

Inside the Structure of Defined
Contribution/401(k) Plan Fees:
*A Study Assessing the Mechanics
of the 'All-In' Fee*

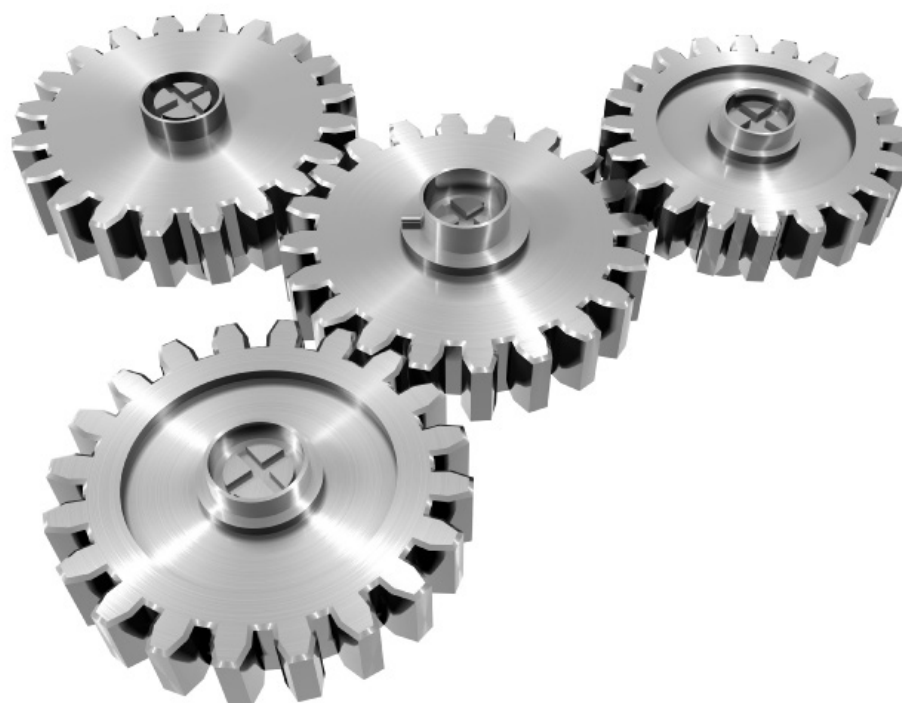


Table of Contents

I.	Background	3
	• Approach	3
	• Report Disclosure	4
II.	Executive Summary	5
	• Many Fee Arrangements Exist	5
	• The ‘All-In’ Fee	6
	• Apparent ‘All-In’ Fee Drivers	7
	• Comparing the 2009 and 2011 ‘All-In’ Fee Studies	8
	• Summary	8
III.	Survey Respondents	10
	• Plan Sponsor Demographics	10
	• Sample of Survey Plans Compared with the Broader 401(k) Plan Universe	10
	• Plans’ Retirement Service Providers	12
	• Retirement Service Provider/Plan Sponsor Relationships	14
	• Participant Accounts	15
	• Automatic Plan Design Features	16
	• Investment Features	17
IV.	The Mechanics of Defined Contribution Plan Fees	19
V.	The ‘All-In’ Fee	20
	• Composition of the ‘All-In’ Fee	20
	• Payer of Fees	20
	• Summary ‘All-In’ Fee Results	21
	• Weighting Survey Responses to Estimate the ‘All-In’ Fee	21
VI.	Fee Drivers	23
	• Primary ‘All-In’ Fee Drivers	23
	• Secondary ‘All-In’ Fee Drivers	28
	• Factors Not Found to Be Significant	30
VII.	Summary	32
VIII.	Appendix	33

I. Background

At the end of 2010, employer-sponsored defined contribution plans held an estimated \$4.5 trillion in assets,¹ and for many American workers, these plans have become an important part of retirement savings. As assets in defined contribution plans have grown, so too has the scrutiny around these plans, especially in light of the turbulent investment markets experienced in recent years. This study was designed to analyze and identify the drivers of defined contribution plan fees.

The fees charged for these plans have come under particular focus as the Department of Labor (DOL) aims to create greater transparency through regulatory disclosure requirements under §408(b)(2) and §404(a) of the Employee Retirement Income Security Act (ERISA).

As part of an ongoing comprehensive research program, the Investment Company Institute (“ICI”) and Deloitte Consulting LLP (“Deloitte”) have prepared the second edition of the Defined Contribution/401(k) Fee Study that was first conducted and published in the 2009 study.²

Specifically, this report addresses and updates:

- The mechanics of defined contribution plan fee structures;
- Components of plan fees; and
- Primary and secondary factors that impact fees (“fee drivers”).

Approach

To accomplish the objectives of the study, Deloitte and ICI supplemented their collective industry experience with a confidential, no-cost, web-based survey conducted by Deloitte from January through August of 2011. The purpose of the survey was to collect market data in order to shed light on how fees are structured within the defined contribution plan market. To enhance the study, a significantly larger sample of defined contribution plan sponsors was targeted than in 2009.

- In total, 525 plans participated in the 2011 survey providing detailed information regarding plan characteristics, design, demographics, products, services and the associated fees.
- On average, over 250 data elements were gathered from each plan, covering plan design, investment options and plan, participant and investment fee information.
- Subsequent to the completion of the web-based survey, information was assessed for general completeness and accuracy by Deloitte.
- Deloitte conducted post-survey conversations with the majority of plan sponsors to clarify and confirm responses.
- Results of the survey were compared with other 401(k) industry studies to assess findings and interpret results.

¹ See Investment Company Institute, “The U.S. Retirement Market, Second Quarter 2011” (September 2011); available at www.ici.org/info/ret_11_q2_data.xls.

² See Deloitte Consulting and Investment Company Institute, *Defined Contribution/401(k) Fee Study: Inside the Structure of Defined Contribution/ 401(k) Plan Fees: A Study Assessing the Mechanics of What Drives the ‘All-In’ Fee*; available at www.ici.org/pdf/rpt_09_dc_401k_fee_study.pdf.

Report Disclosure

The survey results were prepared utilizing primary data obtained from sources deemed to be reliable, including individuals at the participating plan sponsor and provider organizations. The data collected represent a cross section of defined contribution plans covering a range of asset sizes and participant counts. Whereas the distribution of plans within the sample differs from the distribution of all 401(k) plans, to estimate industry-wide fees, the survey responses were weighted with respect to plan size to align with the universe of 401(k) plans reported by the DOL. Specifically, when analyzing the 'all-in' fee in defined contribution plans, survey responses were weighted based on asset size and participant count.³

It is important to note that some plan sponsors did not respond to every question. Deloitte and ICI make no representation or warranty regarding the accuracy of the data provided.

In several instances, the report includes observations and interpretations of the survey results based on the collective research and marketplace experience of both Deloitte and ICI.

The survey report is designed to maintain plan sponsor confidentiality. Participating plan sponsor and provider data will not be disclosed or used in any way that identifies individual survey respondents.

The survey does not evaluate quality or value of services provided — both of which can impact fees. Quality of service varies with respect to the range of planning and guidance tools available to the plan sponsor and participants; educational materials; employee meetings; and other components of customer service. Qualitative differences in services may affect fees but are not easily quantified and are not addressed in this report.

No part of this report may be reproduced in any form or by any means without the written permission of Deloitte.

The Investment Company Institute (ICI) is the national association of U.S. investment companies. Please see www.ici.org for more information on ICI.

³ See a complete discussion of the weighting method in the Appendix.

II. Executive Summary

Defined contribution plans represent an important component of American workers' retirement savings. Regulations intended to create greater transparency as to the cost of plans — for plan sponsors and participants — are drawing more attention to the various fees and fee structures in defined contribution plans. The Survey was designed to study and identify the drivers of fees in defined contribution plans across the industry.

As part of ongoing research programs, ICI and Deloitte combined efforts to update and expand the Defined Contribution/401(k) Fee Study that was first published in 2009 (the "2009 Fee Study"). The data and observations in this study are based on 525 survey responses received from 520 plan sponsors. The 525 survey responses represent four times the number of survey responses as the 2009 Fee Study.⁴ The majority of the growth in sample size from 2009 to 2011 can be attributed to an increase in responses from those plans with less than \$1 million in plan assets. The 2011 survey was conducted from January through August of 2011.

Results from the new, larger sample of plans are consistent with the key findings from the 2009 Fee Study:

- Many fee structures and arrangements exist in the defined contribution marketplace.
- Plan size (in terms of number of participants) was found to be a significant driver of a plan's 'all-in' fee. Larger plans tend to have lower 'all-in' fees as a percentage of plan assets.
- A correlation also exists between the 'all-in' fee and the average account size in the plan. Plans with larger average account balances tend to have lower 'all-in' fees as a percentage of plan assets.

Many Fee Arrangements Exist

Consistent with the 2009 Fee Study, plan sponsors and their retirement service providers continue to maintain a variety of fee arrangements to pay for plan services (Exhibit 1). There are three general groups of services that defined contribution plans typically procure. First, defined contribution plans generally require certain administrative

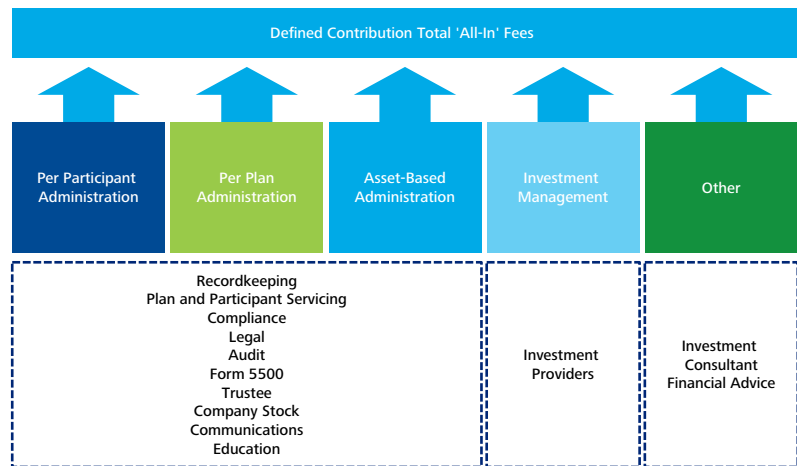


Exhibit 1

services such as compliance (to make sure the plan is administered properly), legal, audit, Form 5500, and trustee services. Administrative services also include recordkeeping services, which maintain participants' accounts and process participants' transactions, and often also include educational services, materials and communications for participants and plan sponsors. Investment management services are a second category. Investment options are offered through a variety of investment arrangements such as through mutual funds, commingled trusts, separate accounts, and insurance products. In some plans, investment services include the offering of company stock or a self-directed brokerage window as an investment option. A third set of services occurs in some instances when the plan sponsor seeks the professional services of an investment consultant or financial adviser and/or financial advice services for participants.

There are a variety of fee arrangements to pay for the wide array of services used by defined contribution plans. The administrative service fees, which cover plan and participant recordkeeping, education, compliance and other administrative functions of the plan, can be charged directly to the employer, the participant account or the plan itself. Furthermore, these fees can be assessed in a variety of ways including as per participant fees, per plan fees, or as a percentage of total plan assets (Exhibit 1).

⁴ The 2009 survey sample had 117 employers representing 130 plans. See Deloitte Consulting and Investment Company Institute, *Defined Contribution/401(k) Fee Study: Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of What Drives the 'All-In' Fee*; available at www.ici.org/pdf/rpt_09_dc_401k_fee_study.pdf.

Some or all of these recordkeeping or administrative fees also can be paid through a portion of the asset-based investment expenses (e.g., in the form of 12b-1 fees, shareholder servicing fees or administrative servicing fees), which is often referred to as revenue-sharing.

Asset-based investment fees are those fees that are charged by the investment manager and quoted as a percentage of assets (Exhibit 1). Participants, like all investors, typically pay these asset-based fees as an expense of the investment options in which they invest. These investment fees make up a significant portion of total plan expenses according to our sample — 84% of the ‘all-in’ fee. As indicated above, some of these asset-based investment fees may be covering participant services in addition to investment management. Asset-based investment expenses generally include three basic components: (1) investment management fees, which are paid to the investment’s portfolio managers (often referred to as investment advisers); (2) distribution and/or service fees (in the case of mutual funds, these include 12b-1 fees); and (3) other fees of the investment option, including fees to cover custodial, legal, transfer agent (in the case of mutual funds), recordkeeping, and other operating expenses. Portions of the distribution and/or service fees and other fees may be used to compensate the financial professional (e.g., individual broker or plan recordkeeper) for the services provided to the plan and its participants and to offset recordkeeping and administration expenses.

All of the different services and associated fees can be combined together in a variety of different ways based on the needs of the plan sponsor. As plan sponsors negotiate with retirement service providers to obtain services for their plans, a range of scenarios or arrangements is generally considered (e.g., number and types of investment options and their fee structures, proprietary versus non-proprietary investment options, range of participant communications and educational services that will be provided). Plan sponsors generally are not presented a single fee quote, but rather a range of options from each retirement service provider competing for the plan sponsor’s business.

The ‘All-In’ Fee

Because plan sponsors allocate the responsibility of these two major expense categories (investment versus administrative or recordkeeping) between participants, the employer and the plan, it is helpful to use a measure that can compare plans despite these different arrangements. Therefore, this study carries forward the concept of the ‘all-in’ fee introduced in the 2009 Fee Study to normalize fee structure variation. The ‘all-in’ fee includes all administrative or recordkeeping fees as well as investment fees (i.e., the investment option’s total expense ratio) whether they are assessed at the plan, employer or participant level.

The ‘all-in’ fee excludes those recordkeeping and administrative activity fees that only apply to particular participants who engage in the activity (e.g., self-directed brokerage, loans, QDROs and distributions). While these specific activity-related fees are an important consideration for participants engaging in the activity, they are not part of the core expense of administering a plan.

Totaling all administrative, recordkeeping and investment fees, the median participant-weighted ‘all-in’ fee for plans in the 2011 Survey was 0.78% (Exhibit 2) or approximately \$248 per participant.⁵ The data suggest that the participant at the 10th percentile was in a plan with an ‘all-in’ fee of 0.28%, while the participant at the 90th percentile was in a plan with an ‘all-in’ fee of 1.38%.

‘All-In’ Fee: % of Assets (Participant Weighted)

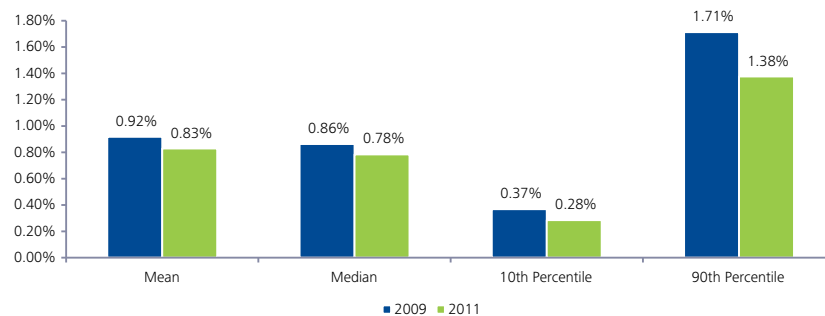


Exhibit 2

⁵ As explained on page 21, these results have been weighted to better reflect the universe of 401(k) plan participants and therefore the experience of the typical 401(k) plan participant.

