A Blueprint for Defined Contribution Plan Design
2010 and Beyond
In a remarkably short period of time, the defined contribution plan—whether a corporate 401(k), public 457, or not-for-profit 403(b) plan—has become pivotal to when and how well Americans can retire. What is less widely recognized is how rapidly the designs of these plans have evolved: A new generation of defined contribution plans is now off the drawing boards and being implemented in the field. How plan sponsors adapt to these new designs is vital to their success—and equally vital to the ability of American workers to retire on their own terms.

This booklet is a window on this rapid evolution and the challenges and opportunities that accompany it. It is intended to serve as a guide for defined contribution plan sponsors to the new generation of plan designs that are predicated on newly minted lessons from behavioral finance. These so-called “auto-everything” plans may well make life much easier for participants, but they pose challenges for plan sponsors. These challenges should be made more manageable by the information contained in the following pages.

At UBS, we profoundly believe that the success of this new generation of retirement plans is vital to American society. We have devoted our resources—our financial capital to be sure, but increasingly, our human capital, most notably our Financial Advisors across the country—to add value for both sponsors and participants as they strive to optimize their employee benefits and workplace savings. What could be a more worthy challenge than helping your employees achieve retirement on their own terms? For UBS, that means equipping our Financial Advisors and their clients with the very best information, training, and tools to help try to solve the retirement equation.

We look forward to working hand in hand with you on your employees’ retirement needs.

Ed O’Connor
Managing Director, Head of Retirement Services
UBS Financial Services, Inc.
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More and more, the ability of Americans to retire on their own terms is a function of the success of these relatively new plan designs.

The Growing Scarcity of DB

Percentage of employers with DC plans that also offer a defined benefit plan

- 70.9% No defined benefit plan
- 14.5% Yes (open to all employees)
- 8.2% Yes (“frozen” plan)
- 6.5% Yes (open only to some employees)

Source: PLANSPONSOR
Chapter 1
Why DC Plans Matter So Much

It is no stretch to argue that defined contribution plans are now a societal imperative. More and more, the ability of Americans to retire on their own terms will be a function of the success of this type of plan and the relatively new plan designs.

Americans historically have relied on a three-legged retirement stool: private savings, workplace savings, and Social Security. Private savings are in secular decline, with the nation’s net savings rate at historic lows; Social Security’s funding status is, at best, uncertain; defined benefit plans, until recently the bulwark of workplace savings, are being closed. The latest data suggest that close to half of Fortune 500 plans have closed or are considering closing their defined benefit plans to new employees, according to PLANSponsor magazine. The three-legged model no longer works, even in theory. Defined contribution plans, once considered supplemental and additive, are now primary.

The shift in focus is already evident in the marketplace. Defined contribution plans are growing exceedingly fast—assets are now in excess of $4.4 trillion, making up almost a quarter of all retirement assets (annuities, government pension plans, corporate defined benefit plans, and Individual Retirement Accounts make up the whole). In 1980, only 22% of American workers were investing in the workplace through a defined contribution plan; today, the number has almost tripled, to 63%. As of 2007, 55 million Americans had defined contribution plan accounts, and 486,000 companies sponsor such plans. The rate of growth of these plan assets, already substantial, is set to increase even further.

Recent legislation has outlined the shape of the next generation of defined contribution plans. The Pension Protection Act (PPA), signed into law in August 2006, signaled a new approach to an age-old problem—most Americans tended to do the wrong thing when it came to retirement planning. Too few participated in their company’s 401(k) plan, and perhaps too many invested in vehicles which may not be optimal, with a concentration in company stock (at year-end 2006, 11% of all 401(k) assets were invested in company stock, down from 19% in 1999) or stable value (15% of all 401(k) plan assets in 2006 were still invested in GIC/stable value or money market funds). These problems were evident to the drafters of the PPA, who gave plan sponsors the clarity and protection to implement enrollment and asset allocation “opt out” solutions.

