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RETIREMENT**SOLUTIONS**

FRED BARSTEIN
Founder & CEO of TRAU, TPSU and Editor in Chief of 401kTV

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THE SEARCH FOR DC PLAN ADVISORS SHOULD HEAT UP

The Department of Labor's now-delayed Conflict of Interest rule has minimal effect on the fiduciary status of defined contribution (DC) plan sponsors, and very few expect to make changes immediately, according to a 2017 survey from The Plan Sponsor University and National Association of Plan Advisors (TPSU/NAPA), conducted in February 2017 (the "Survey").[1] However, plan sponsors do realize the significant impact the rule will have on the fiduciary status of plan advisors, and recognize that having an experienced advisor found through a documented process will be more important than ever. With relatively low satisfaction scores and robust turnover rates indicated in the survey, searches for new plan advisors by plan sponsors, especially through RFPs, are expected to rise.

According to the Survey, the primary reason that plan sponsors are looking for a new plan advisor is that the plan outgrew their advisor's capabilities—something that's true for over 80% of larger plans (+$50 million) looking for new advisors.

When asked in the Survey how they found their plan advisor, plan sponsors indicated the following:

- RFP – 20%
- Inherited advisor – 16%
- Recommendation by a colleague – 15%
- Recommendation by a third party administrator or record keeper – 10%

The same Survey reveals that sourcing plan advisors through RFPs has been more prevalent within larger plans, with 38% of plans with more than $50 million sourced their advisor through an RFP, compared to just 4% for plans with less than $5 million and 23% for plans in between.

Overall, just 53% of 401(k) and 403(b) plan sponsors are "very satisfied" with their advisor, according to the Survey, compared to over 70% for record keepers in the most recent Defined Contribution Plan (DCP) study by Boston Research Technologies, conducted in 2015 (the "Study").[2] But the Survey clearly shows that levels of satisfaction were twice as high for those plan sponsors that sourced their advisor through an RFP compared to other methods. That could be due to a greater understanding of the advisor's capabilities, resources and experience.

So why aren't more plan sponsors implementing advisor searches through an RFP process? Plan sponsors rely on their advisor to conduct a record keeper RFP, but they are generally not used to receiving help with an advisor search due to the inherent conflict of interest. Professionals running their organization's DC plan wear many hats, with very few focused on retirement plans. The process of conducting a formal search for a plan advisor is daunting and usually winds up at the bottom of the pile.

[1]TPSU & NAPA 2017 Survey of Plan Sponsors http://www.napa-net.org/news/managing-a-practice/industry-trends-and-research/what-plan-sponsors-want-from-their-advisors/.
[2]Boston Research Technologies 2015 Defined Contribution Plan Study.

As an advisor, we believe there are a couple steps you can take to help in this process:

- Provide a sample RFP to help kick off the process and give a framework for which questions are appropriate to ask.
- Engage an independent third party to conduct the RFP, such as TPAs, CPAs or other intermediaries. We learned through the Survey that just 39% of plans used a third party to help with their advisor RFP, compared to 62% for their record keeper. By leveraging a third party, much of the burden is lifted off of the plan sponsor and the conflict of interest between advisor and plan sponsor is eliminated.

With heightened awareness of the changing fiduciary status of plan advisors and more emphasis on the key role that advisors play, we anticipate that more plan sponsors will be using a documented, prudent RFP process that employs a third party to find and monitor their advisor in the future, and we believe that this trend is likely to begin to move down market from the larger plans to smaller and mid-size plans. As an advisor, RFPs could not only help you find new prospects, but could also assist current clients in understanding the value you add.

FRED BARSTEIN

Fred Barstein is founder and CEO of The Retirement Advisor University (TRAU), a collaboration with UCLA Anderson School of Management Executive Education and The Plan Sponsor University (TPSU). Founded in 2010, TRAU has quickly become the industry's leading training and designation program for focused Defined Contribution (DC) advisors and professionals dedicated to helping them build a sound and sustainable practice while improving plan outcomes for clients. TPSU trains and certifies employers managing their retirement plan leveraging a standardized curriculum and highly qualified local advisors to deliver on-site programs. In addition, Fred is the founder and Editor in Chief of *NAPA Net,* the daily newsletter and *NAPA Net Magazine,* all part of the National Association of Plan Advisors (NAPA), where he served on the initial force and founding Leadership Committee and currently serves as Industry Ambassador. He is founder and Editor in Chief of 401kTV.

Prior to founding TRAU, Fred was president, chief executive officer and founder of 401kExchange before he left in 2010. Founded in 1996, 401kExchange was a leading business development and market intelligence provider for the 401(k) and retirement industry. His previous experience includes publisher of Bancroft-Whitney, California's official legal publisher, a division of Thomson/West, and Barclays Law Publishers, where, as editor in chief, he led the company to *Inc.* magazine's list of 500 fastest-growing private companies before it was sold to Thomson/West.

Fred received his BA degree from Boston College and his law degree from Cardozo School of Law, Yeshiva University. He is the NAPA Net Liaison to NAPA's Leadership Council, and a member of the NAPA Net and Membership Committees. He was a member of the New York Bar, held Series 6, 26, 28 and 63 licenses and was named 28th "Most Influential Person in the 401(k) Industry" in 2012 by the 401kWire. He has been ranked in the top 50 since the inception of the list in 2007. Fred is a regular speaker before various retirement industry and conferences around the country and internationally.

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Neuberger Berman
1290 Avenue of the Americas
New York, NY 10104-0001

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