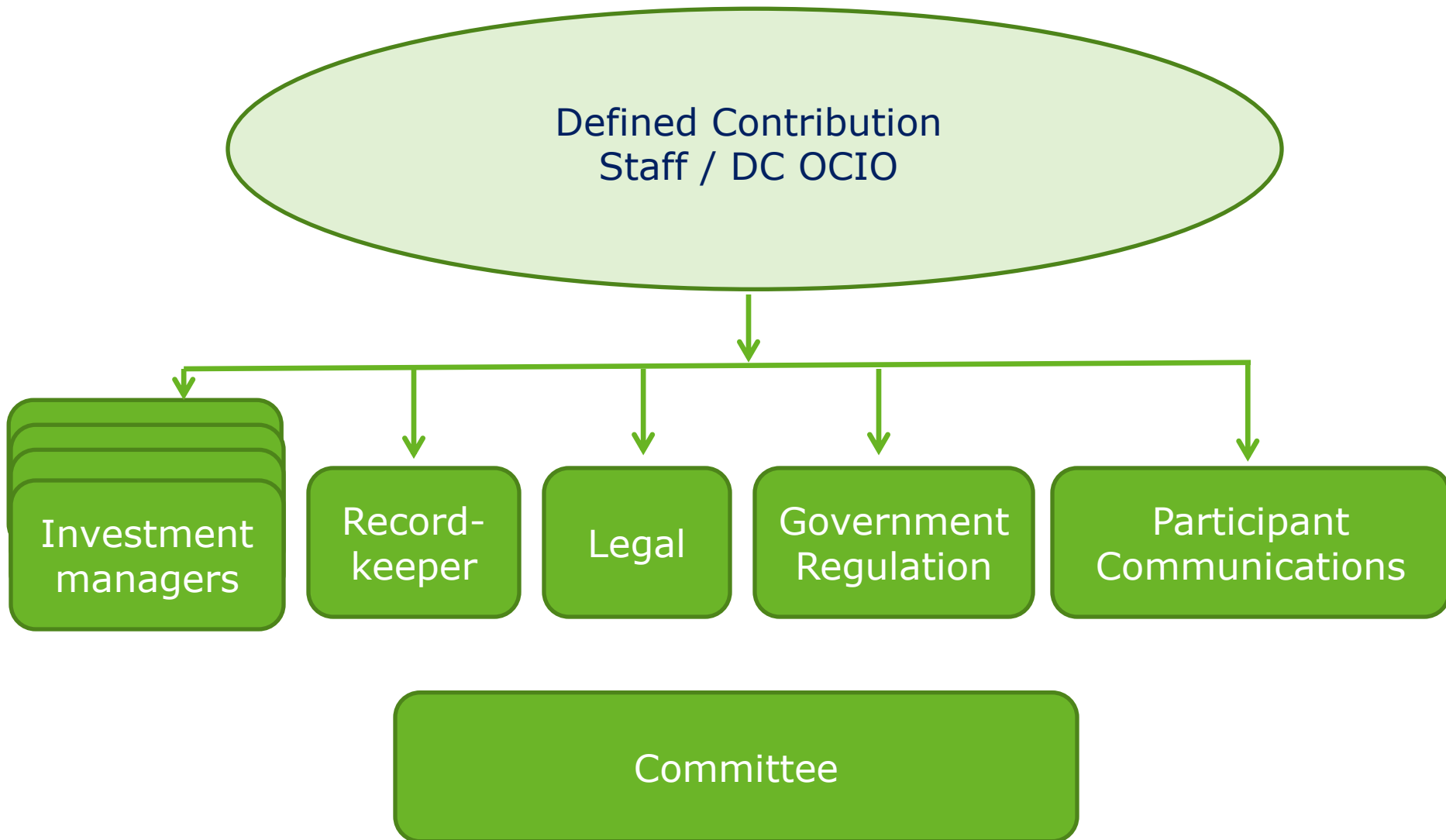
# EVOLVING CHALLENGES CREATE DISRUPTION



# TRADITIONAL CONSULTING MODEL



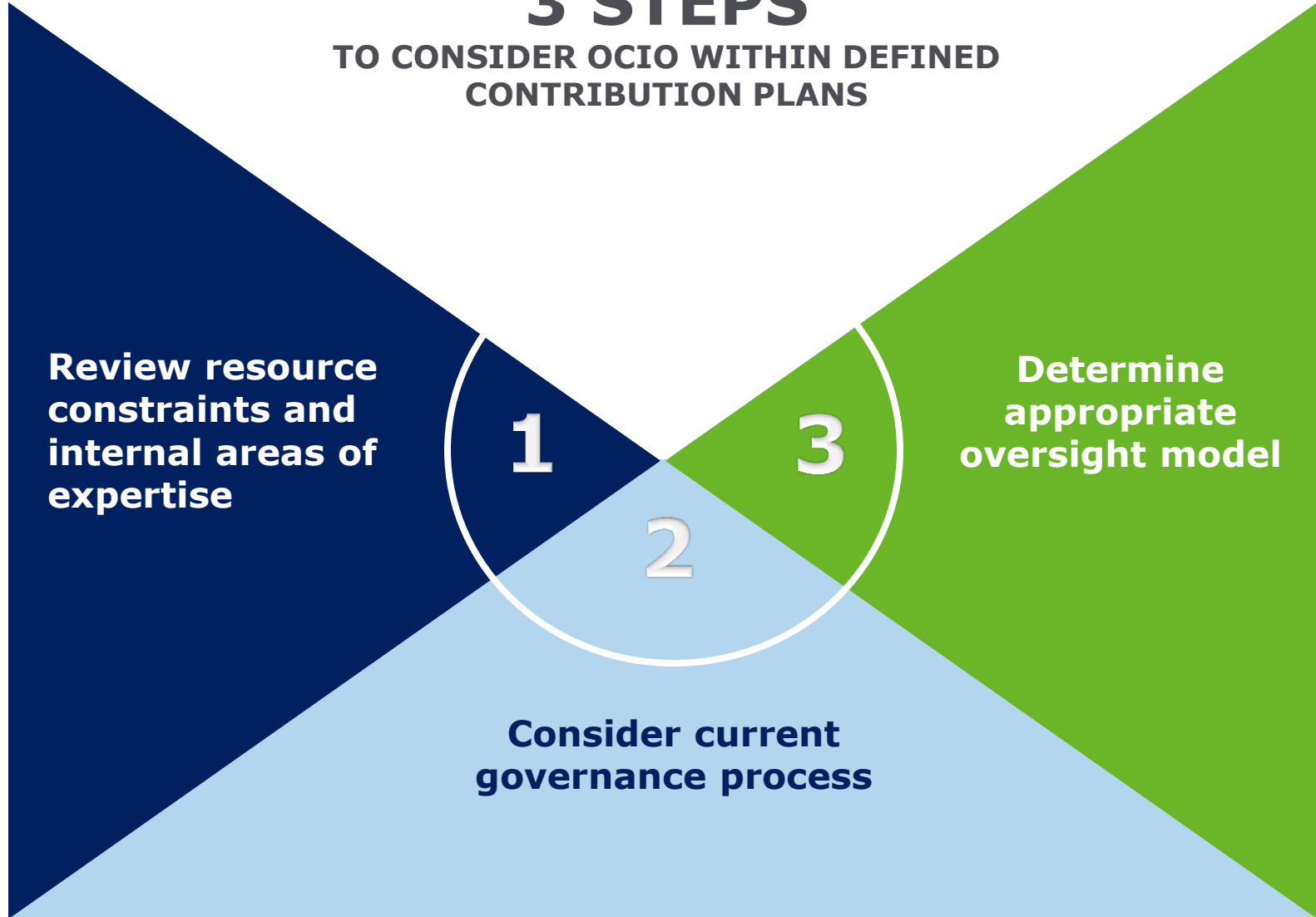
# DISCRETIONARY CONSULTING MODEL





# 3 STEPS

TO CONSIDER OCIO WITHIN DEFINED  
CONTRIBUTION PLANS



# AUDIENCE QUESTIONS

## Poll Question

**Q1.** What do you believe is ripe for the next round of “DC  
Disruption / Evolution” ?

- A) Investment Menu
- B) Fees
- C) Service Model (i.e. OCIO)

<https://api.cvent.com/polling/v1/api/polls/splmon2m>



# FINAL THOUGHTS

**Investment  
Menu**



**When will tiers  
change?**

**Plan Fees**



**What is fair?**

**Plan Oversight**



**How will service  
models evolve?**

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