The PPA also signaled a shift away from defined benefit solutions by its focus on strict funding requirements. While this tended to protect those already in the system, and also strengthened the ultimate guarantor of these plans, the Pension Benefit Guaranty Corporation, it eroded the willingness of corporations to sponsor these plans. The move toward defined contribution solutions neither began in America (Chile, for one, went down this path a decade before the U.S.) nor will it end here. The defined benefit system has proved unworkable on a global basis—companies, with some exceptions, are unwilling to tolerate the volatility risk that underfunded defined benefit plans entail. In addition, since employees are changing jobs and industries much more frequently than in the past, they are unable to achieve sufficient levels of vesting in defined benefit plans. The next generation of global retirement solutions will be defined contribution in nature—and the cutting edge of plan design is now to be found in the solutions that plan sponsors and their advisors are discussing in the U.S.
For plan sponsors, a decision to adopt auto-enrollment has meaningful consequences. The first is cost. Your advisor should be able to help you determine the increased costs this step would entail, and how those costs can be affected by varying the level of employer matching contributions.

**Auto-enrollment Comes Into Its Own**

*Percentage of plans with automatic enrollment by plan size*

<table>
<thead>
<tr>
<th>Participants</th>
<th>1-49</th>
<th>50-199</th>
<th>200-999</th>
<th>1,000-4,999</th>
<th>5,000+</th>
<th>All Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of plans</td>
<td>6.8%</td>
<td>10.3%</td>
<td>30.5%</td>
<td>31.3%</td>
<td>41.3%</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

*Source: Profit-Sharing/401k Council of America*
Chapter 2
Auto-Everything and What It Means for the Plan Sponsor

The Pension Protection Act gave legislative force to a trend first seen in the marketplace a decade and more ago, when a handful of large companies (e.g., McDonald’s) experimented with what was then called “negative enrollment,” obliging employees who did not want to participate in their employer’s 401(k) plan to affirmatively opt out of the plan. The logic behind negative enrollment was to harness the power of inertia to get American workers into the retirement system, rather than stand by and allow inertia to keep them out. In 2006, automatic enrollment was formalized into law with the passage of the PPA, which also acknowledged the need for default automatic enrollment contributions. In addition, the PPA requires participant contributions to be prudently invested in a default investment fund, with the particulars to be spelled out later by the Department of Labor. Subsequently, the Department of Labor did just that, defining the “qualified default investment alternative,” or QDIA. [Under the final QDIA regulations, issued in November 2007, plan sponsors are provided protection from liability for the investment outcomes of the default investment funds they choose, so long as they choose a QDIA as the default investment and follow the guidelines established by the Department of Labor.]

Plan sponsors have reacted quickly. Nearly a quarter (23.6%) of the more than 5,500 defined contribution plans responding to PLANSponsor’s 2007 Defined Contribution Survey had already adopted auto-enrollment, even ahead of the issuance of the final QDIA regulations. A more recent sampling suggests that, by 2010, fully half of all 401(k) defined contribution plans will have adopted auto-enrollment. The implementation of “auto-escalation”—that is, automatically increasing the deferral rate, which some plan sponsors consider a natural accompaniment to auto-enrollment—has been less frenetic; 11.5% of surveyed plans had adopted these so-called “step-ups” in 2007, compared to 5.8% in 2006.

For plan sponsors, a decision to adopt auto-enrollment has meaningful consequences. The first is cost. Your advisor should be able to help you determine the increased costs this step would entail, and how those costs can be affected by varying the level of employer matching contributions. For example, a plan with a 50% match on employee deferrals up to 6% of pay with only a 60% participation rate would see their match cost increase by 50% if auto-enrollment increased participation to 90%.

“Auto-enrollment makes a lot of sense, but the economics need to be palatable,” says Gary Handler, a UBS Financial Advisor whose Encino, California-based practice has been focused on servicing qualified and nonqualified plans for 19 years. “You can’t just adopt auto-enrollment carte blanche, and you always need to be aware of the cost implications associated with the match and the additional recordkeeping. For the plans we are working with, we have, thus far, tended to focus on new employees; the costs can be a real issue when you go back and auto-enroll longer-serving employees as well.”

“There is no question that the first step to auto-enrollment can be a challenge,” says Bill Talmage, who heads up a UBS team based in Cincinnati. “There is a cost for these automated programs, of course. That said, it is a predictable one—we can estimate very closely what the costs of the various approaches will be, so there are no surprises for our clients. I also would say that our clients have, by and large, recognized that auto-enrollment is the right thing to do for their participants and, thus, they have not been deterred by the costs,
particularly if those costs are predictable and not excessive.”

