



FACTS, INDUSTRY TRENDS AND 2017 AGENDA

Research Views from Ann Schleck & Co. and fi360

Webcast
October 12, 2016

ann
schleck
& CO.

An fi360 Company

Introductions.



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Leveraging the expertise and support of our fi360 team of leaders:

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- Matt Burt - Sr. Project Manager
- Matt Wolneiwicz - Head of Sales
- Dave Palascak - VP Product

National Account Directors

- Sean Flood
- Katie Megan
- Jeff Hladun
- Tim Daniels

Thank You.

Institutional Plan Provider firms contributing to our 2016 research:

1. Ameritas
2. American Funds
3. Bank of America Merrill Lynch
4. Charles Schwab
5. CUNA Mutual Retirement
6. Empower
7. Epic
8. Fidelity
9. ICMA-RC
10. John Hancock
11. July Business Services
12. Lincoln Financial
13. Mass Mutual
14. Milliman
15. OneAmerica
16. Principal
17. Prudential
18. Regions
19. Securian
20. Sentinel
21. SunTrust
22. T. Rowe Price
23. TIAA
24. Transamerica
25. Unified Trust
26. VALIC
27. Vanguard
28. Voya
29. Wells Fargo
30. Xerox HR Services/
Buck Consultants



16 Studies to Review.

- 1 New Fiduciary Rule Impact to Plan Providers
- 2 Provider Growth
- 3 Recordkeeper Consolidation
- 4 Rebids
- 5 Client Advisory Boards
- 6 The Participant Experience
- 7 The Sponsor Experience
- 8 Relationship Managers
- 9 DC Specialist Practice Management
- 10 DC Specialists Advisor Opportunities
- 11 DC Specialist Succession Plans
- 12 403(b) Advisors
- 13 IPS
- 14 New Retirement Players
- 15 IRA Rollover Benchmarks
- 16 New Research In Progress

What will we look for in 2017?

1. In light of the fiduciary rule, plan providers will be offering 3(21) and 3(38) services.

We talked with 15 recordkeepers about conflict of interest.

- Eight firms are not ready to share the decisions being made. For those still deciding how they will move forward, the approach broker-dealers take as independent fiduciaries is the primary reason for delayed decisions. Several also expressed concerns related to selecting and promoting a single, outsourced fiduciary solution.

RISK



1 FIRM

Will not work with non-fiduciary advisors on retirement plan business or with plans who do not have a named fiduciary advisor.



1 FIRM

Will help plan sponsors find an advisor who will act as a fiduciary.



5 FIRMS




Will expand 3(21) and 3(38) services to address the need.

OPPORTUNITY

“Are we a fiduciary by making a fiduciary available?
Our risk appears to increase if we reduce the options.”

2. Providers who grow the fastest are not always the biggest firms.

Growing fast - the top five firms by growth rate from 2012 to 2015.

 BY ASSETS	 BY PLAN	 BY PARTICIPANTS
<ol style="list-style-type: none">1. 222% Newport Group2. 201% Aspire3. 199% OneAmerica4. 149% Transamerica5. 131% Empower	<ol style="list-style-type: none">1. 298% Newport Group2. 169% Security Benefit3. 138% Vanguard4. 70% Aspire Financial5. 61% Ubiquity	<ol style="list-style-type: none">1. 168% The Newport Group2. 121% OneAmerica3. 99% Transamerica4. 110% Aspire5. 65% Correll Co.

CHANGES

Using public sources of data, this report reflects an analysis of major changes in the institutional retirement industry in 2012 to 2016.

2. Advisors are concerned about recordkeeper consolidation.

“We worked with the plan sponsor for three months to select a new recordkeeper. A decision was made, but the next day we found out the selected plan provider was being acquired. This made me and my team look bad. Now, we are back-pedaling. I understand the sales team and the relationship manager couldn't tell us, but we won't work with them again.”



4. Rebid deal-team structures.

18 firms shared information about rebid deal teams.

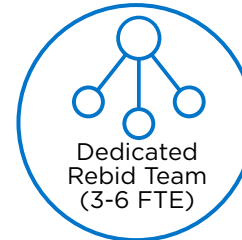
- 7 are formalized
- 4 are less formal
- 7 do not have a rebid deal team/process

4 common organization structures emerged.

