



Impact of Fee Disclosure Regulation on 403(b) Plan Sponsors and Participants

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Introduction

PSCA's snapshot survey, *The Impact of Fee Disclosure on 403(b) Plans and Participants*, was conducted in October, 2012 and received 351 responses from non-for-profit organizations that currently sponsor a 403(b) plan for employees. Data in this survey is often categorized by plan size. Plan size is determined by the number of active participants in the organization's plan. Please note that the figures in the survey do not always add up to 100.0 percent due to rounding. A copy of the survey questions can be found on pages 11-12. Please direct questions or comments to research@psca.org or 312.419.1863.

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Overview of Results

PSCA conducted a survey of 403(b) plan sponsors to determine what effect, if any, the recently conducted fee disclosures have had on not-for-profit organizations and their plan participants. The results show little impact on the behavior of participants and plan sponsors.

Very few plan participants asked questions about the fee information they received – an average of only 2.3 percent of participants did so (Table 8). More participants in the education sector asked questions than any other group (Table 9). The majority of plan sponsors (95.9 percent) reported no noticeable changes in participant behavior.

One-third of plan sponsors used the fee disclosure information they received from their provider(s) to benchmark their plans (Table 11). Of the plans that benchmarked, 64.3 percent made no changes, 14.3 percent made changes to their investment lineups, and 16.3 percent changed their participant education efforts (Table 13). Nearly twenty percent of plans sent out an RFP/RFI as part of complying with the fee disclosure regulations (Table 14).

Asset management, recordkeeping, and trust fees tend to be assessed as a percentage of assets for large plans, whereas small plans tend to pay a flat fee. Per service or transaction fees tend to be a flat rate, though 30.0 percent are assessed per participant (Table 17).

Demographic Information

Table 1: Respondent Demographics by Organization Size and ERISA Status

Plan Size (# of Participants)	ERISA Status						All Plans	
	ERISA		Non-ERISA		Unsure			
	# of Plans	% of All Plans	# of Plans	% of All Plans	# of All Plans	% of All Plans	# of Plans	% of All Plans
1-49	77	21.9%	9	2.6%	16	4.6%	102	29.1%
50-199	114	32.5%	16	4.6%	1	0.3%	131	37.3%
200-999	65	18.5%	4	1.1%	1	0.3%	70	19.9%
1,000 or More	33	9.4%	15	4.3%	0	0.0%	48	13.7%
All Plans	289	82.3%	44	12.5%	18	5.1%	351	100.0%

Table 2: ERISA Status of Plans by Plan Size

Plan Size (# of Participants)	ERISA Status			Total
	ERISA	Non-ERISA	Unsure	
1-49	75.5%	8.8%	15.7%	100.0%
50-199	87.0%	12.2%	0.8%	100.0%
200-999	92.9%	5.7%	1.4%	100.0%
1,000 or More	68.8%	31.3%	0.0%	100.1%
All Plans	82.3%	12.5%	5.1%	99.9%