If the first consideration is focused on cost, the second step is all about design. Clearly defined decisions need to be made with reference to vesting and to deferral percentages. The deferral percentage can vary widely, and will affect directly both the cost of the program and its effectiveness. As a general guide, advisors will recommend that the average employee should be deferring 12% of compensation to reach the requisite level of savings for retirement.

Without an auto-escalation strategy, few plans will be successful in achieving that level of average deferral.

Third, the choice of a default target-date fund as the plan’s QDIA carries with it two important components—plan sponsors need to be comfortable with the “glide path” of the fund, which is the shifting asset allocation over time, and the underlying investments in the fund.

Fourth, plan sponsors need to face up to the conundrum that a successful auto-enrollment regime will confront them with the peril of creating two classes of employees, one that is auto-enrolled and defaulted into a selected asset-allocated fund, and a second that predates the default and is potentially invested inefficiently. Already, some plan sponsors are “mapping” participants with certain investments (e.g., a stable value fund, for instance) into a default target-date fund.

“There is no question that auto-enrollment is here to stay,” says UBS Financial Advisor Mark Barnum, who is part of a $7 billion practice out of Seattle. “Thus far, we’ve seen it in about 25% of our clients, and the firms that have been the early adopters are generally larger plans where employee education is challenging, or plans that have failed their testing, or plans that tend to be paternalistic. There are also plans that look to be on the cutting edge of 401(k) plan design. However, there are a lot of plans that, for good reasons and bad, will not be moving to auto-enrollment, so the need for traditional plan design isn’t going away.”

Michael Jefferies, whose 15-person Kansas City-based team has been providing services to qualified plans for 15 years adds, “Auto-enrollment is important, but that doesn’t mean that education is any less important than it used to be,” says Jefferies. “One of the issues plan sponsors face when they do that 3% match can only be resolved by education—you have to convince participants to contribute more than just enough to get the match.”

If you want to learn more about how an auto-everything design will affect your plan, please contact Ed O’Connor at 201-352-1941.
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“It is hard to overemphasize the importance of the choice of target-date fund, for both the plan sponsor and the participant.”

Drew Carrington
Head of Defined Contribution and Retirement Solutions
UBS Global Asset Management
Chapter 3
Asset-Allocated Funds: The Next Generation

As of January 2008, in response to the final QDIA regulations, almost every asset management group was marketing asset-allocated funds of one type or another. These funds run the gamut of target-date funds (also called lifecycle funds or target maturity funds), risk-based funds, including lifestyle funds, and managed account solutions—some are cheap, some are expensive, some are indexed, and some are actively managed.

Of these asset-allocated funds, it is target-date funds that have generated by far the most interest: As of mid-2007, 36.1% of all PLANSPONSOR-surveyed defined contribution plans were offering a target-date fund of one sort or another.1

According to data from the Investment Company Institute, assets in target-date funds have been undergoing explosive growth recently—$152 billion was in target-date mutual funds in June 2007, compared to $133 billion in March 2007.3

That said, it also is clear that a new generation of target-date funds is about to command significant attention. “It is hard to overemphasize the importance of the choice of target-date fund, for both the plan sponsor and the participant,” says Drew Carrington, Head of Defined Contribution and Retirement Solutions, UBS Global Asset Management, one of the three business groups of UBS. “Yet, the first generation of these funds was designed as if these defined contribution plans were still supplemental savings plans, not the sole retirement plan. The first target-date funds grossly oversimplified the challenges that participants face—and, while they were better than what

Target-Date Fund Assets Continue to Grow Rapidly

Source: ICI 3
preceded them, that’s a low bar. We need to aspire to much more than that.”

The next generation of funds, says Carrington, will be significantly more complex—and more effective. They will deal with accumulation and market risk in less static ways, using asset classes and tactical asset allocation more effectively. Additionally, they will take into account inflation risk, which today’s solutions largely ignore. Also, the present approach to longevity risk, which Carrington says is “to simply own more stocks”—which he calls a “dangerous and misguided idea”—should be superseded by more sophisticated retirement income strategies.

In fact, in many ways, in light of the importance of the default fund decision, the choice of asset-allocated fund is perhaps the single most important decision that a plan sponsor will make in this new era of plan design. Indeed, for many participants, and particularly those who are auto-enrolled, their entire retirement accumulation life may be spent in a single, although evolving, target-date fund.