Apparent 'All-In' Fee Drivers

After calculating the 'all-in' fee for each plan, a regression analysis was conducted to determine those variables that appear to explain a plan's overall level of fees (measured by the 'all-in' fee as a percentage of assets). The primary drivers⁶ of a plan's overall level of fees were:

- Plan size as measured by number of participants;
- Average participant account balance in the plan; and
- The percentage of the plan's assets in equity investment options.

The variables related to plan size were negatively correlated with the 'all-in' fee, while the percentage of assets in equity investment options was positively correlated to the 'all-in' fee.

Within any defined contribution plan, there are fixed costs required to start up and run the plan. A large portion of these fixed costs is driven by legal and regulatory requirements. The survey responses suggest economies are gained as a plan grows in size because these fixed costs can be spread over more participants and/or a larger asset base.

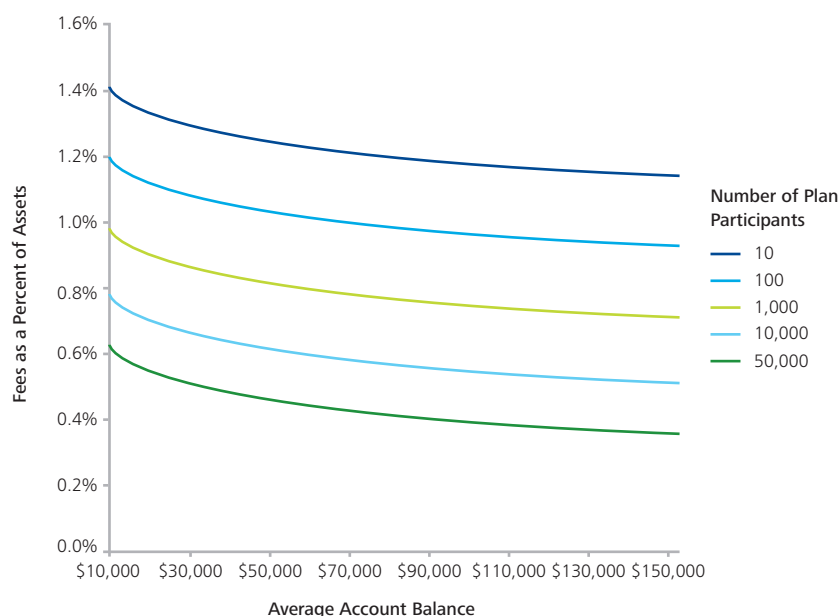
The survey also showed that equity investment options have higher expense ratios than fixed income or other asset classes.⁷ The regression analysis indicated that a 10 percentage point shift in plan assets into equity investment options is associated with an added 2.6 basis points to the 'all-in' fee.

In addition to plan size and the percentage of assets invested in equity investment options, there are other factors that help explain the variability in plan fees. These secondary drivers can help explain variability between plans of similar participant or asset size. The following characteristics appear to be related to lower 'all-in' fees:

- Higher participant contribution rate;
- Lower number of investment options; and
- Use of auto-enrollment.

When combining the primary and secondary drivers in a regression analysis, the results showed a relatively high correlation with the 'all-in' fee (R^2 of 0.5317) when treating the 'all-in' fee (measured as a percentage of assets) as the dependent variable. Combining plan size with the secondary driver variables, a predictive chart can be created that displays an 'all-in' fee by plan size that is consistent with the survey results. For example, Exhibit 3 highlights the negative correlation between the 'all-in' fee and the average account balance (follow a given line from left to right) and the number of participants in the plan (lines shift down as plan size increases).

Predicted Fees as a Percent of Assets by Account Size and Number of Plan Participants (All Other Explanatory Variables=Unweighted Means)



Note: See Exhibit A2 in the Appendix

Exhibit 3

⁶ A variable was determined to be a primary 'all-in' fee driver if it was significant at the 1% level in the regression analysis. For details of the regression analysis, see the Appendix.

⁷ This pattern is also seen in mutual fund expense ratios. See Breuer and Collins, "Trends in the Fees and Expenses of Mutual Funds, 2010," *ICI Research Perspective* 17, No. 2 (March 2011); available at www.ici.org/pdf/per17-02.pdf.

Comparing the 2009 and 2011 'All-In' Fee Studies

The median participant 'all-in' fee of 0.78% of assets in the 2011 Fee Study is lower than that observed in the 2009 Fee Study, which was 0.86% of assets (Exhibit 2). There are a number of factors that may contribute to the decline in the 'all-in' fee between the 2009 Fee Study and the study conducted in 2011. These factors include different samples of plan sponsors; a larger survey population (over four times as large); different asset allocations (some driven by market performance between the two years); and different fee structures within the industry.

Despite these differences, this study found the two primary drivers from the prior survey continued to be important factors in explaining the variation in fees across plans within the 2011 survey sample. Specifically, this study showed that plan size as measured by number of participants and average account balance were primary drivers of a plan's 'all-in' fee, which was also the case in the 2009 Fee Study.

In addition to the two plan size related primary drivers, the 2011 Fee Study found that the percentage of a plan's assets in equity investment options was also determined to be a primary driver of a plan's 'all-in' fee. This factor was identified as a secondary driver in the 2009 Fee Study.

One reason for the lower median 'all-in' fee in the 2011 Fee Study versus the 2009 Fee Study may also be related to the relationship between asset-based fees and non-asset-based fees. When plan asset information was collected in the 2009 survey, investment markets had just experienced the turmoil of the financial crisis in late 2008. Since that time, financial markets have rebounded,⁸ and total plan assets have grown. As defined contribution plan assets grew, the non-asset based fees would have been spread out over a larger asset base causing them to fall as a percentage of assets.

Summary

This report, which updates a similar analysis performed in 2009, was developed to provide marketplace survey data that can help explain the mechanics, components and drivers of defined contribution/401(k) plan fees. This Study used an analytical bottom-line measure — the 'all-in' fee — to compare total plan fees across the varied pricing practices (per plan fees, per participant fees, and asset-based fees) used in defined contribution/401(k) plans.

The results showed that the 'all-in' fee varies across plans of different plan size market segments. The Survey found that asset-based investment-related fees represent 84% of defined contribution/401(k) plan fees and expenses. In many plans, a portion of these fees is used to pay for some or all of the administrative and recordkeeping services of the plans, in addition to investment management.

This study indicates that the primary drivers of fees are plan size — measured by number of participants in the plan and average account balance — and the percentage of plan assets invested in equity investment options. The 'all-in' fee as a percentage of assets tends to be lower in plans with a higher number of participants and higher average participant account balances. Defined contribution/401(k) plans have fixed administrative costs necessary to run a plan that tend to cause smaller plans to have higher relative fees as a percentage of assets. As a plan grows in size, economies are gained which spread the fixed costs over more participants and a larger asset base. The 'all-in' fee tends to be higher the larger the share of plan assets invested in equity investment options, reflecting the higher expense ratios typically associated with equity investments.

Additional influencers of fees that were found to appear to further help explain variances in the 'all-in' fee include participant contribution rates, the number of investment options in the plan, and the use of automatic enrollment.

⁸ The S&P 500 total return index increased 45.4% between year-end 2008 and year-end 2010. The long-term corporate bond total return index increased 15.8% over the same time period. See Morningstar, *Ibbotson® Stocks, Bonds, Bills, and Inflation® (SBI®) 2011 Classic Yearbook: Market Results for Stocks, Bonds, Bills, and Inflation*, Chicago, IL: Morningstar, Inc. (2011).

A number of other variables were tested and appear not to be direct drivers of the 'all-in' fee. The number of payrolls, which might result in increased administrative complexity, was not found to be an apparent driver of fees. The number of business locations, which might have increased the complexity in delivering participant education, was not found to be a driver of fees. The type of service provider (mutual fund company, life insurance company, bank, third party administrator), size of service provider, length of time since the last competitive review of the retirement service provider by the plan sponsor, and tenure with the service provider also were not found to be significant factors in a plan's 'all-in' fee. In addition, the percentage of assets invested in the investment products of the service provider (proprietary investments) did not appear to have a significant impact on the 'all-in' fee as a percentage of assets.

The remainder of this report discusses the construction and analysis of the total fees in defined contribution/401(k) plans; and the factors that influence fees, referred to as "drivers." Section III describes the characteristics of the plan sponsors that participated in the survey. Section IV explains the mechanics of how fees are charged and the services that the plans and their participants receive for the fees. Section V introduces the concept of the comprehensive bottom-line or 'all-in' fee, and how this measure facilitates comparisons across plans. Section VI identifies the key drivers that explain fee differences among plans. Section VII summarizes the Study's findings. Section VIII, the Appendix, provides additional detail on sample weighting, the statistical regression analysis results and a glossary.

III. Survey Respondents

Plan Sponsor Demographics

This section highlights the characteristics of the 525 defined contribution plans that participated in the survey including their demographics, provider relationships, size and plan design features. When assessing plan fees, these characteristics provide context as to the composition of survey participants. Where possible, the sample of plan sponsors is compared to a universe aggregate provided by the DOL Form 5500 benchmark for 401(k) plans or other survey samples.

Plans by Asset Size Segment or Number of Plan Participants

A total of 520 employers representing 525 defined contribution plans participated in the 2011 Deloitte/ICI Fee Study. This is an increase in sample size relative to the 2009 Fee Study, which had 117 employers representing 130 defined contribution plans. The demographic information reported in the following pages was used in the study to help clarify which specific characteristics, if any, appear to drive plan fees.

Plans by Asset Size Segment

Plans by Asset Size Segment	# of Plans	% of Plans
Micro <\$1M	293	56%
Small \$1M – <\$10M	51	10%
Mid \$10M – <\$100M	59	11%
Large \$100M – <\$500M	68	13%
Mega \$500M – \$1B	17	3%
Mega+ >\$1B	37	7%
Total	525	100%

Exhibit 4

To allow for a detailed view into variation of fees by market size segment, plan sponsor responses were grouped and analyzed across six plan size segments as measured by total plan assets (Exhibit 4) or number of plan participants (Exhibit 5). Whether measured by plan assets or number of plan participants, the 2011 sample covers a wide

range of plan sizes. Because the distribution of plans across the sample differs from the universe of 401(k) plans, survey results related to the ‘all-in’ fee were weighted to represent the distribution of participants, plans or assets in the 401(k) universe with respect to plan assets and number of participants.

Plans by Participant Size Segment

Plans by Participant Size Segment	# of Plans	% of Plans*
<100	334	64%
100 – 499	28	5%
500 – 999	18	3%
1,000 – 4,999	81	15%
5,000 – 9,999	22	4%
10,000+	42	8%
Total	525	100%

Exhibit 5

* Percentages do not add to 100% because of rounding.

Sample of Survey Plans Compared with the Broader 401(k) Plan Universe

The universe of defined contribution plans is diverse, consisting of plans of various asset sizes and numbers of participants. The 2011 Deloitte/ICI sample consisted of 525 plans with 1.8 million participants and \$154 billion in plan assets. In plan year 2008, DOL Form 5500 data indicate there were approximately 511,600 401(k) plans, with more than 60 million participants, and \$2.2 trillion in assets.⁹

More than half of plans in the DOL 401(k) plan universe and the Deloitte/ICI sample are small plans: 70.6% of 401(k) plans in the DOL universe have less than \$1 million in plan assets and 55.8% of plans in the 2011 Survey are that small (Exhibit 6). On the other hand, larger plans hold a sizable portion of plan assets. The largest plans (plans with over \$1 billion in assets) held 38.1% of all 401(k) plan assets in the DOL universe benchmark and 80.9% of the plan assets in the Deloitte/ICI survey sample.

⁹ The latest year available is for 2008 plan year data. See U.S. Department of Labor, Employee Benefits Security Administration, *Private Pension Plan Bulletin Abstract of 2008 Form 5500 Annual Reports* (Version 1.0; December 2010); available at <http://www.dol.gov/ebsa/PDF/2008pensionplanbulletin.PDF>.

Comparison of Survey Sample of Plans with DOL 401(k) Plan Universe by Plan Asset Size Segment

Plan Asset Size Segment	Percent of Plans		Percent of Assets		Percent of Participants	
	DOL 401(k) Plan Universe	Deloitte/ICI	DOL 401(k) Plan Universe	Deloitte/ICI	DOL 401(k) Plan Universe	Deloitte/ICI
<\$1M	70.6	55.8	5.0	0.1	12.0	0.2
\$1M – <\$10M	26.0	9.7	15.4	0.1	20.4	0.2
\$10M – <\$50M	2.5	6.3	11.3	0.6	14.8	1.4
\$50M – <\$100M	0.4	5.0	5.7	1.3	7.5	2.6
\$100M – <\$250M	0.3	9.3	8.8	5.0	9.6	7.8
\$250M – <\$500M	0.1	3.6	7.5	4.3	7.0	7.2
\$500M – \$1B	0.1	3.2	8.1	7.7	6.5	8.0
>\$1B	0.1	7.0	38.1	80.9	22.2	72.6

Exhibit 6

Compared with this distribution of plans or plan assets, 401(k) plan participants tended to be distributed more evenly across the plan asset size segments (Exhibit 6). For example, the DOL 401(k) universe data show that 22.2% of 401(k) participants are in the largest plan asset size segment (plans with greater than \$1 billion in assets) and 12.0% are in the smallest size segment (plans with less than \$1 million in assets). In the Deloitte/ICI survey sample, however, 72.6% of participants are in the largest plans and 0.2% are in the smallest plans.

A similar pattern emerges when plans, assets or participants are grouped by plan size measured by number of participants in the plan (Exhibit 7). In the DOL 401(k) universe, most (87.0%) 401(k) plans have fewer than 100 participants, while a large share of assets (46.2%) and participants (40.4%) is in plans with 10,000 participants or more. The Deloitte/ICI sample displays a similar pattern, although it includes proportionally more large plans. In the 2011 survey sample, 63.6% of plans had fewer than 100 participants, and 81.4% of assets and 77.5% of participants were in plans with 10,000 participants or more.