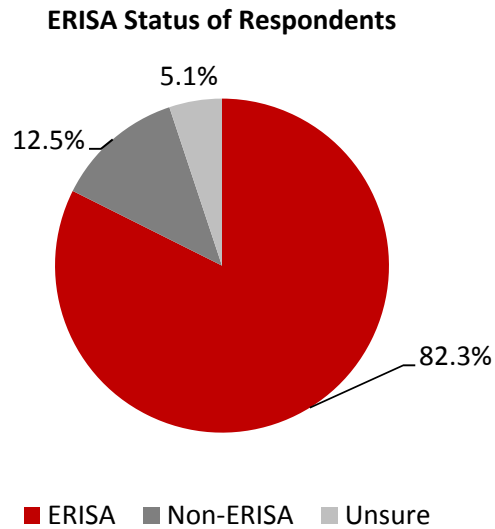


Table 3: Respondents by Industry Type and ERISA Status

Industry	ERISA Status						All Plans	
	ERISA		Non-ERISA		Unsure		# of Plans	% of All Plans**
	# of Plans	% of Plans*	# of Plans	% of Plans*	# of All Plans	% of Plans*		
Arts/Cultural and Library/Museum	23	82.1%	0	0.0%	5	17.9%	28	8.0%
Associations and Foundations	25	100.0%	0	0.0%	0	0.0%	25	7.1%
Healthcare	33	91.7%	1	2.8%	2	5.6%	36	10.3%
Higher Education	44	80.0%	11	20.0%	0	0.0%	55	15.7%
Hospitals	17	77.3%	5	22.7%	0	0.0%	22	6.3%
K-12 Education	54	80.6%	12	17.9%	1	1.5%	67	19.1%
Other Education	20	80.0%	1	4.0%	4	16.0%	25	7.1%
Religious Institution	1	10.0%	9	90.0%	0	0.0%	10	2.8%
Research/Science/Environmental	23	95.8%	1	4.2%	0	0.0%	24	6.8%
Social/Community Services	38	86.4%	2	4.5%	4	9.1%	44	12.5%
Other	11	73.3%	2	13.3%	2	13.3%	15	4.3%

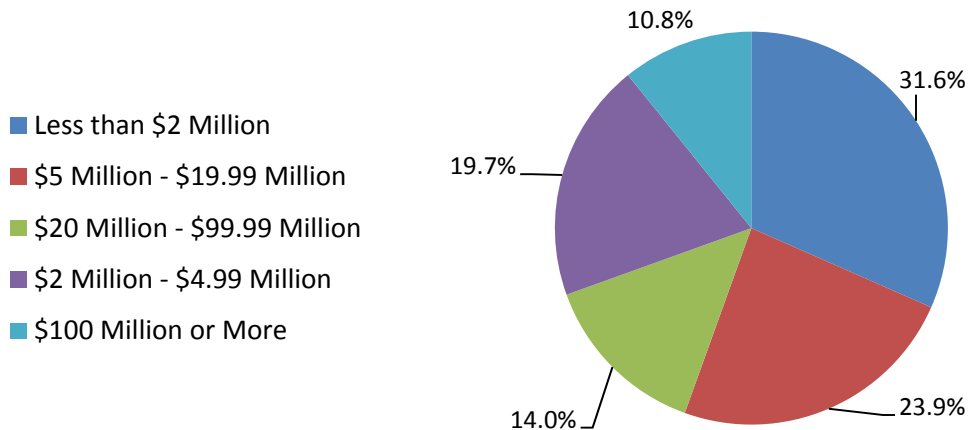
*Percentage of industry plans.

**Percentage of all plans.

Table 4: Respondents by Plan Assets

Total Plan Assets	Percentage of Plans
Less than \$2 Million	31.6%
\$5 Million - \$19.99 Million	23.9%
\$20 Million - \$99.99 Million	14.0%
\$2 Million - \$4.99 Million	19.7%
\$100 Million or More	10.8%

Respondents By Plan Assets



Participant Reaction

Table 5: Percentage of Plans that Complied with the Participant Fee Disclosure Regulations by Plan Size

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 +	All Plans
Percentage of Plans	92.2%	91.6%	92.9%	72.9%	89.5%

Table 6: Percentage of Plans that Complied with the Participant Fee Disclosure Regulations by ERISA Status

	ERISA Status			
	ERISA	Non-ERISA	Unsure	All Plans
Percentage of Plans	96.9%	40.9%	88.9%	96.9%

Table 7: Percentage of Plans that Complied with the Participant Fee Disclosure Regulations by Industry