Plan sponsors often struggle with the choice of target-date fund. It is complicated by the necessity of considering both the glide path and the underlying fund management. “These are very difficult investment vehicles to benchmark,” says Talmage. “This is where a focused advisor can really add value and help the plan sponsor choose an appropriate asset-allocation solution for each plan’s needs—there are issues of performance, cost, and risk, all of which need to be considered.”

The Turnstone Advisory Group, a Marina del Rey, California-based research firm that specializes in research on target-date funds, breaks down its analysis of solutions into five components: the organization, philosophy, and structure of the asset manager; the expenses associated with the fund; the strategy of the fund, which encompasses glide path, allocation, and equity and fixed income characteristics; performance; and risk. Understanding and benchmarking these five components, advisors say, is crucial to any responsible analysis that matches a plan with an appropriate target-date solution.

Until recently, however, some recordkeepers have attempted to insist that their own proprietary target-date funds be used as default funds, but many advisors have tended to regard this with disfavor. “Open architecture is essential to the value we add, and our approach with target-date funds is no different,” says Handler. “We look for low-cost target-date funds with decent performance, and we look to the recordkeeper to ensure that the option of choice is available.”

There are also advisors who feel strongly that target-date funds are not the whole story, particularly when interaction with participants allows more information to be gathered and, thus, facilitates more customized solutions. “We’re big proponents of lifestyle funds,” says Jefferies. “The real issue here is risk reduction, and we like to see both risk-based and target-date funds in place.”

If you want help to choose the right target-date fund for your plan, please contact John Payne at 312-525-7235 or targetretirement@ubs.com
Average Asset Allocation of 401(k) Accounts, by Participant Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Equity Funds</th>
<th>Balanced Funds</th>
<th>Bond Funds</th>
<th>Money Funds</th>
<th>GICs*/Stable Value</th>
<th>Company Stock</th>
<th>Other</th>
<th>Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>20s</td>
<td>50.4%</td>
<td>19.0%</td>
<td>7.5%</td>
<td>4.4%</td>
<td>6.5%</td>
<td>9.3%</td>
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<tr>
<td>30s</td>
<td>57.9%</td>
<td>13.5%</td>
<td>7.4%</td>
<td>3.2%</td>
<td>5.2%</td>
<td>9.6%</td>
<td>2.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>40s</td>
<td>54.3%</td>
<td>12.6%</td>
<td>7.6%</td>
<td>3.4%</td>
<td>7.4%</td>
<td>11.5%</td>
<td>2.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td>50s</td>
<td>46.7%</td>
<td>13.1%</td>
<td>8.9%</td>
<td>4.4%</td>
<td>11.9%</td>
<td>11.8%</td>
<td>2.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>60s</td>
<td>39.4%</td>
<td>12.2%</td>
<td>10.8%</td>
<td>6.0%</td>
<td>18.8%</td>
<td>9.9%</td>
<td>2.4%</td>
<td>0.5%</td>
</tr>
<tr>
<td>All</td>
<td>49.1%</td>
<td>12.9%</td>
<td>8.6%</td>
<td>4.3%</td>
<td>11.0%</td>
<td>11.1%</td>
<td>2.4%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

* GICs are guaranteed investment contracts.

Source: EBRI*
“We have to keep in mind that there will always be employees who want their employers to do it for them, want to do it themselves, or seek professional advice.”

Traci Simpson
Director, UBS Retirement Services
UBS Financial Services, Inc.
“Auto-everything” plans address the problem of employees who have slipped through the workplace safety net by ensuring that they participate, defer enough, and are defaulted to an appropriate investment choice. However, automated solutions provide little value for self-motivated investors or for employees that have a more complicated financial picture. Often, although not always, these are more highly compensated individuals with outside savings. “We have to keep in mind that there will always be employees who want their employers to do it for them, want to do it themselves, or seek professional advice,” says Traci Simpson, Director, UBS Retirement Services.

Plan designs today increasingly need to incorporate mechanisms that allow these self-motivated individuals to access a wide range of investment alternatives. Historically, these individuals have shaped the design of a defined contribution plan—the multiplicity of fund options, for example, has been in large part a response to these “squeaky wheels.”