Comparison of Survey Sample of Plans with DOL 401(k) Plan Universe by Plan Participant Size Segment

Plan Participant Size Segment	Percent of Plans		Percent of Assets		Percent of Participants	
	DOL 401(k) Plan Universe	Deloitte/ICI	DOL 401(k) Plan Universe	Deloitte/ICI	DOL 401(k) Plan Universe	Deloitte/ICI
<100	87.0	63.6	14.4	0.1	13.8	0.3
100 – 499	10.1	5.3	10.7	0.3	13.9	0.4
500 – 999	1.3	3.4	4.9	0.7	6.2	0.8
1,000 – 4,999	1.2	15.4	15.2	9.1	17.0	12.0
5,000 – 9,999	0.2	4.2	8.7	8.4	8.7	9.1
10,000+	0.2	8.0	46.2	81.4	40.4	77.5

Exhibit 7

Geographical Location by Percent of Plans

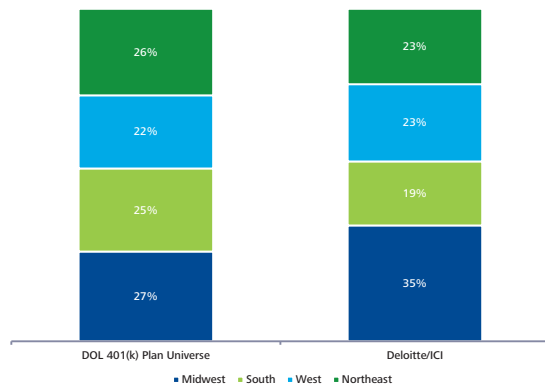


Exhibit 8

Although a diverse cross section of defined contribution plans was included in the 2011 Survey, comparison of the Deloitte/ICI sample to the DOL benchmark universe reveals that the sample is more heavily concentrated in larger plans than the universe. Thus, when reporting ‘all-in’ fee results in this report, the sample data have been weighted to the universe to better represent the actual distribution of plans, participants, and assets in the overall 401(k) universe. The plans included in the survey have been weighted to the universe based on the plan’s size both in terms of number of participants and asset size segment.¹⁰

Geographical Location and Industries of Plan Sponsors

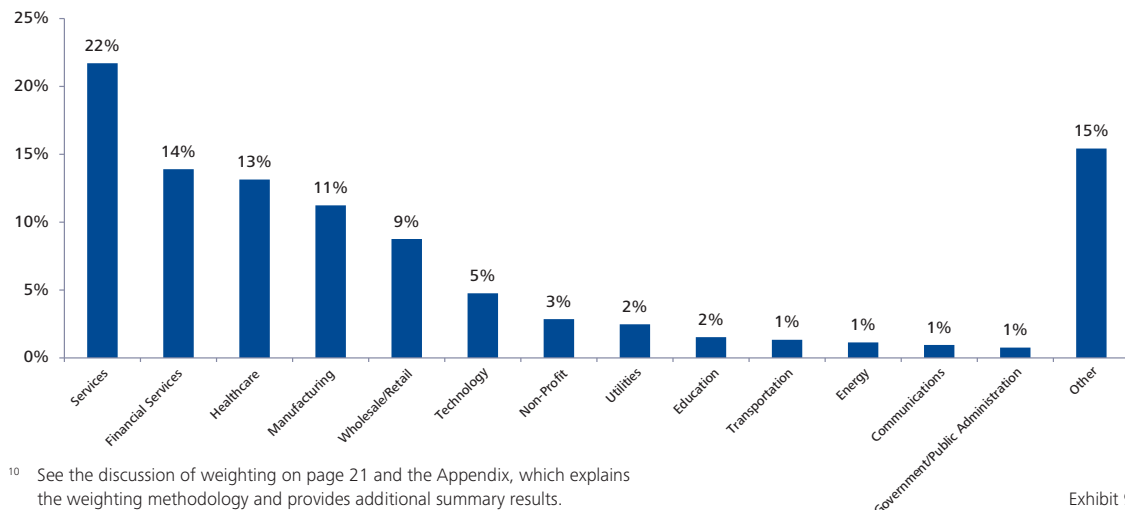
Plan sponsors surveyed represented all four geographic regions in the United States. Among survey respondents, 35% were located in the Midwest, 19% in the South, 23% in the West, and 23% in the Northeast (Exhibit 8). The regional distribution of 401(k) plans in the DOL universe is more evenly distributed across the four regions: 27% of 401(k) plans were located in the Midwest, 25% in the South, 22% in the West, and 26% in the Northeast.

The 2011 sample of plan sponsor survey respondents represented multiple industry groupings (Exhibit 9). The services sector represented the largest share of plan sponsors in the survey (22% of respondents); followed by financial services firms (14% of respondents) and healthcare (13% of respondents).

Plans’ Retirement Service Providers

The employer, or plan sponsor, offers the defined contribution plan to its employees as part of its employee benefit and compensation program. The plan sponsor then engages service providers that manage the functional operation of the plan. The survey considered the firm engaged to manage the plan’s recordkeeping as the “retirement service provider.” Recordkeeping services are performed by a variety of service providers, including mutual fund companies, insurance companies, banks or

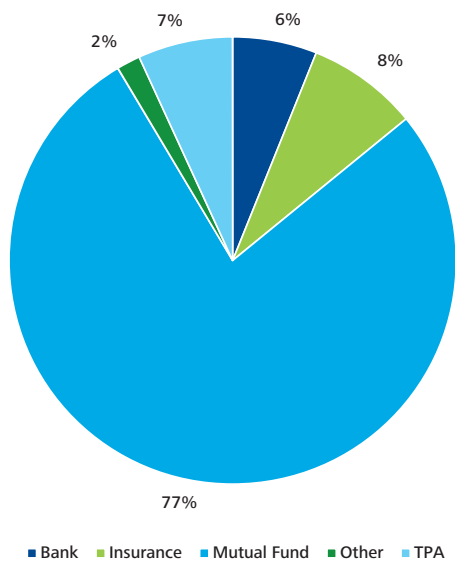
Industry by Percent of Plans



¹⁰ See the discussion of weighting on page 21 and the Appendix, which explains the weighting methodology and provides additional summary results.

Exhibit 9

Type of Retirement Service Provider by Percent of Plans



Note: Percentages do not add to 100% because of rounding.

Exhibit 10

third party administrators (TPAs). More than three-quarters (77%) of plans in the survey used mutual fund companies as their retirement service providers (Exhibit 10). Another 8% of plans in the survey used insurance companies and

another 6% used banks. TPAs were used by 8% of plans in the study. It is important to note that retirement service providers were categorized by their primary line of business and their platforms of investment options may include investment products from other business lines within the company or from other companies.

Recordkeeping services include posting payroll contributions, plan payments, earnings and adjustments, plan and participant servicing and communications, compliance testing and other regulatory requirements, and educational materials and services. With respect to some activities, plan sponsors may select varying degrees of recordkeeping service options.

Recordkeeping services for plans were delivered by 50 different retirement service providers (Exhibit 11).¹¹ The providers represented 23 of the top 25 recordkeepers as measured by defined contribution plan participants according to *Pensions & Investments*.¹² At least six different retirement service providers (and typically many more) were represented within each plan asset segment. It should be noted that this exhibit highlights the primary line of business of the retirement service provider and it is often the case that multiple investment product lines are offered on recordkeeping platforms in some cases representing multiple providers.

Number of Retirement Service Providers Represented in Survey by Plan Asset Size Segment

Plan Asset Size Segment	Total Providers	Mutual Fund Companies	Insurance Companies	Banks	TPAs
<\$1M	12	7	3	0	2
\$1M-<\$10M	24	4	7	2	11
\$10M-<\$100M	21	4	7	4	6
\$100M-<\$500M	21	4	5	7	5
\$500M-\$1B	6	3	1	1	1
>\$1B	12	2	4	3	3
Total	50	10	12	7	21

Exhibit 11

¹¹ This represents an increase from the prior survey, which had 31 different retirement service providers. This number does not represent the range of investment providers included in the survey because many recordkeeping platforms provide access to multiple investment providers.

¹² See "Special Report: DC Record Keepers," *Pensions & Investments*, April 4, 2011.

Retirement Service Provider/Plan Sponsor Relationships

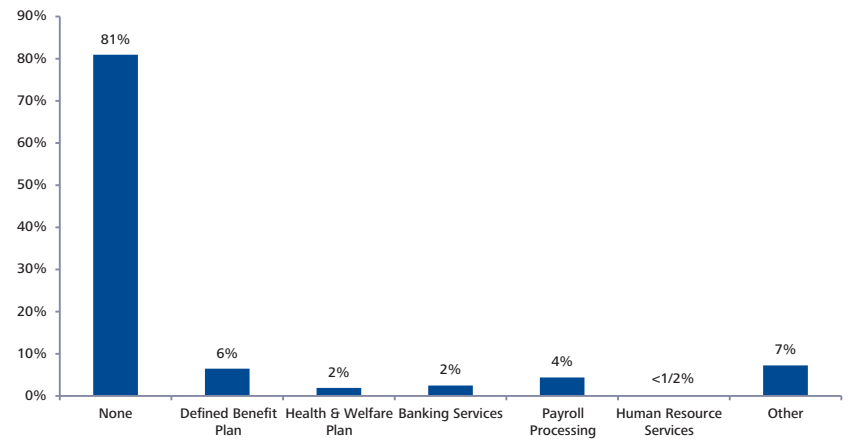
The relationships plan sponsors have with their retirement service providers were examined to determine apparent impacts on overall defined contribution plan fees (e.g., ancillary business relationships, timing of the last competitive review and tenure of the plan with the retirement service provider).

The majority of plans in this study (81%) did not have any other relationships with their retirement service provider (outside of the defined contribution plan), such as defined benefit, health and welfare, payroll, HR or banking (Exhibit 12). Among defined contribution plan sponsors with another relationship with their retirement service provider, defined benefit plan services was the most common other relationship, with 6% of plans in the study indicating their defined contribution plan retirement service provider also provided services for their defined benefit plan.

While secondary relationships were not prevalent in the study, 91% of plan survey respondents indicated they utilize the recordkeeper's proprietary investment options among the investment options offered in the plan (Exhibit 13). That is, ABC mutual fund company is the recordkeeper and the plan offers ABC mutual funds, ABC commingled trusts, or ABC separate accounts; DEF bank is the recordkeeper and the plan offers DEF mutual funds or DEF commingled trusts or DEF separate accounts; XYZ insurance company is the recordkeeper and the plan offers XYZ mutual funds or XYZ separate accounts or XYZ commingled trusts.

Another aspect of the relationship explored was the last time the plan sponsor undertook a competitive review of their retirement service provider. Examples of a competitive review would include: fee re-negotiation with the current service provider, review of plan fees by a third party (an investment or benefits consultant) or a complete vendor search with a request for proposal (RFP). About one-third of plans had undertaken a competitive review in the past two years; another third of plans had undertaken a competitive review within the past three to five years; and the remaining third had not undertaken a review within the past five years (Exhibit 14).

Other Relationships with Retirement Service Provider by Percent of Plans



Note: Other relationships included insurance, non-qualified plans, actuarial, ESOP, stock plans and outsourcing.

Exhibit 12

Percent of Plans Using at Least One Proprietary Investment Option

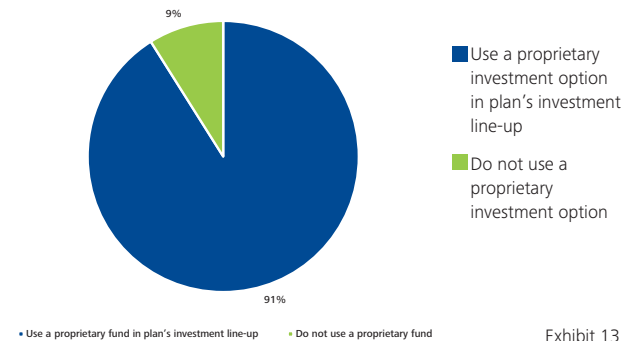


Exhibit 13

Number of Years Since Last Competitive Review by Percent of Plans

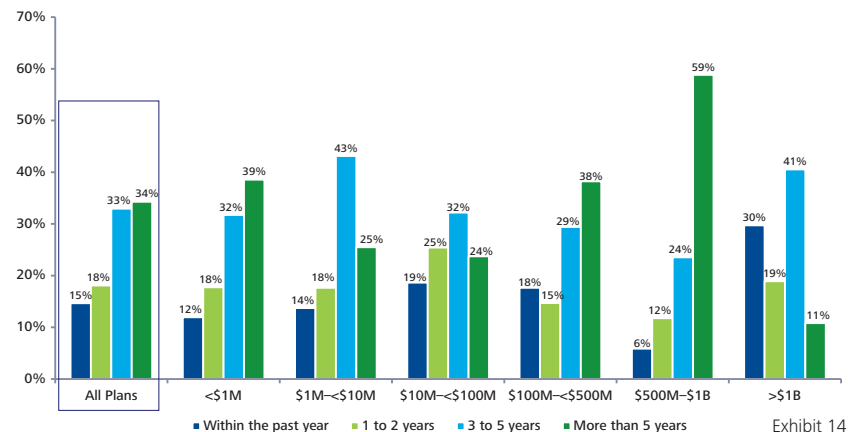


Exhibit 14

In terms of plan sponsor tenure with the retirement service provider, 51% of plans had been with their retirement service providers for five years or more. Another 26% of plans had been with their retirement service providers for three to less than five years. The remaining 23% of plans had been with their retirement service providers for less than three years.

Larger plans tended to have longer tenures with their retirement service providers. For example, more than half of plans with \$500 million or more in assets had 10 years or more of tenure with their retirement service providers, while only 3% of plans with less than \$1 million in plan assets and 25% of plans with \$1 million to less than \$10 million in plan assets had such long tenure. The fact that many small plans may be newer themselves may contribute to their comparatively shorter tenures with their recordkeepers.¹³

Participant Accounts

In both the 2009 and 2011 surveys, plan sponsors were asked for the average participant account balance for their plan. As with the 2009 survey, the 2011 survey captured a wide range of average participant account balances, allowing insight into how variation in this key factor impacts the 'all-in' fee. The plan-level average participant account size in the 2011 Survey was \$63,878 and the median plan had an average account size of \$46,048 (Exhibit 15). The plan at the 90th percentile had an average account size which was more than twelve-fold the average account balance of the plan at the 10th percentile (\$140,000 compared with \$10,842). A similar pattern was observed in the 2009 Fee Study.¹⁴

Plan-level average participant account balances varied across plan asset segments. Plans in the larger asset segments tended to have higher average participant account balances compared with smaller plan asset size

segments (Exhibit 16).¹⁵ Overall, the plan-level average account balance was \$63,878 in the 2011 study and it ranged from \$47,952 in the smallest plan asset segment (less than \$1 million) to \$105,907 in the largest plan asset segment (more than \$1 billion).

Plan-Level Average Account Balances

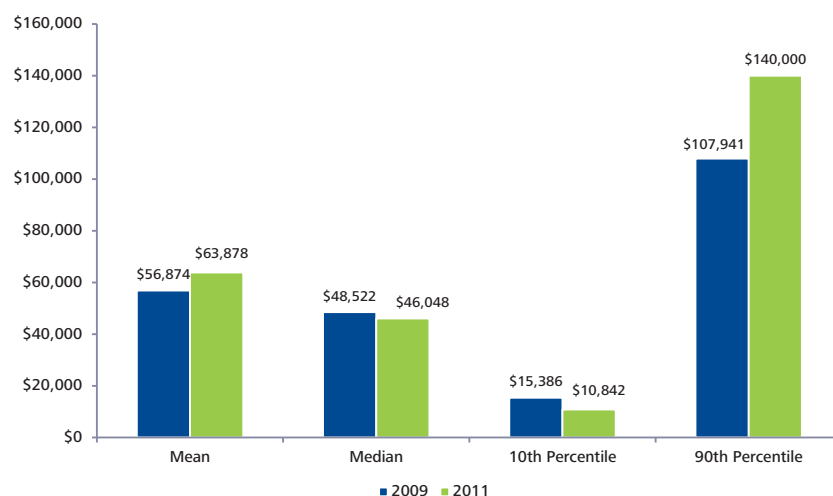


Exhibit 15

Plan-Level Average Account Balances by Plan Asset Size Segment

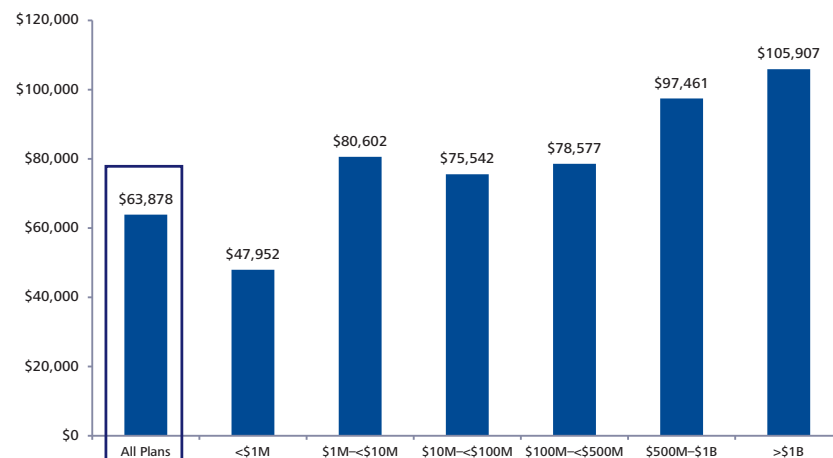


Exhibit 16

¹³ For example, the Form 5500 data for 2008 indicate that 28% of plans with less than \$1 million in assets had been started within the past three years, while 91% of plans with more than \$500 million in assets had been started 10 years ago or more.