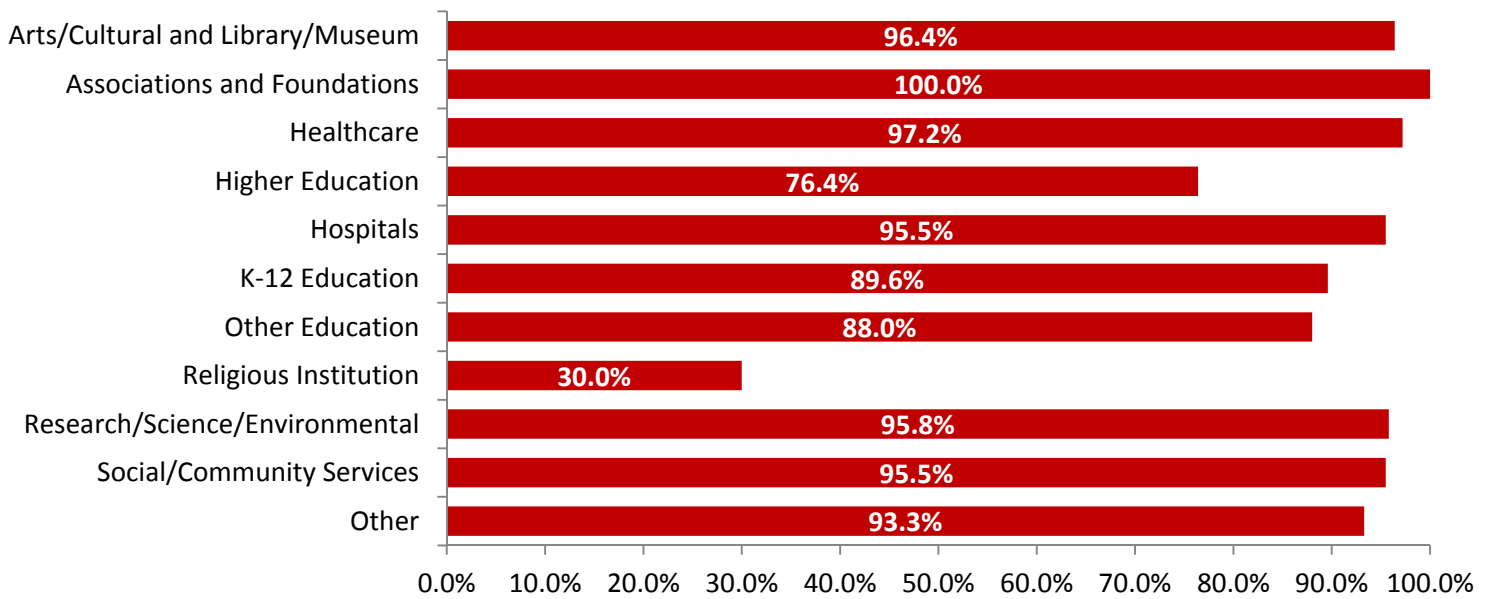


Table 8: Average and Median Percentages of Participants that Asked Questions about the Fee Disclosure Information they Received

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 +	All Plans
Average	2.1%	3.0%	1.9%	1.0%	2.3%
Median	0.0%	0.0%	1.0%	0.1%	0.0%

Table 9: Average and Median Percentages of Participants that Asked Questions about the Fee Disclosure Information they Received by Industry

Industry	Average	Median
Arts/Cultural and Library/Museum	0.7%	0.0%
Associations and Foundations	1.2%	0.0%
Healthcare	2.7%	0.0%
Higher Education	1.3%	0.0%
Hospitals	1.5%	0.0%
K-12 Education	3.9%	0.0%
Other Education	4.9%	0.0%
Research/Science/Environmental	1.3%	0.0%
Social/Community Services	2.0%	0.0%
Other*	2.0%	0.0%

*Includes Religious institutions.