In 2015 25% of providers included the sales team.

In today's study 100% of providers include the sales team.

Sales Accountable



Dedicated Rebid Team (3-6 FTE)

Sales, Relationship Management, Operations



SWAT pulled from business

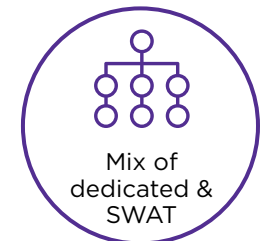
Sales, Relationship Management, Operations

Relationship Management Accountable



SWAT pulled from business

Sales, Relationship Management, Operations



Mix of dedicated & SWAT

Sales, Relationship Management, Operations, Consultant Relations

Other Roles Brought In, as needed:

Senior Leadership
Compliance
Investments

ERISA Consultant
Marketing
Product
Communications


5. Client advisory boards are expensive.

- 13 have the head of relationship management responsible for the advisory board.
- 12 budget more than \$60,000 per year.
- All have 1 - 2 client board meetings per year.
- Topics include:
 - Legislative updates
 - Products and prototypes for input
 - Strategy discussions
 - Review of new business wins
 - Industry trends

QUICK-HIT RESEARCH #1

We talked with 17 recordkeepers about their advisory boards.

Many firms in many service industries have them, and retirement providers are no exception. But are advisory boards mere flourishes? A chance for a good round of golf once or twice a year? Or a useful marketing and client service tool?



Here's what we learned >

6. The participant experience.



7. Sponsors want more information about participants.

We talked with 10 providers. Nine gave us quantitative feedback; eight gave us plan sponsor contacts that we interviewed. We also interviewed advisors.

- **Sponsors want more**
 - Financial wellness
 - Retirement readiness
 - Participant metrics and trends beyond demographics
 - Auto programs

PLAN SPONSORS

MOST EFFECTIVE:

1. Webcasts
2. Email
3. One-click emails
4. Event technology/
mobile app
5. White papers

LEAST EFFECTIVE:

1. Electronic bulletin boards
2. Gamification
3. Podcasts
4. Facebook
5. Twitter

8. The best relationship managers know plan-level profitability.

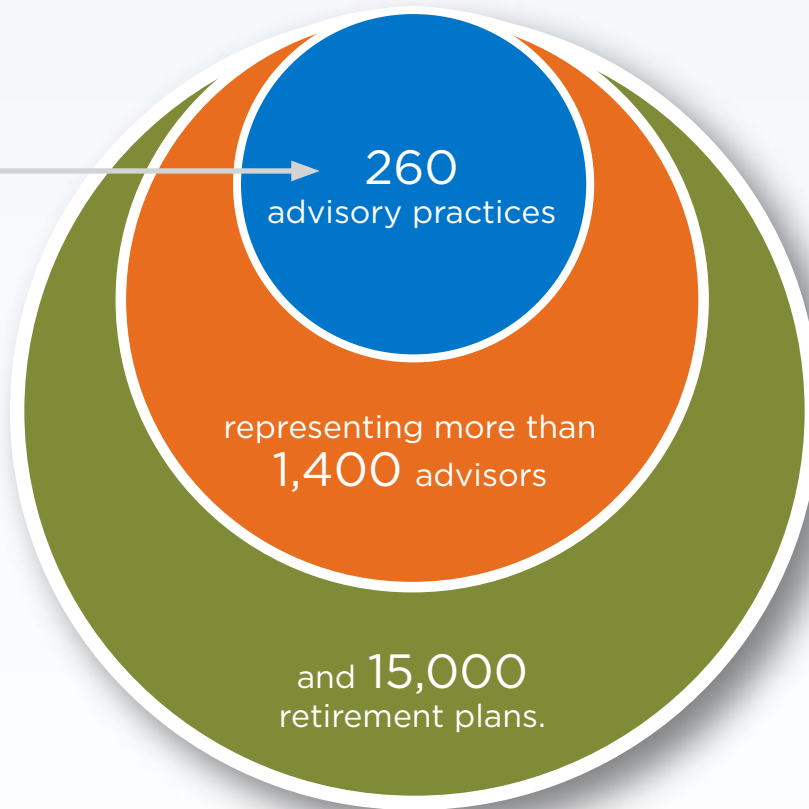
We talked with 10 recordkeepers and their relationship managers. As part of a larger 2015 syndicated research project, RMs told us what they do to be more efficient and profitable.