¹⁴ Despite the general increase in financial assets between 2008 and 2010, the median plan's average participant account balance fell between the 2009 and 2011 Fee Studies. This decline reflects the significantly higher number of smaller plans (which tend to be newer and have smaller average participant account balances) in the 2011 sample compared with the 2009 sample.

¹⁵ A similar pattern was observed in the 2009 Deloitte Consulting/ICI Fee Study and in the DOL Form 5500 data. However, both the 2009 survey and the DOL 2008 data reflect the lower values of the U.S. equity markets. Equity markets have rebounded since those lows and the average participant account balances in the 2011 survey reflect this rebound across all plan asset size segments.

Plan sponsors also provided the average participant contribution rate for their plan. The overall average participant contribution rate among all plans was 6.4% (Exhibit 17). Approximately half of plans (51%) reported average participant contribution rates of less than 6%, while the remaining 49% of plans had average participant contribution rates of 6% or more.

Automatic Plan Design Features

Automatic plan design features — such as automatic enrollment and automatic increases in contributions (also called auto step-up) — were surveyed again in the 2011 Fee Study.

In the 2011 sample, 23% of plans had automatic enrollment (Exhibit 18).¹⁶ This result is lower than the 2009 study, which found that 45% of plans offered auto-enrollment. This reduced share of plans offering auto-enrollment in the 2011 Study reflects the expanded sample of smaller plans in 2011 compared with 2009. Smaller plans are less likely to have auto-enrollment compared with larger plans.¹⁷ This result also differs from the 2010 401(k) Benchmarking Survey conducted by Deloitte and ISCEBS that found 49% of plans used auto-enrollment. However, like the 2009 Deloitte/ICI sample, the Deloitte/ISCEBS Benchmarking Survey also is more focused on larger plans where auto-enrollment is more common.

Automatic step-up or increase is a less utilized plan design feature than auto-enrollment. In the 2011 Study, 18% of participants were in plans with an automatic step-up feature (Exhibit 18).

Average Participant Contribution Rate per Plan by Percent of Plans

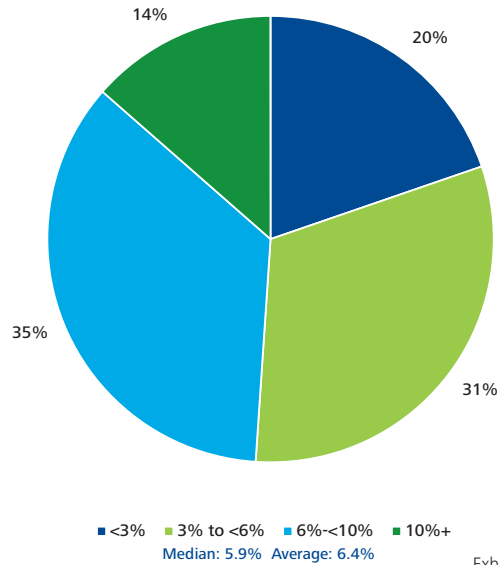


Exhibit 17

Automatic Plan Design Feature Utilization by Percent of Plans

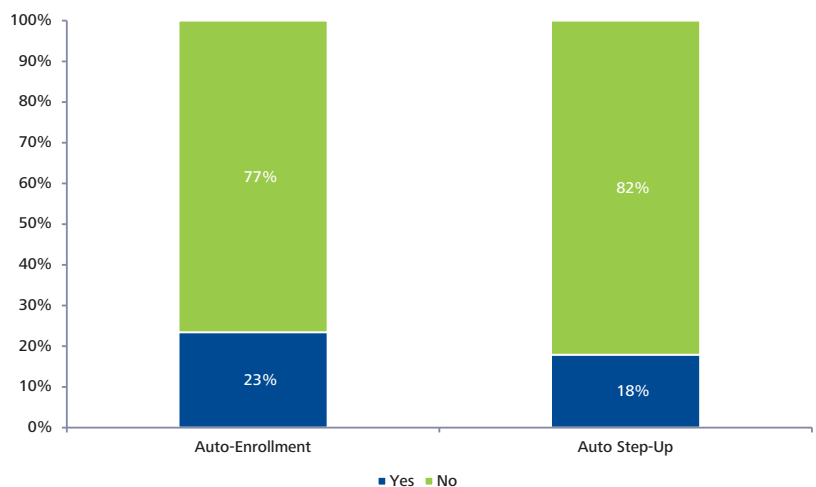


Exhibit 18

¹⁶ Among plans with automatic enrollment, about three-quarters default to a target date investment option and the average default initial participant contribution rate is 3.7%.

¹⁷ See Plan Sponsor Council of America (formerly Profit Sharing/401k Council of America), *54th Annual Survey of Profit Sharing and 401(k) Plans: Reflecting 2010 Plan Experience* (2011), which finds that 11.8% of plans with fewer than 50 participants have automatic enrollment and 54.0% of plans with 5,000 or more participants have automatic enrollment.

Number of Business Locations by Percent of Plans

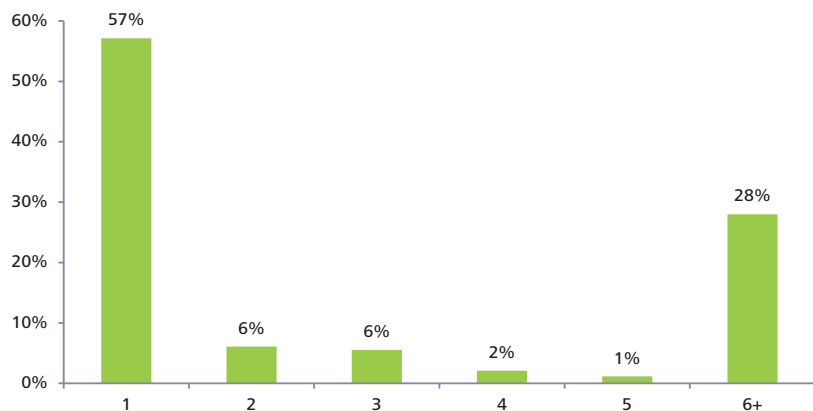


Exhibit 19

Additional plan characteristics were analyzed to gain insight into the “complexity” of the plan, including the plan sponsor’s number of business locations, the number of payrolls and the method of submitting payrolls. This information was used to determine if business complexity characteristics appeared to impact fees.

In the 2011 sample, more than half of the plans (57%) indicated they had only one business location (Exhibit 19). At the other extreme, 28% of the plans in the sample had six or more business locations. In addition, 91% of plans had three or more payrolls, which could impact complexity, although 98% of plans only submit their payroll electronically.

Investment Features

The median number of investment options offered per plan was 14, which is consistent with the most recent Deloitte/ISCEBS 401(k) Benchmarking Survey that reported a median of 16 investment options per plan.¹⁸

Mutual funds continued to be the most common investment vehicle used by the plans in the sample and were the largest component of plan assets: 96% of plans offered mutual funds and 38% of total assets in the survey were

invested in mutual funds (Exhibit 20). However, separate accounts were offered by 15% of plans and accounted for 37% of the assets, while commingled trusts were used by 20% of plans and accounted for 24% of all assets. The large amount of assets in separate accounts and commingled trusts relative to the share of plans using them can most likely be explained by the fact that larger plans are more likely than small plans to use these investment vehicles because these products often have higher asset minimums than other investments.

Investment Vehicle Use

	Percent of Total Assets in Survey	Percent of Plans Utilizing ¹
Mutual Fund	38%	96%
Separate Account	37%	15%
Commingled Trust	24%	20%
Other ²	1%	13%

Exhibit 20

¹ Multiple responses are included.

² Other primarily included company stock but also included ETFs.

¹⁸ For the Deloitte/ICI 2011 Fee Study each investment option was counted individually. So for example, a suite of five target date investment options would count as five separate options, while a suite of three risk-based lifestyle investment options would count as three investment options. For the Deloitte/ISCEBS 401(k) Benchmarking Survey, these investment types are grouped together. So, a suite of five target date investment options would count as one investment option, and suite of three risk-based lifestyle investment options would count as one investment option. If the 2011 Fee Study investment options were grouped in the same way, the median number of investment options offered per plan would be 13. See Deloitte and ISCEBS, *Annual 401(k) Survey Retirement Readiness*; available at: http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_consulting_2010annual401benchmarkingsurvey_121510.pdf.

Equity investment options continued to be the most common asset class in the survey: 93% of plans offered equity investment options and they were 47% of total plan assets in the survey (Exhibit 21). Fixed-income investment options were the next most commonly offered investment option (in 84% of plans), although fixed-income investment options only accounted for 7% of total plan assets. Target date investment options¹⁹ were offered in 57% of plans and represented 9% of plan assets, which compares with 77% of plans and nearly 10% of assets in the year-end 2009 EBRI/ICI 401(k) database.²⁰ About one in 10 plans (11%) in the 2011 Fee Study offered company stock in their investment lineup and company stock was 10% of total plan assets, which compares to 39% of plans in the Deloitte/ISCEBS 2010 401(k) Benchmarking Survey. In the year-end 2009 EBRI/ICI 401(k) database, 3% of 401(k) plans offered company stock as an investment option and company stock accounted for 9% of 401(k) plan assets.

Balanced investment options (investments in a mix of stocks and bonds) — other than target date and lifestyle investment options — were offered by nearly half of the plans in the 2011 Fee Study and represented 3% of assets (Exhibit 21). Guaranteed investment contracts (GICs) and stable value investment options were offered by 29% of plans in the Deloitte/ICI 2011 sample and accounted for 19% of the sample’s total assets, compared with 45% of plans and nearly 13% of assets in the year-end 2009 EBRI/ICI 401(k) database. Money market investment options were available in more than half of plans in the 2011 Fee Study and represented 3% of total plan assets.

Asset Class Use

	Percent of Total Assets in Survey ¹	Percent of Plans Utilizing ²
Equity	47%	93%
Fixed Income	7%	84%
Target Date	9%	57%
Money Market	3%	54%
Balanced	3%	49%
Stable Value/GICs	19%	29%
Lifestyle	2%	17%
Company Stock	10%	11%
Other ³	2%	22%

Exhibit 21

¹ Percentages do not add to 100% because of rounding.

² Multiple responses are included.

³ Other included loans and self-directed brokerage balances.

¹⁹ A target date investment option pursues a long-term investment strategy, using a mix of asset classes, or asset allocation, that the investment manager adjusts to become less focused on growth and more focused on income over time as the investment option approaches and passes the target date, which is usually indicated in the investment option’s name. The target date generally is the date at which the typical investor for whom that investment is designed would reach retirement age and stop making new investments in the investment.

²⁰ See Holden, VanDerhei, and Alonso, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009,” *ICI Perspective* and *EBRI Issue Brief* (November 2010); available at www.ici.org/pdf/per16-03.pdf.

IV. The Mechanics of Defined Contribution Plan Fees

To understand the potential drivers of defined contribution/401(k) fees, an understanding of the various elements and how they interact is essential. The total defined contribution/401(k) fees can be split into two major categories: investment-related fees and administrative fees.

Defined contribution/401(k) plans are tax-advantaged savings vehicles in which individuals typically select the asset allocation for their accounts given the range of investment options offered by their plans. A key component of a 401(k) plan is the asset management services that the various investment managers provide. The investment managers charge a fee for these investment services, and these fees are reported as a percentage of the total assets invested in the particular investment vehicle (mutual fund, separate account, commingled trust or other investment product). These fees vary based on the amount of assets invested and the product in which they are invested.

Unlike a retail investment account, defined contribution/401(k) plans must comply with certain regulations (e.g., to comply with fiduciary rules and maintain the tax-qualified status of the plan) as well as provide additional services that may exceed the services a typical investment account requires. Some of these administrative services are provided to the employer or plan sponsor, such as plan audits, legal services and communication campaigns. Other administrative services are provided directly to the plan participant, such as education about the investment offerings.

Payment for these administrative services can be handled in a number of ways. The plan sponsor determines who pays each fee (employer or participant) and how that fee is assessed (Exhibit 22). (Certain start up and design costs must be paid by the plan sponsor under DOL rules.) Payment is generally handled through one or more of the following methods:

- Dollar per plan fees that are paid by the employer, participant or both;
- Asset-based fees (based on a percentage of plan or investment assets) that are paid for by the employer, participant or both; and/or

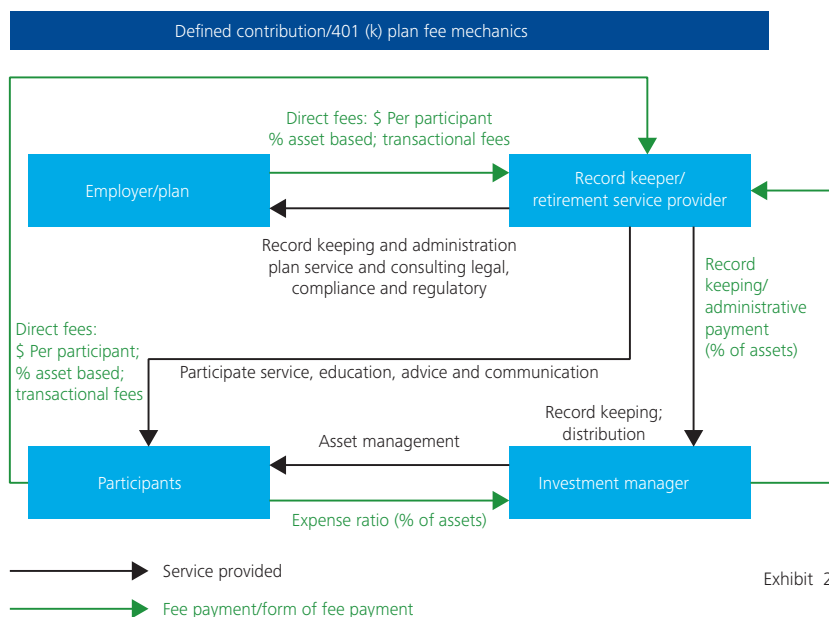


Exhibit 22

- Specialized participant activity related fees, most often paid for by participants engaging in the activity (e.g., self-directed brokerage, loans, QDROs, and distributions).