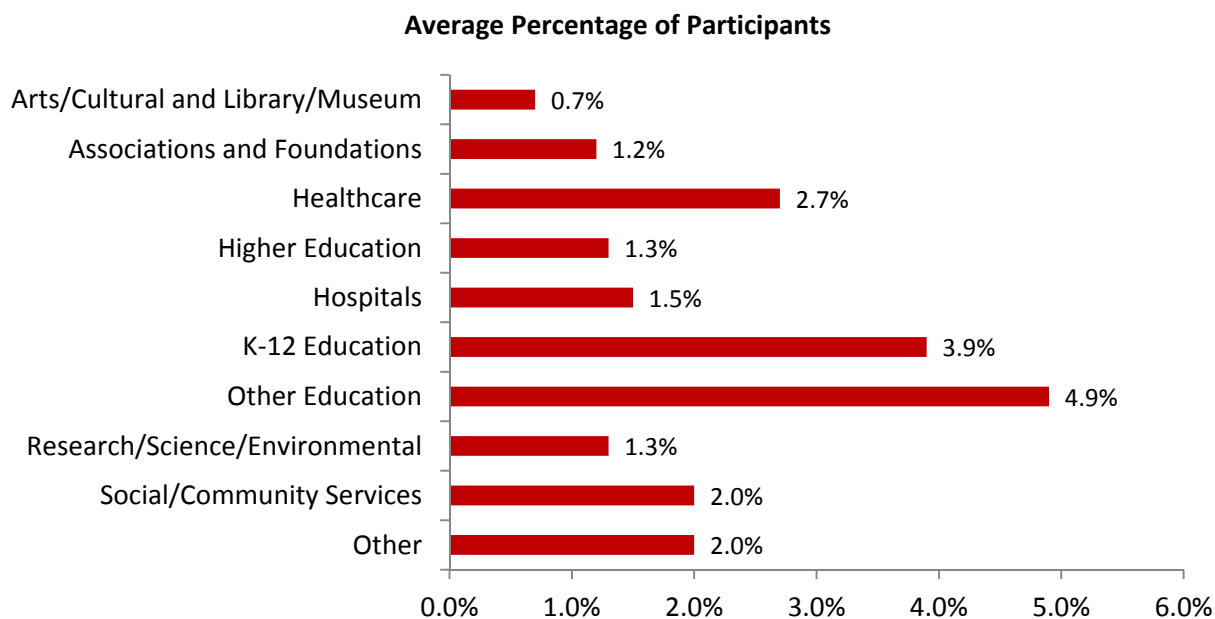


Table 10: Percentage of Plans Sponsors Reporting Changes in Participant Behaviors as a Result of Fee Disclosure