The solution in this regard may be to establish a brokerage or mutual fund window and, where relevant, access to company stock. Plan design is crucial in this regard, and an advisor’s input is vital. Company stock is a desirable defined contribution plan option for many chief executives, eager to foster an “ownership” ethos in the minds of employees, but it is a tricky proposition, not least because it can be a magnet for litigation, the so-called “stock drop” suits. Likewise, brokerage windows need to be accompanied by the type of screening that ensures that only sophisticated investors can gain ready access to these vehicles.

Education remains a key issue. “Even in this age of more automated plans, engaged participants remain a key constituency for plan sponsors,” says Cincinnati-based UBS Financial Advisor Bill Talmage. UBS has access to call centers that are options for participants who need more education. In addition, face-to-face sessions with participants will be as important as ever.

“Many of our clients are still looking for high-touch meetings with their participants,” says Seattle-based Mark Barnum. “What we give is very clear education, not advice. We do charge for that service and, for some clients, it is a vital part of our service. We still consider it one of our top three deliverables—next to helping the plan sponsors ensure that they are not in breach of their fiduciary responsibilities, and they are getting the best bang for their benefits buck.”

“At the end of the day, perhaps the most important thing you can achieve with education is ensuring that participants understand the plan—and the benefits it delivers—better than they ever understood it before,” says Kansas City-based Michael Jeffries. “That’s when we truly deliver value—when the participants, in turn, understand the value of this benefit that their company is bringing them.”

If you want to take steps toward ensuring that your participants are better educated, please contact Ed O’Connor at 201-352-1941.
Historically, most employers have taken it as a given that their “responsibility” for their employees’ retirement ends when an employee leaves the company. That is now changing. Many large employers are now actively investigating offering their participants options at retirement other than the traditional “lump sum.” This is because all the data suggest that even sizeable cashouts do little to ensure a secure retirement.

“The next generation of retirement plans almost certainly will contain a broader range of vehicles that include annuity-based retirement income components. The academic case for these annuity-based approaches is strong,” says Michael Ban, Managing Director, Head of Insurance and Annuities. Among others, Ibbotson has demonstrated that the probability of meeting an income goal is significantly greater with, say, a partial annuity and an investment portfolio than with a portfolio alone (see chart, p. 15).

The first generation of these annuity-based retirement income approaches are now in the marketplace, with the large insurers leading the charge. These are often complex and challenging solutions to compare—and they represent another area where a focused and knowledgeable advisor can add value. “We already have two clients that have tackled this issue of longevity risk for their participants,” says Financial Advisor Bill Talmage. “The way we look at it, any product innovation, provided it is priced right, which can span the gap between the old defined benefit plan, with its retirement income for life component, and the 401(k) plan, is a positive development. It is a question of comparing apples with apples, and finding the best product at the best price.”

“There is no question that plan sponsors and, to a lesser extent, participants are beginning to be aware of the importance of retirement income,” says Financial Advisor Gary Handler. “We already are working with one third-party administrator to provide an annuity-type product for participants who are leaving the plan and want a monthly check as opposed to a lump sum.”

Other product solutions that will likely grow in use are “structured products” that offer principal protection while also offering market growth potential. Participants will spend many years in retirement and it is essential they continue to benefit from potential market growth as an “inflation hedge.” However, this needs to be balanced with preserving enough capital. “Certain structured products offer participation in the potential growth of a major equity index like the S&P 500 while protecting your principal at maturity if the index falls in value,” says Eric Glicksman, Managing Director, Head of Structured Products, UBS Financial Services, Inc.

Plan sponsors and their advisors also will have to make another choice—are these “retirement income” approaches best positioned as “in plan” or “out of plan” solutions? Traditionally, some of the best advisors have preferred an out-of-plan approach, which allows flexibility of investment choices. Other advisors, particularly those focused on retirement solutions for companies rather than individuals, are more inclined to opt for in-plan retirement income solutions. The best advisors, however, are acutely aware that the customer’s needs matter most. “On retirement income, we do see the vendor solutions falling into place, but the client demand is not quite there yet,” says Michael Jefferies. “There are still real expenses to consider, and clients need to understand what they’re paying for that guarantee.”
“The next generation of retirement plans almost certainly will contain a broader range of vehicles that include annuity-based retirement income components. The academic case for these annuity-based approaches is strong.”