The little things that keep RMs from doing their real jobs.

- 1 Managing Time
- 2 Staying on Top of the To-Do List
- 3 Staying on Top of Emails
- 4 Helping Wealth Management Advisors
- 5 Fixing Mistakes
- 6 Day-to-Day Plan Operations
- 7 Reacting to Service Requests
- 8 Coaching Inexperienced Team Members
- 9 Getting Signatures and Approvals
- 10 CRM, Forms, Other Paperwork

9. Advisor practice management and fee benchmarking.

Current work in progress to update:



220 are anticipated as DC specialist advisors where more than 50% of their business is typically in the retirement plan space.

- Topics
 - Advisor fees and services for each plan they manage
 - HR and staffing
 - Sales and marketing practices
 - Client management
 - Business financials
 - Technology
 - Practice operations

Get a look at the fresh new data during our closed-door DCIO and Retirement Plan Provider session at the fi360 Advisor Conference May 21 - 23.

Call or email for an invitation.

10. DC specialist advisor opportunities.

Fee Differences Based on Service Offering; \$100M Plan Size

AVERAGE FEES OVERALL	When the service is included	When it's not offered	% Difference
Transition Services	\$88,511.11	\$73,333.33	+21%
Education Program Strategy	\$88,733.33	\$70,000.00	+27%
Group Meetings	\$95,046.88	\$72,593.75	+31%
One-on-One Employee Meetings	\$96,937.50	\$71,500.00	+36%

Other categories we'll explore with 2016 data:

- Custom Level Asset Allocation
- Managed Accounts
- Model Portfolios
- Financial Wellness Provider Search
- Financial Wellness Program Strategy
- M&A Services

11. Too few advisors have succession plans.

How would a practice and clients fare if business was disrupted by a hurricane, a cyber-attack, or an act of war or terror? What if an advisor's main server and backup server failed? What if a big chunk of the leadership team died in a plane crash?