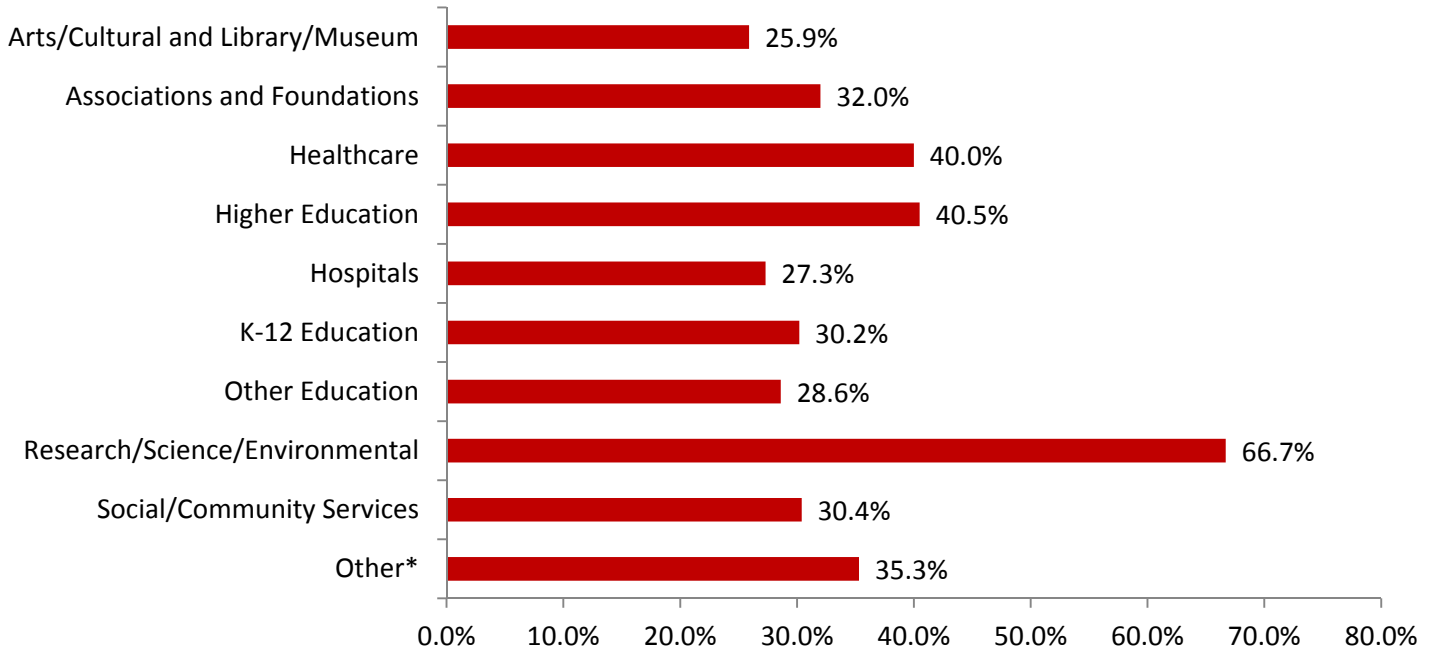
	Plan Size (Number of Participants)				All Plans
	1-49	50-199	200-999	1,000 +	
Add or Drop an Investment Fund	1.1%	3.3%	1.5%	0.0%	1.9%
Changes in Asset Allocations	1.1%	0.0%	3.1%	0.0%	1.0%
Decrease in Deferral Rates	2.1%	0.8%	0.0%	2.9%	1.3%
Decrease in Participation Rates	1.1%	0.8%	0.0%	0.0%	0.6%
Increase in Deferral Rates	0.0%	0.0%	1.5%	0.0%	0.3%
Increase in Participation Rates	0.0%	0.0%	1.5%	0.0%	0.3%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
None	96.8%	95.9%	93.8%	97.1%	95.9%

Plan Sponsor Reaction

Table 11: Percentage of Plans that used the Fee Disclosure Information from their Provider to Benchmark their Plan

	<i>Plan Size (Number of Participants)</i>				
	1-49	50-199	200-999	1,000 +	All Plans
Percentage of Plans	25.5%	38.0%	43.9%	21.6%	33.6%

Table 12: Percentage of Plans that used the Fee Disclosure Information from their Provider to Benchmark their Plan by Industry



*Includes Religious Institutions

Table 13: Changes Made by the Plan as a Result of Benchmarking, for All Plans that Benchmarked