Michael Ban
Managing Director, Head of Insurance and Annuities
UBS Financial Services, Inc.

**Annuity Logic**

*Probability of meeting income goal—a broader range of systematic withdrawal versus a blended approach*

- 100% systematic withdrawal
- Blended approach:
  - 25% variable annuity
  - 25% fixed annuity
  - 50% systematic withdrawal

Source: Ibbotson et al."
“No plan sponsor is the same [though] all plan sponsors want to make sure that they’re doing the right thing from a fiduciary standpoint.”

Allan Kiser
Executive Director, Chief Compliance Officer
UBS Fiduciary Trust Company
Chapter 6
The Role of the Advisor

It is hard to underestimate the change taking place in the advisor community. There are hundreds of thousands of so-called investment advisors—by contrast, there is a small pool of truly qualified advisors who are equipped to help retirement plan sponsors navigate the new world of plan design.

To Bill Talmage, it really is a new world. “We have been in the retirement business for years, but the environment has now changed so much that it hardly resembles the business we got into.”

That said, other advisors see some constant themes running through their practices. For Gary Handler, based in Encino, California, the enduring adjective is “consultative—plan sponsors are looking for real value-added when they hire an advisor. They want full transparency, and they want a retirement program that is cost-effective. They need an advisor to ensure that they get that from the vendor community.”

This theme is echoed by UBS’s Mark Barnum, based in Seattle. “Change right now is the big constant, and one of the most valuable things we can do now is to help plan sponsors navigate these changes,” says Barnum. “They need to understand what their options are, and what has been passed and what has been proposed.”

For Kansas City-based Michael Jefferies and his 15-person team, the key deliverable is depth of resources. “To really provide service in today’s market you need a team approach—you have to bring real plan design expertise to the table. Our clients are looking for help—they want a true consultant. They are looking for someone with depth and breadth.”

No discussion about the evolution of defined contribution plans can be complete without discussing the logic of open architecture. Here again, the role of the advisor is crucial—the ability to use an independent and unconflicted advisor to source and access the very best

Value Proposition
What value are you getting for the products and services from the advisor?

![Value Proposition Chart]

- **Excellent value**: 64.9% overall, 70.0% < $1MM, 64.9% $1MM–$5MVM, 66.1% > $5MM–$10MM, 59.7% > $10MM–$50MM
- **Good, room for improvement**: 29.3% overall, 30.0% < $1MM, 29.3% $1MM–$5MVM, 31.3% > $5MM–$10MM, 35.8% > $10MM–$50MM
- **Only the minimum value**: 4.0% overall, 0.0% < $1MM, 4.1% $1MM–$5MVM, 2.6% > $5MM–$10MM, 4.1% > $10MM–$50MM
- **Does not add value**: 1.7% overall, 0.0% < $1MM, 1.8% $1MM–$5MVM, 0.0% > $5MM–$10MM, 0.4% > $10MM–$50MM

Source: PLANADVISER™
components of an appropriate defined contribution plan program, most specifically recordkeeping and asset management is a crucial asset to the plan sponsor. “Open architecture is the most important characteristic that plan sponsors should be looking for today. I want to ensure that the vendor is not dictating investment choices to the client,” says Gary Handler.

‘The writing is on the wall—open architecture is upon us,” says Barnum. “The recordkeepers understand that they have to accommodate this trend. When we do RFPs for vendors, we ask them to price the plan without including any revenue from their own proprietary funds—and, if they don’t choose to do that, they won’t win the plan. “The world definitely has changed when it comes to the use of proprietary funds,” he adds. “A couple of years ago, a plan needed assets of $50 million and more to access open architecture—now it’s $25 million to $20 million and falling.”

The role of the advisor when it comes to fees can be paramount. From a plan sponsor standpoint, knowing what fees the plan and participants are paying is a vital component of fiduciary responsibility. Yet, the data show that 15% of plan sponsors do not know the annual cost for maintaining the plan, and 18.5% do not know what participants are being charged, both fiduciary red flags.9

“Costs are key in this environment and, if part of the reason I am hired is to deliver the most cost-effective plan to the sponsor, then I have to do everything I can to drive down the costs that my client will pay,” says Handler.