34%
in 2015

DC Specialist
Advisors with a
Succession Plan

26%
in 2009

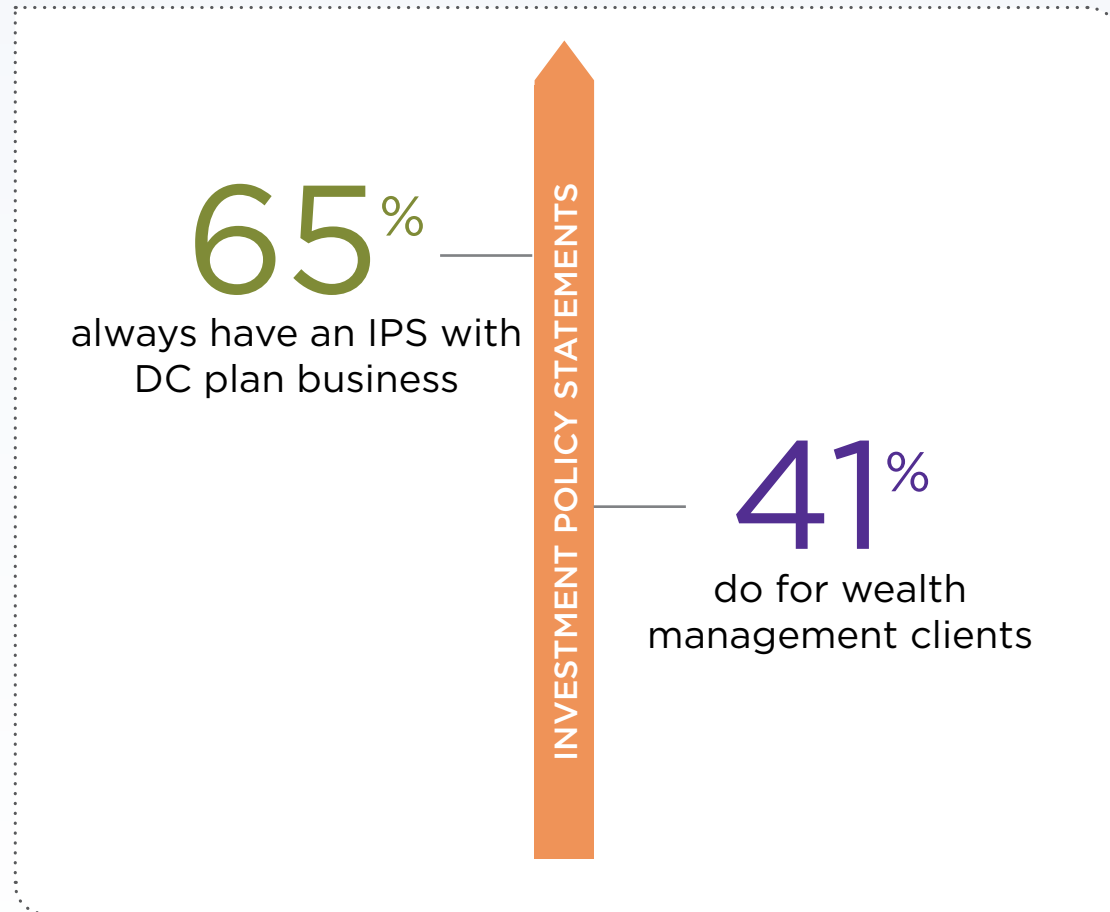
12. Advisors with 3 or more 403(b) plans tend to be from larger DC specialist practices.

We identified fifty 403(b) advisory practices in our database.

SERVICE	MEAN/AVERAGE	
	403(b) Practices	Non-403(b) Practices
Vendor Search	\$20,500	\$12,210
Vendor Fee & Service Review	\$7,727	\$6,750
Investment Policy Development	\$4,125	\$3,791
Employee Meetings	\$1,369 per day	\$1,614 per day
Hours Spent Servicing a \$100M Client	78.8	155.9
Average Retainer for \$100M Client	\$74,842	\$90,813

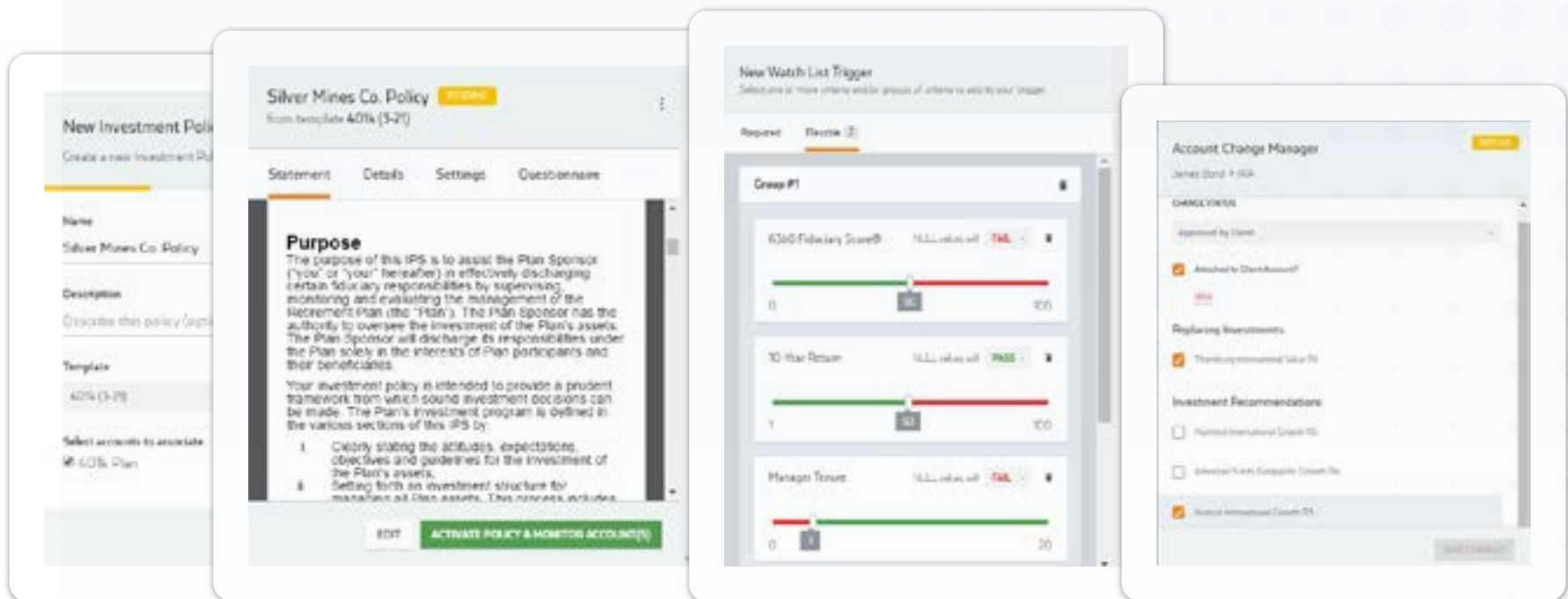
13. Investment Policy Statements (IPS).