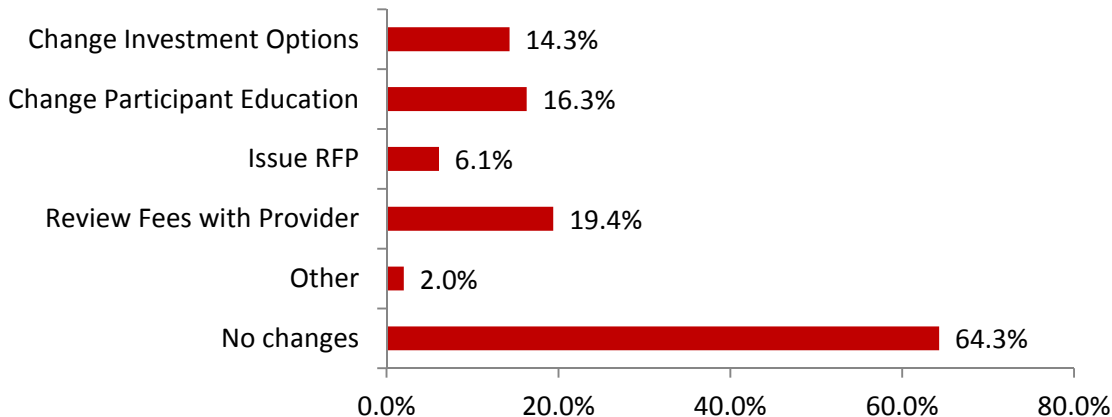
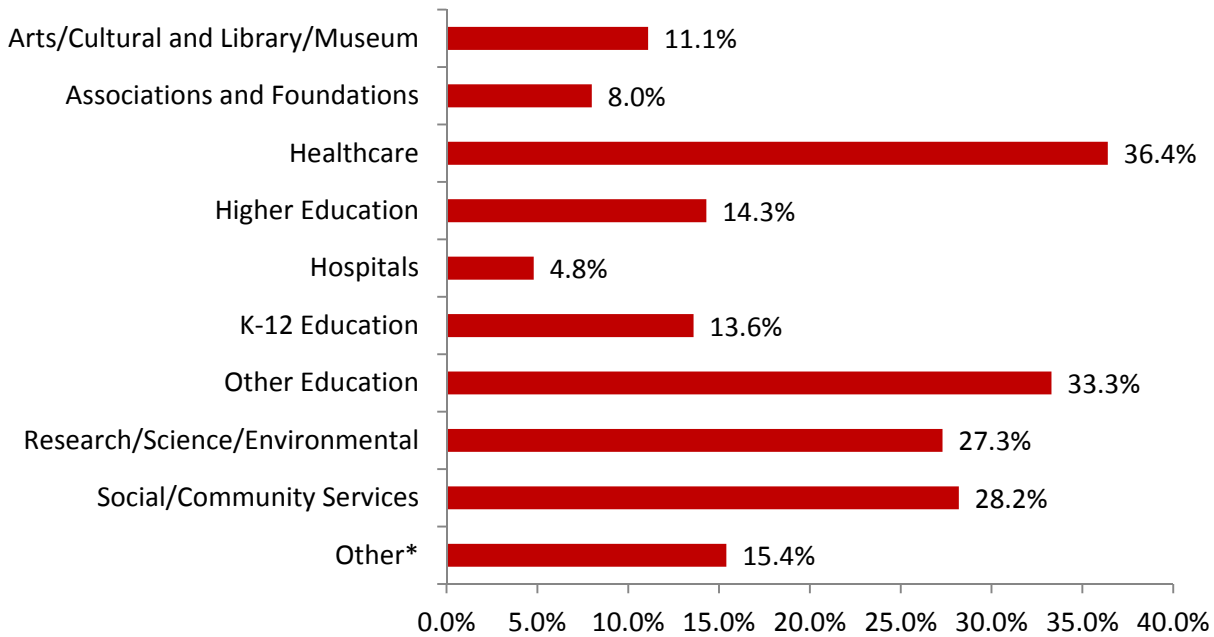


Table 14: Percentage of Plans that Sent out an RFP/RFI as a Part of Complying with Fee Disclosure Regulations

	<i>Plan Size (Number of Participants)</i>				All Plans
	1-49	50-199	200-999	1,000 +	
Percentage of Plans	17.2%	22.4%	19.7%	11.4%	19.1%

Table 15: Percentage of Plans that Sent out an RFP/RFI as a Part of Complying with Fee Disclosure Regulations by Industry



*Includes Religious Institutions

Plan Fee Types

Table 16: Method Fees are Assessed to the Plan Sponsor by Type of Fee for All Respondents

Fee Type	Flat Fee	Per Participant Fee	Basis Points/ Percentage of Assets	Other
Asset Management	25.7%	18.9%	54.6%	3.2%
Recordkeeping	31.8%	31.8%	38.9%	2.5%
Trust Fees	24.7%	23.5%	40.3%	4.1%
Per service/Transaction	41.5%	30.0%	27.1%	4.8%

Table 17: Method Fees are Assessed to the Plan Sponsor by Type of Fee and Plan Size