Additionally within defined contribution/401(k) plans, the manager of an investment option may agree to pay a portion of its investment fee to a service provider (in the case of 401(k) plans, generally the recordkeeper). This amount (often referred to as revenue sharing) is used to help offset the cost of the administrative services provided by the retirement service provider that would otherwise be charged directly to the plans, employers and/or participants.

These revenue-sharing fees present themselves in a variety of ways including 12b-1 fees, sub-transfer agency fees, administrative servicing fees and shareholder servicing fees. Whether the plan uses non-proprietary investment options or proprietary investment options — that is the investment provider is affiliated with the plan's recordkeeper — some of those asset-based investment fees (in the form of shareholder or administrative servicing fees) can be used to cover administrative services.

V. The ‘All-In’ Fee

Consistent with the 2009 Fee Study, an ‘all-in’ fee was calculated, which allows for a more direct comparison of the overall fees being paid by the plans participating in the survey. Viewing fees from an ‘all-in’ fee perspective addresses the range of varying structures and arrangements for service payments due to:

- Different service delivery mechanisms and associated fees; and
- Per plan, per participant and asset-based fee types.

By rolling all services and fee types into an ‘all-in’ fee, the data can be analyzed more consistently across plans and within segments to compare and discern different fee levels.

Composition of the ‘All-In’ Fee

For the purpose of this study, the ‘all-in’ fee was based on three general service elements:

1. Administration, recordkeeping, communication and education;
2. Investment management; and
3. Plan sponsor investment consulting/financial advice or financial advice to participants.

As mentioned in the previous section, fees for specialized participant activities such as loans, distributions, QDROs and managed accounts are not included in the ‘all-in’ fee (Exhibit 23).

The total fee elements were dominated by the fees and expenses of investments at 84% while recordkeeping/administrative fees made up 16% of total fees. However, it is important to note that some recordkeeping and participant service expenses may be included in the investment fees. Additional highlights of the ‘all-in’ fee composition include:

- Plan sponsor investment adviser fees — external to the recordkeeper — were reported by 6% of plans covering 25% of participants.
- Separately charged plan fees for independent financial advice for participants existed in 1% of plans covering 4% of participants.

‘All-in’ fee calculation	‘All-in’ fee components
Administration, recordkeeping, communication and education	Fees charged to the plan sponsor or per participant or asset-based fees charged directly to participants’ accounts to pay for trustee fees, compliance testing, plan audit, Form 5500 reporting, legal services and administration fees. This category also includes direct charges to the plan sponsor or per participant for employee meetings, enrollment kits, newsletters/videos and retirement planning materials.
Investment management	Asset based fees charged to the mutual fund, commingled or common trust or separate account used to pay for managing the fund as well as revenue sharing components used to pay for trustee fees, compliance testing, plan audit, Form 5500 reporting, legal services and administration fees.
Plan sponsor investment consulting/financial advice or financial advice to participants	Plan sponsor fees paid to an outside consultant or financial adviser who is hired by the plan sponsor to assist with plan design, investment design, search and selection process and other plan advisory services.
Transactions and other items not included	
Loan initiation and maintenance, QDRO, distributions, self-directed brokerage, managed accounts and other transactions driven by participant elections.	

Exhibit 23

Payer of Fees

With regard to plan fees, participants bear the majority of 401(k) expenses. Similar to any other employee benefit (e.g., health insurance), the employer determines whether the employee, employer, or both will pay for the benefit. According to the Survey, on average, participants pay 91% of total plan fees while employers pay 5% and the plans cover 4%²¹ (Exhibit 24). This compares with participants paying 78%, employers paying 18% and plans paying 4% in the 2009 Fee Study.

As compared with the 2009 Fee Study, participants paid a higher percentage share of total plan fees. This can be explained in part by the rising share of investment fees in the ‘all-in’ fee. When asset values increase, the total dollars paid for investment management expenses will increase as well (holding other factors constant). Since investment management expenses are largely the responsibility of the participant, it can be expected that in up-trending markets, holding other factors constant, participants will pay a larger share of the total plan expenses.

²¹ Other survey results suggest that this is generally achieved through forfeited employer contributions.

Payer of 'All-In' Fees by Percent of Plans in Plan Asset Size Segment (Participant Weighted)

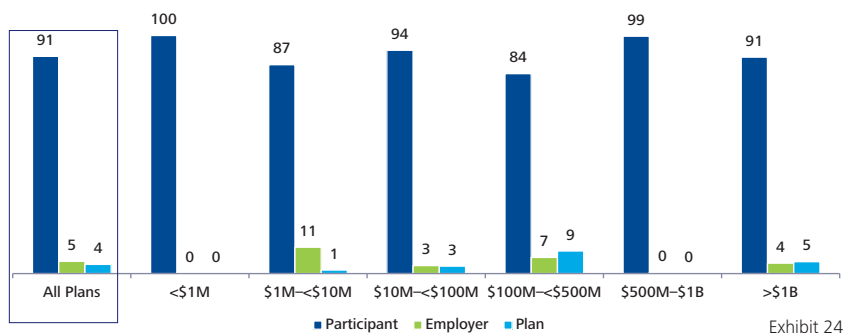


Exhibit 24

Summary 'All-In' Fee Results

In this study, the 'all-in' fee was analyzed and compared across six defined contribution plan asset size segments. The 'all-in' fee was primarily analyzed as a percentage of plan assets. To more accurately represent the 'all-in' fee paid by the typical defined contribution plan participant, survey responses were weighted to the DOL 401(k) universe using standard statistical methods. This section explains the importance of weighting the sample's responses (with additional detail on the weighting procedure in the Appendix) and then presents summary 'all-in' fee results.

Weighting Survey Responses to Estimate the 'All-In' Fee

When using any sample to draw conclusions in aggregate about the broader marketplace, it is important to weight the survey responses to adjust for differences in the sample composition as compared with the universe. In the case of this Study, the share of large plans in the sample is higher than the share of large plans in the 401(k) universe. Thus, if the survey responses were not weighted, those large plan respondents would be given disproportionate importance in the aggregate 'all-in' fee calculation. The Survey responses were weighted based on plan size across two dimensions — plan assets and number of participants in the plans — to represent the distribution of 401(k) plans in the DOL universe estimates.

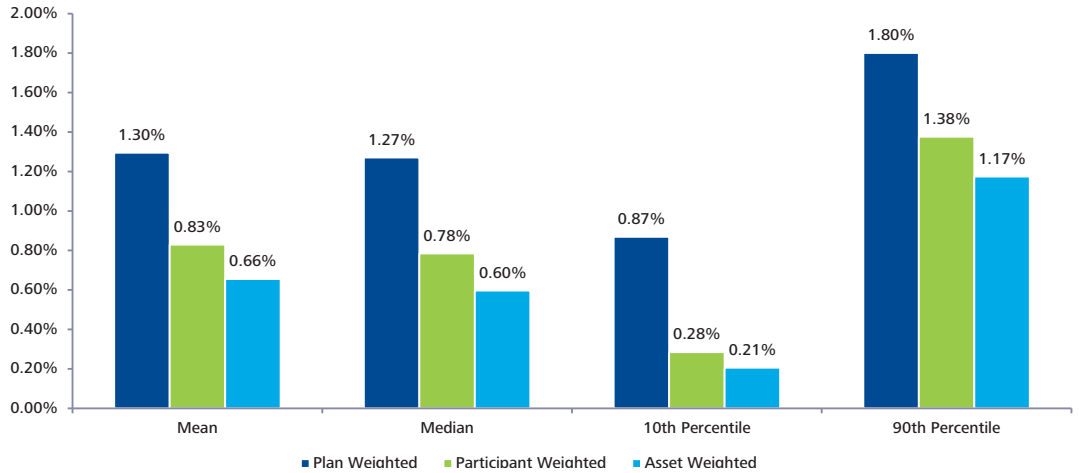
In addition to the importance of weighting to make the aggregate results be more representative of the universe results using the experience of the survey respondents, there is the question of whether to report results on a plan, participant, or asset basis. The answer to this question depends on what the researcher wants to analyze. If considering plan experience, then plan weighting is appropriate. If considering questions related to asset allocation, then asset weighting is appropriate. But, if considering the broader question of what people in 401(k) plans typically experience, then participant weighting should be used. Wishing to focus on typical participant experience, the bulk of the analysis in this report is on a participant-weighted basis.²²

²² Exhibit 25 highlights the impact of plan, participant, or asset weighting on the aggregate 'all-in' fee results across all plans. The remainder of the section analyzes 'all-in' fees within plan size segments on a participant-weighted basis. Within the plan size segments, the different weighting approaches do not materially change the 'all-in' fees calculated.

'All-In' Fee Results

The 'all-in' fee includes the recordkeeping, administrative and investment fees in the defined contribution plan, whether paid for by the employer, the participant, or the plan. For this Survey, the 'all-in' fee primarily was analyzed as a percentage of plan assets. Exhibit 25 presents the 'all-in' fee across all plans on a plan-weighted, participant-weighted and asset-weighted basis.

'All-In' Fee: % of Assets (Plan, Participant and Asset Weighted)



Focusing on the typical defined contribution plan participant's experience, the median participant-weighted 'all-in' fee, across all plans in the 2011 Fee Study was:

- Percentage of plan assets — 0.78% (Exhibit 25); or
- Annual per participant dollar amount — \$248 (Exhibit 26).

The 10th percentile participant is in a plan with an 'all-in' fee of 0.28% and the 90th percentile participant is in a plan with an 'all-in' fee of 1.38% (Exhibit 25).

The aggregate 'all-in' fee varies with the focus of the unit of analysis — plans, participants, or assets. Because the majority of defined contribution plans are small (whether considering plan assets or number of participants in the plan), estimating the 'all-in' fee on a plan-weighted basis results in higher estimates of the 'all-in' fee. For example, the median plan in this study had an 'all-in' fee of 1.27% of assets; 10% of plans had 'all-in' fees of less than 0.87% and 10% of plans had 'all-in' fees above 1.80% (Exhibit 25). However, participants are more concentrated in larger plans, so measuring the 'all-in' fee that the typical defined contribution plan participant experiences highlights that the median participant is in a plan with an 'all-in' fee of 0.78%. Because assets are even more concentrated in larger plans, the asset-weighted 'all-in' fee measures are lower than the participant-weighted measures.

To focus on the typical defined contribution plan participant's experience, the 'all-in' fee results typically are presented on a participant-weighted basis and within each

Exhibit 25

'All-In' Fee: Annual Plan-Level Dollars Per Participant (Participant Weighted)

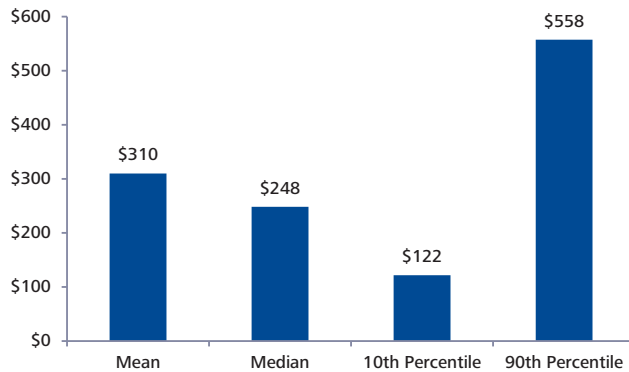


Exhibit 26

plan size segment (whereas plan size is a key driver of the 'all-in' fee). Fees of 401(k) plans vary greatly due to unique plan characteristics; plan/investment design; and range, quantity and quality of services negotiated between the plan sponsor and retirement service providers. As such, there are a large number of variables impacting the fees that plans and participants pay. The remaining sections of this report explore what appear to be possible drivers of this variation at a macro level (all plans) and within individual segments (micro, small, mid, large and mega-plan size markets).

VI. Fee Drivers

Plan sponsors provided data for a variety of plan-related, retirement service provider-related and plan-design variables (Exhibit 27). As with the 2009 Fee Study, the 2011 analysis looked to identify what appeared to be the primary and secondary drivers of fees across all defined contribution plans. In order to identify those factors that help explain a plan sponsor's 'all-in' fee, these variables were included in a statistical analysis. This analysis included assessing the impact and correlation of multiple independent variables on the dependent variable — the 'all-in' fee as a percentage of plan assets.

Primary 'All-In' Fee Drivers

Primary drivers include the key variable(s) impacting fees across plans in the survey. The results of the statistical regression analysis pointed to the size of the plan and the plan's percentage of assets invested in equity investment options as primary drivers.

More specifically, the number of participants and average account balance were significant and had independent effects. Plans with larger average account balances and larger numbers of participants tended to have lower fees as a percentage of assets. In addition, plans with a higher percentage in equity investment options tended to have higher 'all-in' fees as a percentage of assets. The variables related to plan size were the same primary variables observed in the 2009 Fee Study, which supports the finding that these variables are primary drivers of fees.

Variables	
Plan Related	Plan asset sizes
	Number of participants
	Average account balance
	Plan sponsor industry
	Geographic location
	Number of locations
	Number of payrolls
	Participant contribution rates
	Investment allocation
	Company stock
Service Provider Related	Years with current provider
	Provider industry type
	Provider size
	Provider relationship
Plan Design	Employer contribution
	Number of investment options
	Investment vehicles
	Proprietary/non-proprietary
	Auto-enrollment/step-up
Potential Drivers	

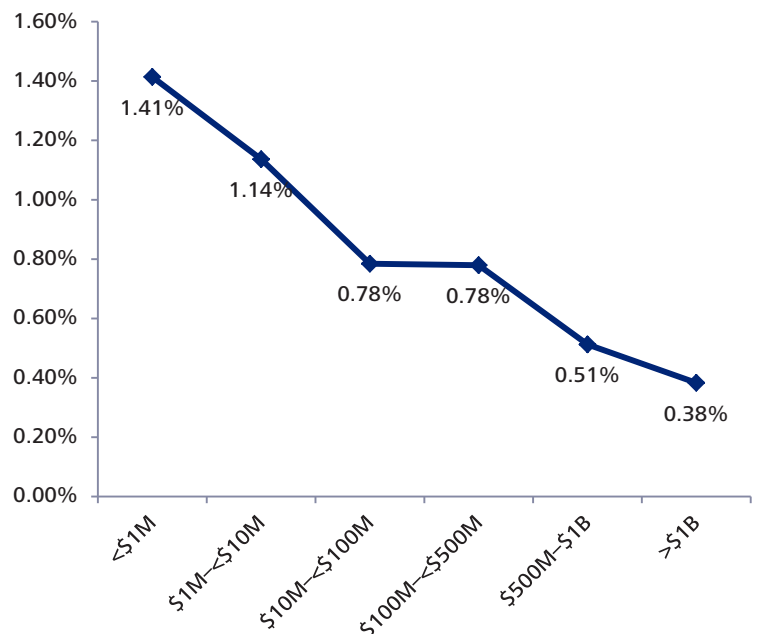


Exhibit 27

Plan Asset Size

Across all plans in the survey, the median participant-weighted 'all-in' fee was 0.78% of assets (Exhibit 28) and the participant at the 10th percentile was in a plan with an 'all-in' fee of 0.28% and the participant at the 90th percentile was in a plan with an 'all-in' fee of 1.38% (Exhibit 29).