We surveyed **697** advisors during our September 2016 webcast ...



14. New retirement tools and players.

- Betterment for Business
- Spark 401k
- Captain 401k
- Bloom
- MorningStar Plan Advantage
- 401kPlans.com
- fi360 New Advisor “Process is Prudent” with Oversight and Monitoring Capabilities



15. IRA rollover benchmarks.

Advisor Profile

342 rollovers in database as of today, from 50 advisory practices.

48% independent or dually registered.

36% fee-only RIA.

16% affiliated.



Advisor Rollover Experiences

62% recommended rolling assets into the advisors solution.

14% recommended the money stay in plan.

9% recommended a rollover to another IRA.

Majority of IRA activity was for clients with less than \$250k household assets.

Average IRA rollover was \$105k.

67% of rollovers were placed into a wrap/managed solution.

72% of advisors did not receive up-front compensation.

For those who did, the average comp was \$1,255 and trail of \$765.

Fiduciary Rule Change

73% will frequently or always use level fee exemption going forward.

13% are unsure which exemption or will avoid being a fiduciary.

2017 Research Agenda.

NEW SYNDICATED OPTIONS

Here are a few ideas we want to do **syndicated or Quick Hit research** on:

1. Retirement Plan Industry Technology
2. Retirement Plan Sales Signals
3. Conversion and Implementation
4. Investment Review Best Practices
5. Call Centers changing to Chat Centers
6. Other ideas?

VOTE

We will only move forward with two studies in 2014. Of the six options listed, please vote on which you would like to see move forward.



Topics in the queue for custom or quick hit research.

Here are a few ideas we want to do **custom research** on:

1. Deeper Advisor Perceptions Research
2. Voice of the Customer Research with Plan Sponsors
3. 403(b) Advisor Fees, Services and Trends
4. Succession Planning
5. Advisor M&A Best Practices
6. HSAs and the Health/Wealth Connection
7. Internal process and Capability Assessments
8. Others?

VOTE

Please vote on which subject you would like to see move forward.



2017 webcast series: looking forward

Purpose

Quarterly series for sales teams, wholesalers, relationship managers, and consultant/advisor relations groups who work with advisors.

7 Topics to Choose From

1. Benchmarking DC Advisor Fees
2. The 401k Rollover Market
3. Advisors and the Participant Experience
4. Partnering with Advisors at Committee
5. The Value of Succession Planning
6. IPS Basics
7. Disruptive Technology in Retirement

Based on Facts and Research

PMB Advisor Database, IRA Database, Syndicated and Custom Research.

Valuable Tools Include



10-20 minute live webcast,



a leader discussion guide to continue the dialogue after the webcast plus



a co-branded, one-page tip sheet to help your team apply the information and bring the best insights back out to advisors over the next quarter.

Thank you!

We want to hear your ideas and talk with you about whether or not our research can help your business grow. Contact us at:

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