To Barnum, cost savings are at the very heart of the value that the best advisors can bring to their institutional clients. “It is very difficult for even the most dedicated human resources or financial professional to get an accurate understanding of the opportunities when it comes to fees—things are too complex and not sufficiently transparent. That’s where, as an advisor, you can add so much value. The plan sponsor needs an expert in its corner, and that holds all the more true in this period of change.”

Michael Jefferies is focused on fees, but he has a warning to add. “We think it is vital that clients understand how much they are paying, and what they are paying for. Transparency is important,” he says, “but that is not the same thing as looking for the lowest-cost provider—you’re looking for quality and high service at a reasonable price. There are fee arrangements out there that make us shudder, but we believe you shouldn’t go low-cost for the sake of it.”

In the final analysis, the case for the very best independent advisory services seems so obvious as to be self-evident. “No plan sponsor is the same, of course,” says Allan Kiser, UBS Chief Compliance Officer.

“All plan sponsors want to make sure that they’re doing the right thing from a fiduciary standpoint. Plan sponsors also will want to make sure that they are offering the very best benefits for their employees that they can buy with the dollars they are devoting to the plan. Ultimately, they want to make sure that their employees are educated about these benefits and take full advantage of them—and the best advisors are delivering on all three of these.”

To find a UBS Financial Advisor for your plan in these times of structural change, please contact Ed O’Connor at 201-352-1941.
“Open architecture is the most important characteristic that plan sponsors should be looking for today. I want to ensure that the vendor is not dictating investment choices to the client.”

*Gary Handler, UBS Financial Advisor (Encino, California)*

“Even in this age of more automated plans, engaged participants remain a key constituency for our plan sponsor clients.”

*Bill Talmage, UBS Financial Advisor (Cincinnati, Ohio)*

“The plan sponsor needs an expert in its corner, and that holds all the more true in this period of change.”

*Mark Barnum, UBS Financial Advisor (Seattle, Washington)*

“Transparency is important, but that is not the same thing as looking for the lowest-cost provider—you’re looking for quality and high service at a reasonable price.”

*Michael Jeffries, UBS Financial Advisor (Kansas City, Missouri)*
Simplicity and Expertise: Helping you choose the services that suit your plan and employees

At UBS, we understand both the incentive value of a retirement plan and also the commitment required to administer the plan and address fiduciary responsibilities. Monitoring investments, carrying out day-to-day administrative tasks, and providing plan participant support and education can be very challenging. That’s why we offer an expanded level of assistance to help retirement plan sponsors meet their obligations.

Through our new DC Advisory program, you and your organization can benefit from the resources of a global financial services leader combined with the specialized retirement plan expertise and experience your UBS Financial Advisor brings to the table.

“With the increasing focus on fee transparency and fiduciary responsibilities, fee-based plan service arrangements are growing in demand,” said Melissa Cowan, DC Advisory Program Manager. Our DC Advisory program is designed to provide flexible services tailored to your organization’s needs on a fee-for-service basis. Simply select the services that work best for you and your plan. You or the plan only pay UBS for those program services you’ve chosen—nothing more—and our fees are simple to understand and fully disclosed in advance. UBS Financial Services, Inc., part of UBS AG, the leading global wealth manager and one of the largest global asset managers, acknowledges our investment fiduciary responsibilities with respect to any investment advice we provide under the program. DC Advisory focuses on three primary needs of defined contribution plan sponsors:

- Program Provider Searches
- Investment Consulting
- Employee Education Consulting

For large institutions that require more customized consulting, UBS Institutional Consulting is well-equipped for those distinct needs. “UBS recognizes that today’s institutions face new challenges in structuring and maintaining advisory relationships. UBS has a group of institutional consultants which can utilize the Firm’s extensive resources, expertise and services to provide comprehensive institutional consulting services,” says Mariana Burke, Executive Director, UBS Institutional Consulting.

UBS Institutional Consulting focuses on the four primary investment management needs of institutional investors:

- Investment Policy Assistance
- Asset Allocation Analysis
- Manager Search and Recommendations
- Investment Consulting and Performance Measurement

Melissa Cowan
Director, DC Advisory Program Manager
UBS Financial Services, Inc.

To learn more about DC Advisory or UBS Institutional Consulting, and to request a proposal based on your specific needs, please speak to your UBS Financial Advisor.
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