Plan asset size is again a primary driver in explaining the total plan 'all-in' fee as a percentage of assets. Plans with higher total assets tend to have lower 'all-in' fees. For example, the median participant-weighted 'all-in' fee in the smallest plans (with less than \$1 million in assets) was 1.41% of assets, while the median participant-weighted 'all-in' fee in the largest plans (with more than \$1 billion in assets) was 0.38% (Exhibit 28). There was variation within each plan asset size segment, but the range between the 10th percentile and 90th percentile of participants within each plan size segment also tended to trend down, the larger the plan (Exhibit 29). Plans with smaller total assets tend to have smaller average account balances compared to larger plans, which also contributes to the higher relative fees as a percentage of assets for smaller plans.

'All-In' Fee (% of Assets) by Plan Asset Size Segment (Participant Weighted)

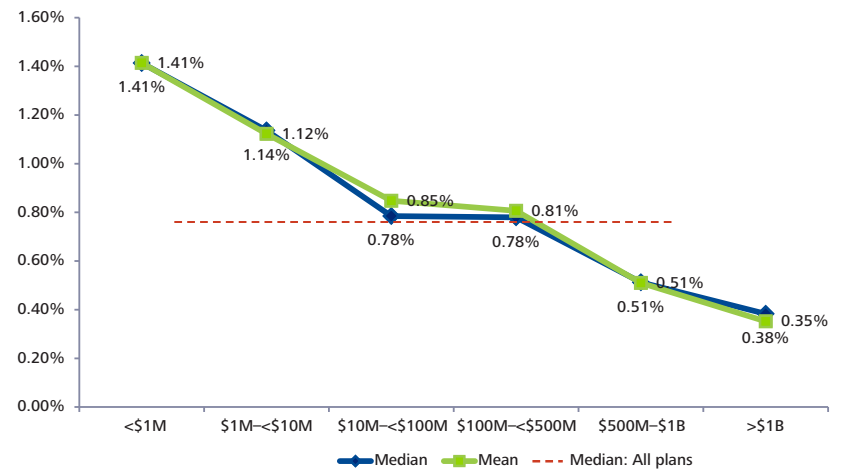


Exhibit 28

'All-In' Fee Range (% of Assets) — 10th and 90th Percentile of Participants by Plan Asset Size Segment (Participant Weighted)

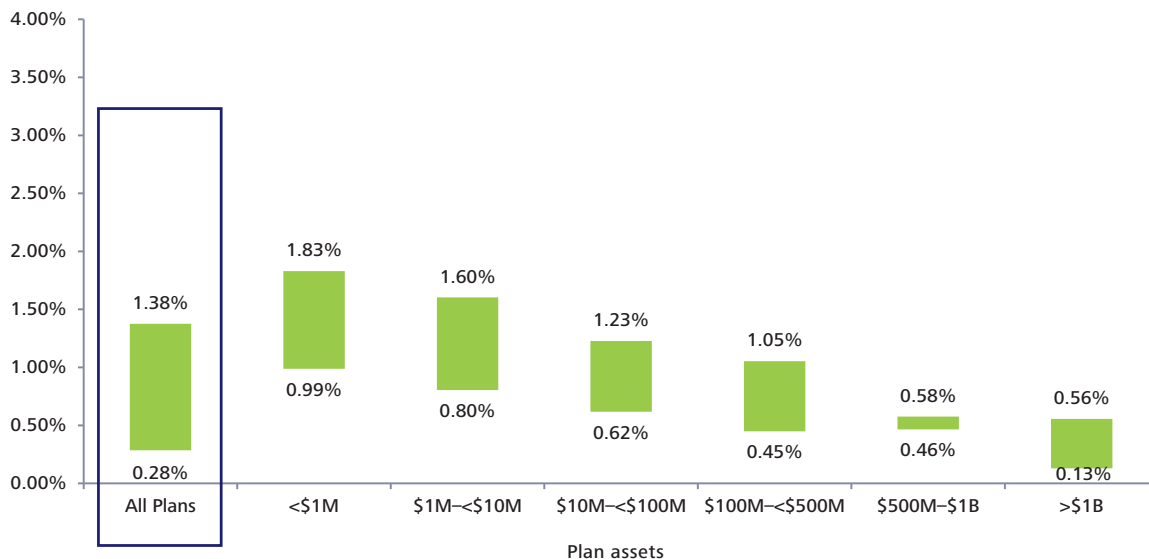


Exhibit 29

The statistical regression analysis found that the number of participants and average account balance were primary drivers of the 'all-in' fee, contributing significantly and independently to the fee levels. Plans with more participants tended to have lower 'all-in' fees as a percentage of plan assets compared with plans with fewer participants (Exhibit 30). And, the 10th and 90th percentile bands tended to fall for plans with more participants (Exhibit 31).

'All-In' Fee (% of Assets) by Plan Participant Size Segment (Participant Weighted)

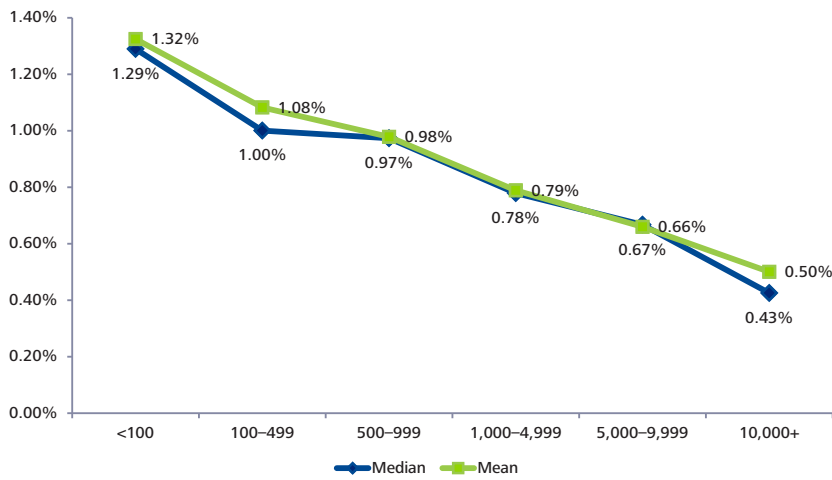


Exhibit 30

'All-In' Fee Range (% of Assets) — 10th and 90th Percentile of Participants by Plan Participant Size Segment (Participant Weighted)

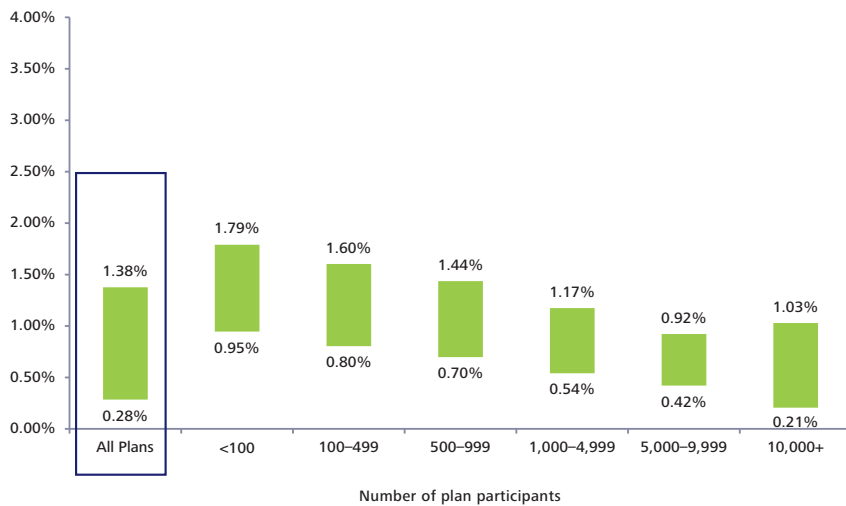


Exhibit 31

The separate negative correlation between the average participant account balance and the 'all-in' fee can be seen whether looking across plan asset size segments (Exhibit 32) or plan participant size segments (Exhibit 33).

Variable vs. Fixed Costs

The pattern of typically declining 'all-in' fees as plan size increases likely results in part from the role of variable versus fixed costs impacting plan fees.

Median 'All-In' Fee (% of Assets) by Average Account Balance Within Plan Asset Size Segment (Participant Weighted)

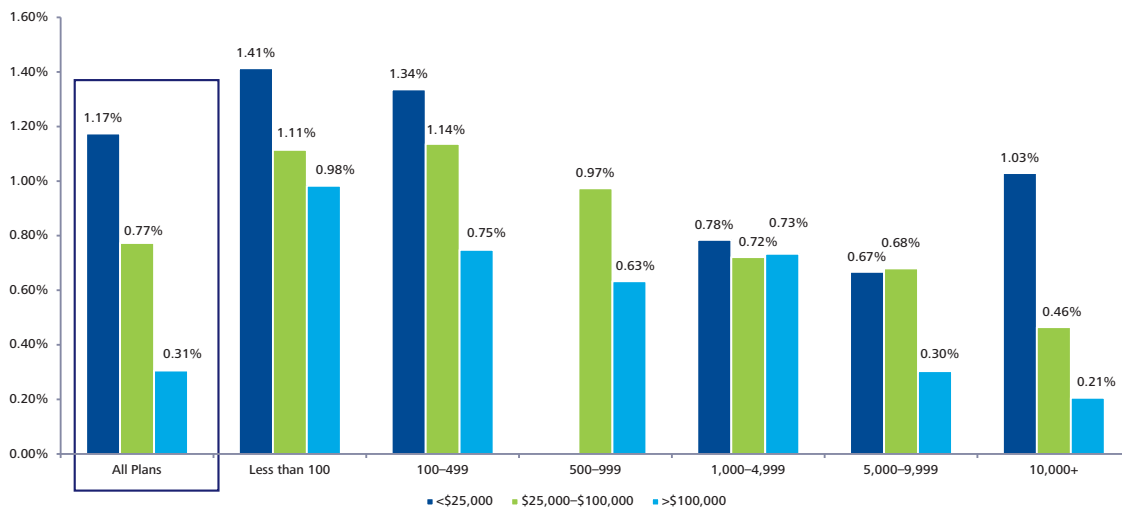


Exhibit 32

Median 'All-In' Fee (% of Assets) by Average Account Balance Within Plan Participant Size Segment (Participant Weighted)

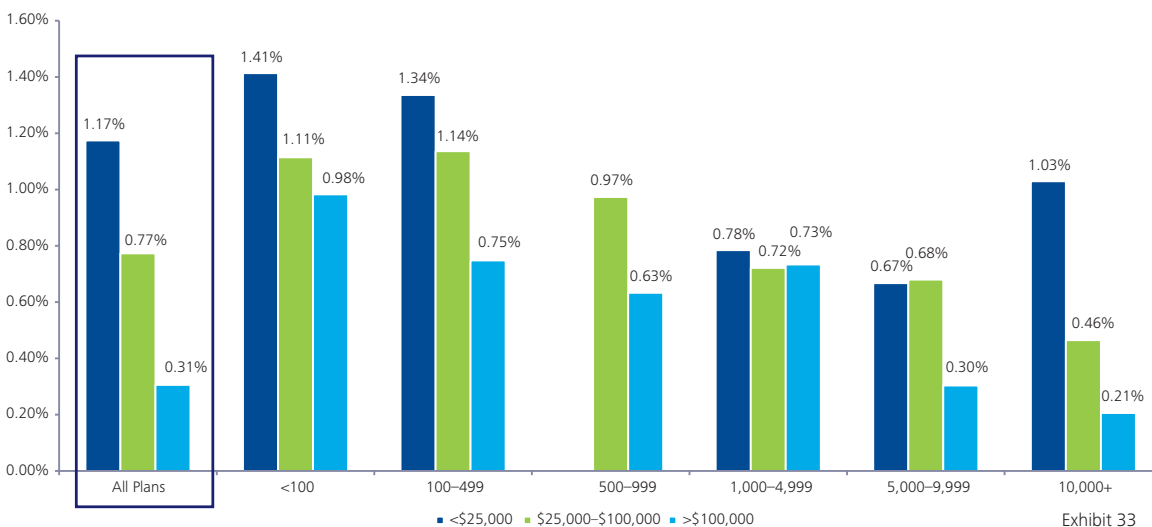


Exhibit 33

Costs within plans are either variable or fixed depending on the service provided and the fee arrangement with the company providing the service. Variable costs are costs that fluctuate based on number of participants, amount of assets or some other factor. Investment expenses and per participant charges are examples of variable costs. In contrast, fixed costs stay relatively constant regardless of fluctuations in plan or participant size. Examples of fixed costs could include plan audit fees, plan document services (e.g., Form 5500 filing) or investment consulting services. This is not to suggest that fixed costs never change but rather they typically will not move in a fixed ratio with some aspect of the plan.

Since the 2009 Fee Study, variable costs have increased relative to the total costs of the plan if we view investment expenses as a proxy for variable costs. Intuitively, this makes sense as markets have appreciated since the 2009 study and investment expenses — which again represent the majority of fees — have increased in total dollars as more assets generate more total expense dollars. Likewise, fixed costs have decreased as a percentage of total plan expenses as these costs tend not to be related to the growth in assets. This relationship between fixed and variable costs — and what percentage each makes up — fluctuates based on asset values and overall market movements.

The relationship between fixed and variable costs is also noteworthy when comparing large and small plans whether measured in terms of plan assets or number of plan participants. Larger plans with more assets and/or more participants have a much larger base over which to spread fixed costs.

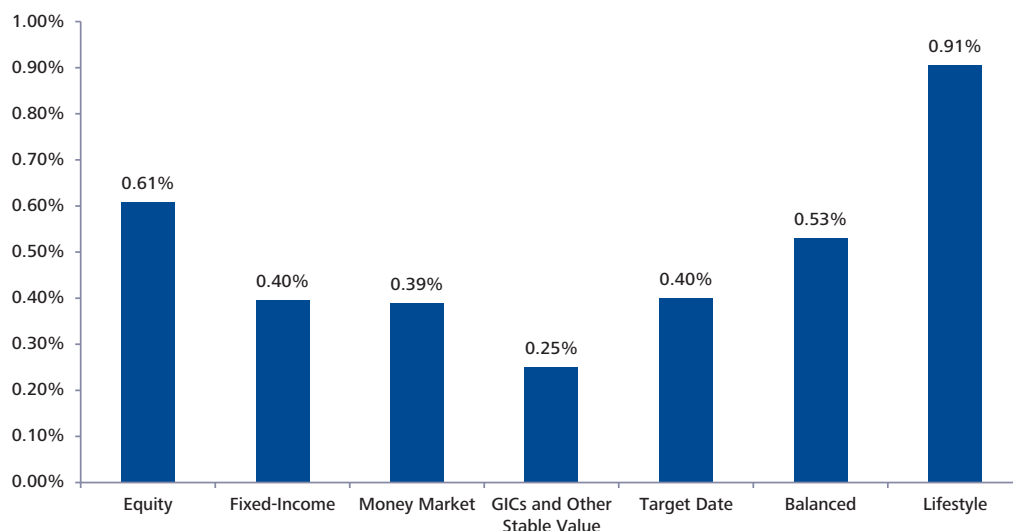
Plan Asset Allocation

The percentage of a plan's assets invested in equity investment options was also found to be a primary driver of the 'all-in' fee in the 2011 Fee Study. Plans with a higher percentage of plan assets in equity investment options tended to have higher 'all-in' fees. In the 2009 Fee Study, this variable was considered a secondary driver.

