New Research Reveals Significant Differences Between Small and Large Defined Contribution Plan Sponsors in their Understanding of Fiduciary Responsibility

January 20, 2010

- A comprehensive survey from AllianceBernstein of plan sponsors also shows a wide gap in knowledge of the Pension Protection Act (PPA)
- Only 38% of smaller plan sponsors are using a default investment option that is QDIA-compliant, such as a target-date fund, versus more than half of very large plans
- The majority of larger plans intend to add target-date funds (67%) if they don't already have them, but fewer smaller plans (44%) will do so

NEW YORK, Jan. 20 /PRNewswire-FirstCall/ -- Almost four years after the passage of the Pension Protection Act (PPA), only 29% of defined contribution plan sponsors from micro-size (less than $1 million in assets) and small-size plans (between $1 million and $10 million in assets) report being familiar or very familiar with the PPA and how it could benefit their plans. In contrast, 61% of plan sponsors from mega-size plans (more than $250 million in assets) say they're familiar with the PPA, according to new research from AllianceBernstein.

A recently released white paper titled *Inside the Minds of Plan Sponsors* details the findings of a survey of more than 1,000 defined contribution plan sponsors, ranging from micro- to mega-size plans. The research also found that while many plan sponsors describe their roles as having direct responsibility for their plan, 45% of micro/small plan sponsors and a troubling 32% of mega plan sponsors do not see themselves as fiduciaries.

The survey shows that while plan sponsors certainly have the desire to help employees achieve a comfortable retirement, the lack of understanding of the PPA and their fiduciary responsibilities may prevent them from taking advantage of the safe-harbor protections offered by the PPA.

"It's not surprising to see a significant disparity between plan sponsors from larger plans and those from smaller plans in terms of their understanding of fiduciary issues, as responsible executives at large companies usually have more focused roles and additional resources," says Richard A. Davies, Head of Product Strategy for AllianceBernstein Defined Contribution Investments (ABDC). "This research demonstrates that there is a real opportunity for financial advisors and consultants to help the smaller plan sponsors who have limited time and resources to spend on their plans."

The survey, which focused on four key areas (fiduciary issues, investments, communications and service), reveals that only 38% of micro/small plan sponsors are using a Qualified Default Investment Option (QDIA), such as a target-date or risk-based fund. In contrast, 56% of mega plans are currently using a QDIA. While there is certainly room for more mega plans to adopt default options that are QDIA-compliant, these findings highlight the implications for smaller plans whose sponsors may not grasp the benefits—to them or their participants—c implementing a QDIA.

One of the most important decisions plan sponsors must make is selecting a QDIA, which provides them with fiduciary safe-harbor protection when investing on behalf of participants who fail to choose their own investments. Target-date funds, one of the three types of QDIAs specified by the Department of Labor, have become the most popular choice for a QDIA due to their diversification and ease of use.

"Of the plans that do not currently offer target-date funds, only 44% of smaller plans intend to add them in the future, while 67% of mega plans will do so. This reflects the lack of familiarity with target-date funds, PPA and QDIA rules among many smaller plan sponsors—which clearly indicates that they need help," says Cathy Peterson, Senior Marketing Director at ABDC.

Other key findings include:

- Plan sponsors across all plan sizes want to help employees—not just *to* retirement, but *through* retirement.
  - Helping employees make better investment decisions (86%) and generate a retirement income stream (85%) are the two most important issues for plan sponsors, regardless of plan size.
  - Plan sponsors' single biggest worry is that participants will not accumulate enough to retire (46%).
- While many plan sponsors describe their role as having direct responsibility for their plan—either a key part of their job or as a member of an investment or administrative committee—many of them, across all plan sizes, do not understand that they are serving in a fiduciary role.
  - The large majority of plan sponsors (72% micro/small and 83% mega) feel that reviewing fiduciary responsibilities is an important service to receive from their provider, demonstrating their concern about fiduciary issues.
  - Only 55% are comfortable or very comfortable that all relevant individuals at their organization are aware of their fiduciary status.
  - Three-quarters of mega plan sponsors are confident or very confident that fiduciaries of their plan understand the "core standards of conduct" (as defined in the white paper) but only 57% of micro/small plan sponsors are confident of that.
- Plan sponsors of all sizes are looking to their service providers for more help with fiduciary-related services—probably in response to the recent global recession and the heighted governmental scrutiny of defined contribution plans. As compared to the last time this survey was done in 2005, plan sponsors now want more help with:
  - Ongoing monitoring and reviews of investment options (89% in 2009 vs. 46% in 2005),
  - plan design or compliance updates (79% vs. 30%), and
  - reviewing fiduciary responsibilities (78% vs. 24%).

"Plan sponsors are genuinely concerned about their employees' ability to retire comfortably. Our overall survey results demonstrate this concern and indicate that plan sponsors are truly searching for ways to improve their plans. Plan sponsors should consider taking full advantage of the benefits provided by the PPA to help their employees improve their outcomes at—and through—retirement," adds Ms. Peterson

ABDC is a business unit of AllianceBernstein that offers a full range of solutions to meet the needs of defined contribution plan sponsors and participants. For a copy *of Inside the Minds of Plan Sponsors* or for more information on ABDC, please go to http://www.abdc.com/.

Survey Background

AllianceBernstein conducted a web-based survey in March 2009 of over 1,000 defined contribution plan sponsors from all plan sizes (less than $1 million to over $500 million in plan assets), selected at random from an independent qualified panel. The survey comprises a balanced representation from all plan sizes and the confidence level for responses is 95% with a 3% margin of error.

Segment	Plan Size	Number of Respondents
Micro	<$1 mm	205
Small	$1 mm–$9.9 mm	205
Mid	$10 mm–$49.9 mm	205

Large	$50 mm–$249.9 mm	205
Mega	$250 mm–$499.9 mm	101
	$500mm+	105
Total		1,026

About AllianceBernstein

AllianceBernstein is a leading global investment management firm that offers high-quality research and diversified investment services to institutional clients, individuals and private clients in major markets around the world. AllianceBernstein employs more than 500 investment professionals with expertise in growth equities, value equities, fixed income securities, blend strategies, and alternative investments and, through its subsidiaries and joint ventures, operates in more than 20 countries. AllianceBernstein's research disciplines include fundamental research, quantitative research, economic research and currency forecasting capabilities. Through its integrated global platform, AllianceBernstein is well-positioned to tailor investment solutions for its clients. AllianceBernstein also offers independent research, portfolio strategy and brokerage-related services to institutional investors.

As of December 31, 2009, AllianceBernstein Holding L.P. ("Holding") owned approximately 36.9% of the issued and outstanding AllianceBernstein Units and AXA, one of the largest global financial services organizations, owned an approximate 62.1% economic interest in AllianceBernstein.

AllianceBernstein Defined Contribution Investments is a unit of AllianceBernstein L.P. and **AllianceBernstein Investments, Inc.** is an affiliate of AllianceBernstein L.P. and member of FINRA.

SOURCE AllianceBernstein