The 'all-in' fee as a percentage of assets reflects the asset composition of the defined contribution plan, which in turn reflects the asset allocations chosen by the plan participants. Participants select their investments based on a range of key criteria including investment risk, performance (return), types of securities held, and fees and expenses. According to the survey data (as well as general industry knowledge), equity investment options generally have higher investment management expense ratios than non-equity or fixed-income investments.²³ As noted earlier in this Study, a large portion (84%) of the total fees of defined contribution plans is related to the investment fees. When more of a plan's assets are invested in equity investment options, its 'all-in' fee typically will be higher.

Exhibit 34 highlights the asset-weighted expense ratios for the selection of investment options held in the plans in the 2011 Survey. For example, the asset-weighted average expense ratio on equity investment options held by the plans in the survey was 0.62% compared with an asset-weighted average expense ratio of 0.47% on the fixed-income investments held (Exhibit 34). The asset-weighted expense ratios for balanced investment options — target date (0.49%), balanced (0.60%), and lifestyle (0.85%) — varied in part reflecting the degree to which they invest in equities.

Average Expense Ratio by Asset Class (Asset Weighted)



²³ See note 7.

Based on the statistical regression analysis performed, a 10 percentage point higher asset allocation to equity investment options (e.g., assets in equity investment options rise from 50% to 60% of plan assets) resulted in approximately a 2.6 basis point or 0.026 percentage point higher 'all-in' fee in the plan (Exhibit A2 in the Appendix). This pattern can be seen as the percentage of plan assets invested in equity investment options rises from 25% of plan assets to higher percentages (Exhibit 35).

Secondary 'All-In' Fee Drivers

The regression analysis also identified secondary drivers that can help explain variability of fees in similar plans. As shown below, there is variability in fees across both similar sized plans and across different plan sizes.

Apparent secondary drivers of the 'all-in' fee as a percentage of plan assets from the 2011 Fee Study results include:

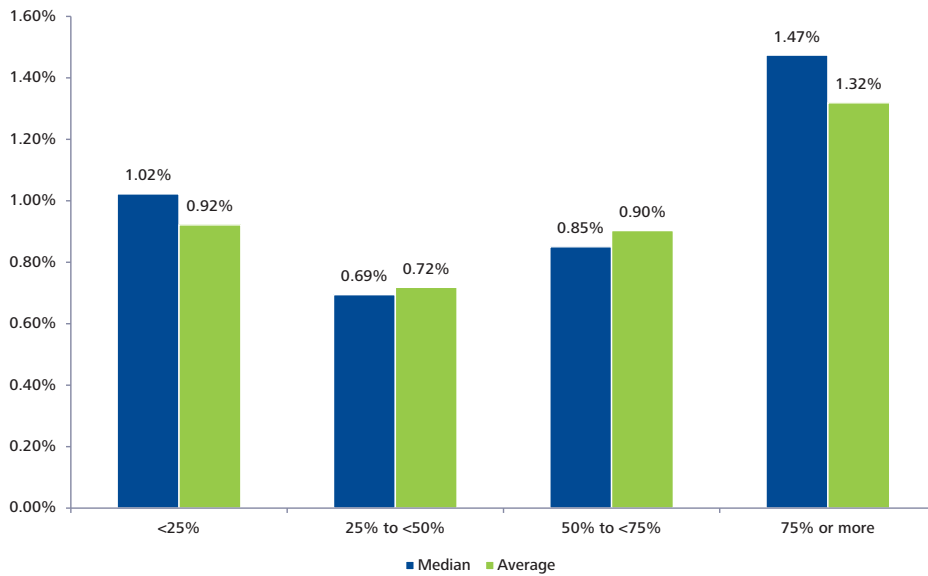
- **Participant contribution rates** — plans with high average participant contribution rates tend to have lower 'all-in' fees.
- **Number of investment options** — plans with more investment options tend to have higher 'all-in' fees.
- **Auto-enrollment plan design** — plans with auto-enrollment tend to have lower 'all-in' fees.

Participant Contribution Rates

The average participant contribution rate was identified by the statistical regression analysis as a variable that was negatively related to the 'all-in' fee as a percentage of plan assets (Exhibit A2 in the Appendix). This result can generally be seen in Exhibit 36 — participants in plans with the

lowest average participant contribution rates (less than 3%) had higher 'all-in' fees (1.17%) than participants in plans with average participant contribution rates of 3% to less than 6% (0.78%) or 6% or more (0.64%). When plans are grouped by plan asset size segment, the effect of average participant contribution rate does not appear consistently

Median and Average 'All-In' Fee (% of Assets) by Percent of Plan Assets Invested in Equity Investment Options (Participant Weighted)



Median 'All-In' Fee (% of Assets) by Plan-Level Average Participant Contribution Rate within Plan Asset Size Segment (Participant Weighted)

Exhibit 35

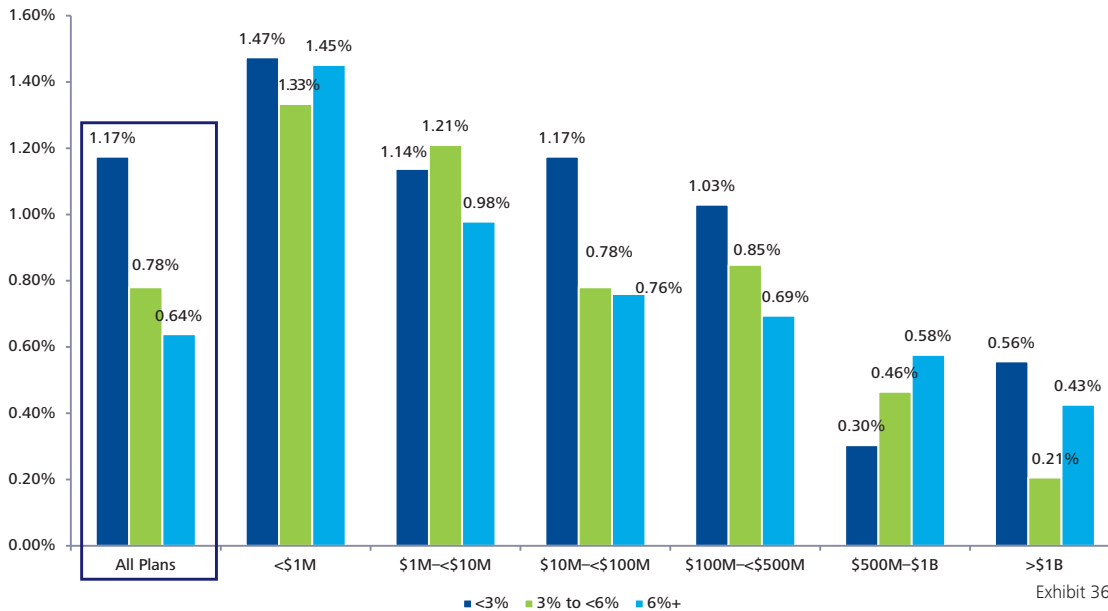


Exhibit 36

across all market segments, reflecting the multitude of forces at work in addition to the two variables plotted (i.e., average participant contribution rate and plan asset size). The variable is somewhat intuitive as plans with higher average participant contribution rates will be those plans that are growing faster and accumulating more assets than their peers. Larger plans in terms of assets will generally have lower 'all-in' fees. At the same time, the retirement service provider might consider a plan with higher participant contribution rates to be more favorable (able to generate higher expected future investment revenue) and, as such, may be willing to offer pricing (and bear the risk) aligned with those expectations.

Number of Investment Options

The regression analysis found that not only the type of investment options (amount invested in equity investment options), but also the number of investment options, appeared to be drivers of the 'all-in' fee as a percentage of plan assets. Plans with more investment options tended to have higher 'all-in' fees according to the regression analysis (Exhibit A2 in the Appendix). A potential reason for this relationship is that when plan sponsors add additional investment options to their investment lineup, these options tend to be more specialized equity investments (sector, emerging market, natural resources, etc.) that tend to have higher investment expense ratios.

Auto-Enrollment Plan Design

Auto-enrollment is designed to enroll participants automatically in the plan at a set contribution rate when they join their company. While auto-enrollment was not utilized by the majority of plans that participated in the 2011 Fee Study (Exhibit 18), the regression analysis found that those plans with auto-enrollment tended to have lower 'all-in' fees than those without the feature (Exhibit A2 in the Appendix). This correlation can be seen in all but the smallest plan size category when the median 'all-in' fee is plotted for plans with and without auto-enrollment (Exhibit 37). This relationship could be explained by the fact that pricing of administrative services may be future based (on anticipated higher participation rates and larger account balances) and a plan with auto-enrollment may be perceived as a more attractive opportunity.²⁴

An auto-enrollment feature can have a positive impact on increasing assets in the plan, so it might be expected to lower overall plan costs. At the same time, auto-enrollment generally increases the number of participants with low balances and therefore increases the administrative cost of running the plan. Looking at the combination of these two impacts, auto-enrollment may not be in and of itself driving the 'all-in' fee lower. Rather, the lower fee may be attributed to some other factors such as the age of the plan, the length of the time over which auto-enrollment has been in place or other plan features not captured in the survey. Nevertheless, providers may anticipate that auto-enrollment will lead to more advantages (increased assets under management) than disadvantages (cost of small balance participants).

Factors Not Found to Be Significant

A number of other variables were tested and not found to be direct drivers of the 'all-in' fee (Exhibit A1 in the Appendix).

Variables Relating to Plan Complexity

The number of payrolls, which might have increased administrative complexity, was not found to be a driver of fees. The number of sponsor business locations, which might cause increased complexity in delivering participant education, was not found to be an apparent driver of fees.

Variables Relating to the Retirement Service Provider Type, Scale, and Relationship

The retirement service provider type (i.e., mutual fund company, insurance company, bank or TPA) was not identified as an apparent driver of the 'all-in' fee based on the statistical and regression analysis results from the survey.

The size of the retirement service provider also was not an apparent driver of 'all-in' fees by market segment. When measured in terms of participants on the recordkeeping system, the survey data did not consistently find evidence of lower fees for the largest providers.

In the survey, plan sponsors were asked when was the last time that they had performed a competitive review of their plan's retirement service provider (Exhibit 14). A competitive review was defined to include everything from a periodic fee negotiation to a complete vendor search

²⁴ See discussion of participant contribution rates on page 29 for further explanation.

Median 'All-In' Fee (% of Assets) by Auto-Enrollment Use Within Plan Asset Size Segment (Participant Weighted)

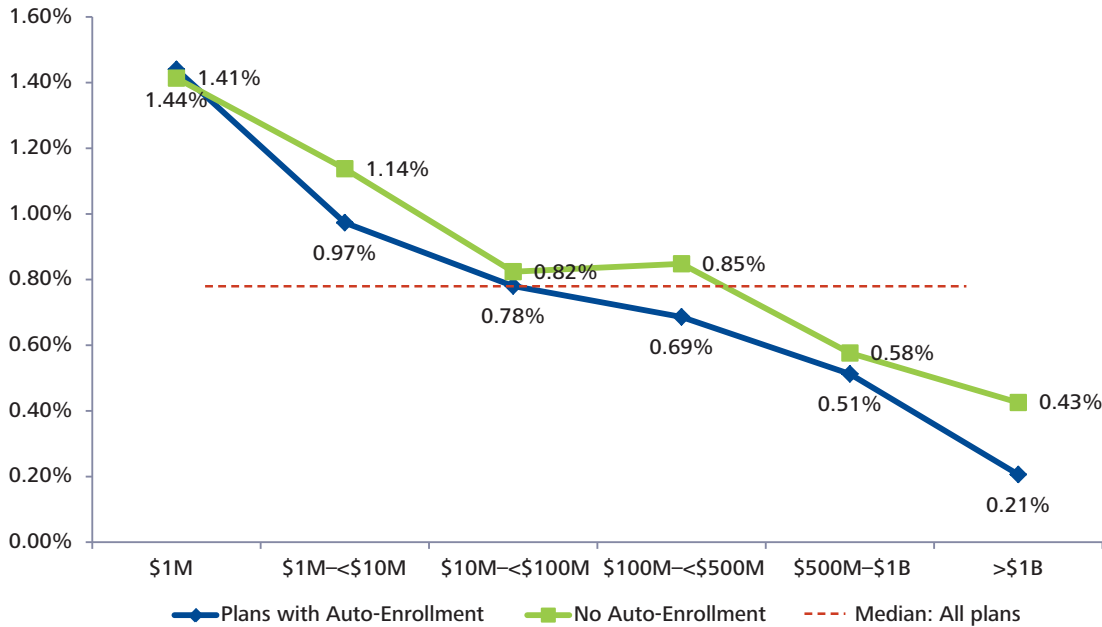


Exhibit 37

with an RFP. An initial hypothesis was that if a plan had a competitive review more recently, its 'all-in' fee would be lower when compared with those plans that did not have recent competitive reviews. However, the statistical regression analysis did not find a significant relationship between the timing of the last competitive review and the 'all-in' fee as a percentage of plan assets. Nevertheless, Exhibit 38 shows that fees appear to increase moderately the longer a plan has gone without having a competitive review.

Tenure of the plan with the retirement service provider also did not appear to be a significant factor with respect to the 'all-in' fee as a percentage of plan assets. In addition, the percentage of assets invested in the investment products of the retirement service provider (proprietary investments) did not appear to have a significant impact on fees. And, plan sponsors with multiple relationships with their service provider were not found to have significantly different 'all-in' fees.

Median and Average 'All-In' Fee (% of Assets) by Number of Years Since Last Competitive Review (Participant Weighted)

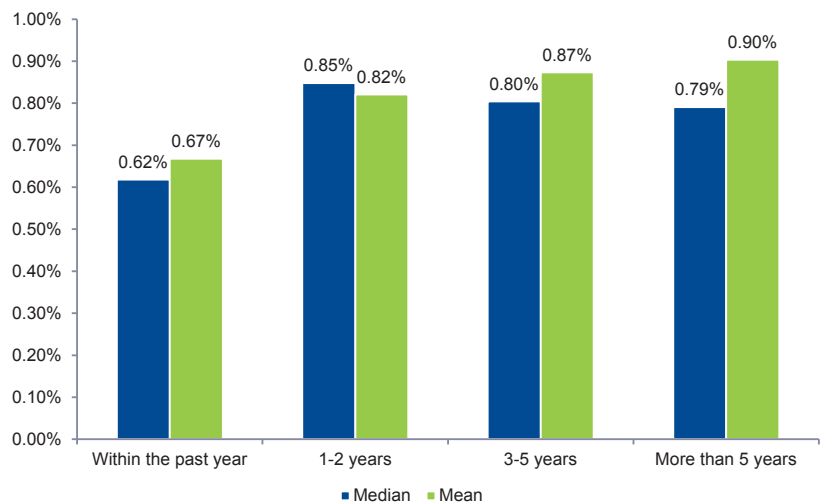


Exhibit 38

VII. Summary

Range of Fee Arrangements

There are three general groups of services — administrative, investment management, and financial advice — that defined contribution plans arrange to deliver the plan to participants. Defined contribution/401(k) fees are charged in a variety of ways for the services provided. Typical fee structures include per participant administration, per plan administration, asset-based administration, investment fees, and per plan advisory fees. As plan sponsors work with retirement service providers to set up or administer their plans, a range of scenarios or arrangements is generally considered. This report does not aim to assess those ranges, but to identify the factors that appear to be relevant in the determination of the plan fee. To compare fees across plans, this bottom-line or ‘all-in’ fee was calculated combining all administration, recordkeeping, investment fees, and plan financial consultant fees. At the end of the day, whether a plan sponsor is adding up component fees or looking at a more comprehensive package, the ‘all-in’ fee allows for a more direct comparison across plans.

The ‘All-In’ Fee

The ‘all-in’ fee, which includes recordkeeping, administration and investment management, was evaluated primarily as a percentage of total plan assets. Across all plans in the Survey:

- The ‘all-in’ fee varied from 0.28% of assets (10th percentile participant) to 1.38% of assets (90th percentile participant).
- The median participant was in a plan with an ‘all-in’ fee of 0.78% of plan assets.

Plan Size and Asset Allocation Appear to be Primary Drivers of the ‘All-In’ Fee

The ‘all-in’ fee varied due to a number of plan-related variables. Statistical regression analysis found that plan size and percentage of a plan’s assets invested in equity investment options appeared to be the most significant drivers of fees.

More specifically, further analysis showed that a more meaningful way to view plan asset size was through two independent factors:

- Number of plan participants; and
- Average participant account balance in the plan.

Plans with more participants and plans with higher average participant account balances tended to have lower ‘all-in’ fees (as a percentage of plan assets). This likely reflects economies gained as fixed costs are spread over more assets.

The higher a plan’s allocation to equity investment options, the higher the ‘all-in’ fee tended to be. This reflects the higher investment expense ratios typically associated with equity investing.

Other Factors Are Secondary Drivers of Fees

In addition to plan size and percentage of plan assets invested in equity investment options, three other factors appeared to help explain the variability in plan fees. Linear regression analysis found that lower ‘all-in’ fees (as a percentage of plan assets) appear to be related to:

- Higher participant contribution rates;
- Lower total number of investment options; and
- Use of automatic enrollment.

On the other hand, the regression analysis found that the remaining variables appeared not to be direct (significant) drivers of the ‘all-in’ fee. Two variables related to plan complexity — the number of payrolls and the number of business locations — were not found to be apparent drivers of the ‘all-in’ fee. Several variables related to the retirement service provider also did not appear to be direct drivers of the ‘all-in’ fee. For example, the timing of the last competitive review, which might have been expected to explain lower ‘all-in’ fees, was not found to be an apparent driver of fees. The plan sponsor’s tenure (number of years) with the retirement service provider also was not found to be a significant factor. Neither the size nor the type of the retirement service provider was found to have a statistically significant relationship with the ‘all-in’ fee. Additional relationships — whether through other retirement services or proprietary investments — also were not direct drivers of the ‘all-in’ fee in this study.

VIII. Appendix

Survey Weights

When a survey sample is drawn from a population, the proportions of segments within the sample may not match the distribution of those segments within the population. The sample's distribution may be different due to sampling techniques, varying degrees of non-response from segments of the population or a survey design that was not able to cover the entire population. It is possible to improve the relation between the sample and the population from which it was drawn by applying weights to the sample that match the proportions present in the population. This process is known as sample-balancing, or raking.²⁵ In the case of a survey of 401(k) plan sponsors, it is possible to weight the responses to the universe of private-sector 401(k) plans for plan year 2008 (latest available) as reported by the Department of Labor.²⁶

In the normal course of survey work, researchers determine the appropriate variables on which to weight their survey observations. To weight the 2011 Deloitte/ICI DC/401(k) survey data, plans were placed into 32 cells based on eight plan asset-size groups and four plan participant-size groups. The probability of appearing in each cell was computed for both the DOL Form 5500 data (the universe) and the Deloitte/ICI survey data (the sample). When analyzing plan experience the weight assigned to an individual plan is:

$$\frac{\text{Probability of such a plan in the Form 5500 plan universe}}{\text{Probability of such a plan in the Deloitte/ICI plan sample}}$$

for the asset/participant cell that the plan falls in.

A similar procedure was used to develop participant-based weights. When determining the experience of the average 401(k) plan participant, the participant-weighted data were the relevant measure utilized. When considering investment options, asset-weighted data — developed using a similar procedure — were used.

Whether weighting the 'all-in' fee survey results by plans, participants or assets, there is little impact on the 'all-in'

fee when reported by plan size segment (because the weights improve the representation across segments and less so within segments).

Data and Regression Analysis

First, the 'all-in' fee was defined, which included all recordkeeping, administration and investment related fees for each plan. The 'all-in' fee did not include participant activity-related fees that only apply to particular participants engaged in the activity (e.g., self-directed brokerage, loans, QDROs, and distributions). The 'all-in' fee was calculated for each plan in the survey by summing all recordkeeping, administration and investment fees to arrive at a total dollar amount. This amount was then divided by the total plan assets to arrive at the 'all-in' fee as a percentage of plan assets. Also, each plan's total dollar fee amount was divided by total participants in the plan to arrive at the 'all-in' fee as an annual plan-level dollar per participant amount.

Both cross-tabulation and regression analysis were used to identify apparent drivers of the 'all-in' fee. Cross-tabulations of plan-related, service-provider-related and plan-design variables with the 'all-in' fee were analyzed to determine which factors appeared to be correlated with the 'all-in' fee (see Exhibit A1 for the variables considered). In addition, using stepwise regression, a selection of independent variables was included to estimate various models. Results of the regression analysis were used to review and reinforce the independent variables previously identified as drivers of the 'all-in' fee.

Final Specification of the Regression Results

The goal of the final regression specification was to quantify the marginal impact of the variables determined to be apparent significant fee drivers. As mentioned in the report, plan size measured as dollar amount of assets in the plans was first considered. However, further analysis found that a core specification that allowed average account balances and number of participants (both in logs) to affect fees as a percentage of assets each had separate and significant explanatory power.²⁷

²⁵ See Michael P. Battaglia, David Izrael, David C. Hoaglin, and Martin R. Frankel, "Tips and Tricks for Raking Survey Data (a.k.a. Sample Balancing)," *American Association for Public Opinion Research*; available at www.amstat.org/sections/srms/proceedings/y2004/files/ism2004-000074.pdf.

²⁶ See U.S. Department of Labor, *Private Pension Plan Bulletin Abstract of 2008 Form 5500 Annual Reports* (Version 1.0; December 2010), Washington, DC; available at www.dol.gov/ebsa/PDF/2008pensionplanbulletin.PDF.

²⁷ In the report, Exhibit 3 plots the impact of average account balance and number of plan participants on the 'all-in' fee for a variety of combinations of average account balance and number of plan participants.

Variables Analyzed as Possible Fee Drivers


Variable name	Type of variable
Plan related	
Plan asset size	Continuous or dummy
Number of plan participants	Continuous; LN(number)
Average participant account balance	Continuous; LN(average)
Plan sponsor industry	Dummy
Plan sponsor location (region)	Dummy
Number of locations	Continuous; integer
Number of payrolls	Continuous; integer
Participant contribution rate	Continuous; employees' actual previous year total contributions as a percentage of total earnings
Annual contribution cashflow	Continuous; sum of employee and employer contributions as a percentage of total assets
Investment allocation (percent in equity investment options)	Continuous; percentage of plan assets invested in equity investment options
Company stock	Dummy (whether offered or not)
Service provider related	
Years with current provider	Continuous; integer
Time since last competitive review	Dummy
Provider industry type	Dummy
Provider size	Dummy (tiers based on number of participants on provider platform)
Provider relationship (DB or H&W plan)	Dummy; if had either defined benefit or health and welfare plan with retirement service provider, then = 1 (if not, = 0)
Plan design related	
Employer contribution	Continuous; employer effective match (match rate X match level) as a percentage of earnings
Number of investment options	Continuous; integer
Investment options	Dummy
Proprietary/non-proprietary investments	Dummy
Auto-enrollment	Dummy; if auto-enrollment, then = 1 (if not, = 0)
Auto-increase	Dummy; if auto-increase, then = 1 (if not = 0)
 Variable found significant and used in the final regression analysis (see Exhibit A2).	

Exhibit A1

Finally, as reported in Exhibit A2, the primary and secondary drivers were included with the following results:²⁸

- The log of the number of plan participants is significant at the 1% level and has a coefficient of -0.0925. This means that a 1% increase in the number of participants is associated with a 0.09 basis point lower 'all-in' fee.
- The log of the average account balance is significant at the 1% level and has a coefficient of -0.0974. This means that a 1% increase in the average account balance is associated with a 0.10 basis point lower 'all-in' fee.
- The percent of investments allocated to equity investment options is also significant at the 1% level with a coefficient of 0.0026. A 10 percentage point increase in the percentage of assets allocated to equity investment options is associated with an 'all-in' fee that is 2.6 basis points higher.
- The participant contribution rate is significant at the 10% level with a coefficient of -0.0074. On average, the 'all-in' fee as a percentage of assets falls by 0.74 basis points when the participant contribution rate rises by one percentage point.
- The number of investment vehicles in the plan has a coefficient of 0.0049. On average, a plan with one additional investment option will have an 'all-in' fee that is 0.49 basis points higher.
- The auto-enrollment variable, which was a yes/no (one/zero) dummy, has a coefficient of -0.0922. Plans with an auto-enrollment feature, on average, have an 'all-in' fee that is 9.2 basis points lower.

OLS Regression Analysis of Possible Drivers of Fees

Dependent variable = 'all-in' fee as a percentage of plan assets

Variable	Parameter estimate	Standard error	Mean
Constant/intercept	2.3864 **	0.1525	
Plan related			
LN(Number of plan participants)	-0.0925 **	0.0065	4.2322
LN(Average participant account balance)	-0.0974 **	0.0157	10.6258
Participant contribution rate (percentage of salary)	-0.0074 +	0.0039	6.3931
Plan design related			
Investment allocation (percentage in equity investment options)	0.0026 **	0.0006	49.5148
Number of investment options	0.0049 *	0.0023	14.6019
Auto-enrollment	-0.0922 *	0.0384	0.2343
R-squared	0.5317		
Adjusted R-squared	0.5262		
Number of observations	517 plans		

Exhibit A2

Note: + = significant at the 10% level;

* = significant at the 5% level;

** = significant at the 1% level; Means are unweighted.

²⁸ A variable was classified as a primary driver if the variable was significant at the 1% level and as secondary if significant at the 5% or 10% level.

Glossary of Terms

Term	Definition
Active Plan Participant	Individual currently participating in an employer-sponsored retirement plan.
Auto-Enrollment	The practice of enrolling eligible employees in a plan and initiating participant deferrals unless the employee opts out.
Auto-Increase/Step-Up	A provision found in some 401(k) plans in which an employee's contribution rate is automatically increased at a pre-established point in time, unless the employee chooses otherwise.
Commingled Trust	Investment vehicle where assets are combined from several sources (such as various retirement plans) and managed under a common strategy.
Communication/ Education Services	Participant communication and education services relating to providing print, video, software and/or live instruction to educate employees about how the plan works, the plan investment options and asset allocation strategies.
Company Stock Services	Services needed for the recordkeeping and administration of company stock (the stock of the employer).
Compliance Testing	Plans engaged in testing required by the IRS to ensure the 401(k) plan is fair to both highly compensated and non-highly compensated employees.
Custom Services	Additional or enhanced non-standard services (e.g., website, call center, branding, etc.) selected by the plan sponsor.
Education Materials	These materials are provided to plan participants to help educate around the need for retirement saving, investment options, how to properly plan for retirement, how to calculate retirement savings, etc.
Eligible Plan Participant	Any employee who is eligible to participate in and receive benefits from a plan.
Employee Meetings	These meetings with employees explain the benefits of participating in the plan, answer questions about saving and the plan, and provide an understanding of the plan specifications.
Employer Contribution	A contribution made by the company to the account of the participant (often in the form of a company match based on a ratio to contributions made by the participant).
Expense Ratio	An investment option's total annual operating expenses, including for investment management and administration of the investment, expressed as a percentage of assets. For mutual funds, this is calculated pursuant to SEC rules for fund prospectuses; other investment options may provide plans a similar number expressing the investment option's fees.
Financial Advice/ Guidance	Advice or guidance provided to participants or the plan sponsor by a third party.
Form 5500 Reporting	This annual plan financial reporting form is required by IRS/DOL/PBGC.

Glossary of Terms

Term	Definition
Guaranteed Investment Contract (GICs)	These accounts with an insurance company guarantee a fixed rate of interest over the length of the contract.
Investment Related Charges	Asset-based fees for investment management and other related services generally are assessed as a percentage of assets invested; paid in the form of an indirect charge against the participant's account or the plan because they are deducted directly from investment returns.
Legal Services	Legal support services provided to the plan.
Lifestyle Investment Option	A lifestyle investment option maintains a predetermined risk level and generally contains "conservative," "moderate," or "aggressive" in the investment's name. Also known as a target risk investment option.
Managed Account	An account for which the holder gives a third party the authority to manage the investing of assets.
Nondiscrimination Testing	Regulations may require this annual testing to assure that the amount of contributions made by and on behalf of non-highly compensated employees is proportional to contributions made by and on behalf of highly compensated employees.
Participant Contribution Rate	The amount (typically expressed as a percentage of the employee's salary) that an employee contributes to the plan.
Plan Assets	The total assets held among all participants within the plan.
Plan Audit	An independent audit required by federal law for all plans with more than 100 participants.
Plan Document Services	Development, maintenance and consulting related to the plan documents of a plan.
Plan Sponsor Investment Adviser	Third party consultant hired by the plan sponsor to assist with plan design, investment design, search and selection process and other plan advisory services.
Qualified Domestic Relations Order (QDRO)	A judgment, decree or order that creates or recognizes an alternate payee's (such as former spouse, child, etc.) right to receive all or a portion of a participant's retirement plan benefits.
Separate Account	Investment vehicle where assets are managed for a single investor or entity and the single investor/entity directly owns the securities in the account.
Target Date Investment Option	A target date investment option typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the investment, which is usually included in the investment's name. Also known as a lifecycle investment option.
Trustee Services	Services typically provided by the bank or trust company having fiduciary responsibility for holding plan assets.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

For more information, please contact:

Daniel E. Rosshirt
Principal
Deloitte Consulting LLP
Tel. +1 212 618 4586
Email: drosshirt@deloitte.com

Scott A. Parker
Senior Manager
Deloitte Consulting LLP
Tel. +1 612 397 4654
Email: scparker@deloitte.com

About the Investment Company Institute

The Investment Company Institute (ICI) is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$11.8 trillion and serve over 90 million shareholders. For additional information about ICI and its research, please see www.ici.org.