Fee Type	Plan Size (Number of Participants)				
	1-49	50-199	200-999	1,000 +	All Plans
Asset Management					
Flat Fee	48.5%	20.0%	18.9%	8.6%	25.7%
Per Participant Fee	18.2%	27.4%	9.4%	11.4%	18.9%
Basis Points/Percentage of Assets	31.8%	51.6%	73.6%	77.1%	54.6%
Other	4.5%	2.1%	1.9%	5.7%	3.2%
Recordkeeping Fees					
Flat Fee	50.0%	32.2%	21.6%	11.8%	31.8%
Per Participant Fee	34.4%	41.1%	21.6%	17.6%	31.8%
Basis Points/Percentage of Assets	21.9%	26.7%	60.8%	70.6%	38.9%
Other	4.7%	1.1%	2.0%	2.9%	2.5%
Trust Fees					
Flat Fee	50.9%	27.6%	30.0%	29.6%	34.7%
Per Participant Fee	24.5%	34.2%	10.0%	11.1%	23.5%
Basis Points/Percentage of Assets	22.6%	36.8%	57.5%	59.3%	40.3%
Other	5.7%	2.6%	5.0%	3.7%	4.1%
Per Service/ Transaction Fees					
Flat Fee	43.9%	41.8%	39.0%	40.0%	41.5%
Per Participant Fee	26.3%	32.9%	29.3%	30.0%	30.0%
Basis Points/Percentage of Assets	21.1%	24.1%	36.6%	33.3%	27.1%
Other	12.3%	1.3%	2.4%	3.3%	4.8%

Questionnaire

1. Did you comply with participant fee disclosure regulations?
Yes No (Skip to demographics) N/A (skip to demographics)
2. What percentage of participants asked questions about the fee disclosure information they received? _____
3. What changes in participant behaviors have you noticed that you think is a direct result of their review of the fee information?
None
Decreases in participation rates
Increase in participation rates
Decrease in deferral rates
Increase in deferral rates
Add or drop an investment fund
Change their asset allocation
Other (Please describe): _____
4. As a result of changes in participant behavior, what changes are being made by the plan? Check all that apply.
Change participant education
Change investment options
Review fees with provider
Issue RFP No changes
NA – No significant participant reaction
5. Do you have multiple plan providers?
Yes No
 - a. If yes, who consolidated the fee information from the providers? _____
 - b. How was the consolidated information presented to participants?
-Compiled information from multiple providers into a new document that included all of the information.
-Distributed the information provided as is from each provider.
6. Did you use the fee disclosure information from your provider to benchmark your plan?
Yes No
 - a. If yes, what did you use to benchmark? _____
 - b. If yes, what changes are being made to the plan as a result of the benchmarking process? Check all that apply.
Change participant education
Change investment options
Review fees with provider
Issue RFP No changes
NA – No significant participant reaction
7. As a part of complying with fee disclosure regulations, did you send out an RFI/RFP?

8. How are the fees for each of the following described to you by your provider(s)? Check all that apply.

	Flat Fee	Per Participant Fee	Basis Points	Other (describe)
Asset Management				
Recordkeeping				
Trust Fees				
Per service/Transaction				

Demographic Data

- If your plan:
 - ERISA
 - Non-ERISA
 - Unsure
- How many eligible employees have a balance in the plan?
 - 1-49
 - 50-199
 - 200-999
 - 1,000-4,999
 - 5,000+
- What is the current total market value of plan assets?
 - Less than \$2 Million
 - \$2 Million - \$4.99 Million
 - \$5 Million - \$19.99 Million
 - \$20 Million - \$99.99 Million
 - \$100 Million or More
- Please identify what type of non-profit organization you represent:
 - Arts/Cultural Association
 - Athletic/Recreation Foundation
 - Healthcare (other than hospitals)
 - Higher Education
 - Hospitals & Hospital Systems (including faith-based)
 - K-12 Education
 - Library or Museum
 - Other Education
 - Religious Intuition (i.e. Churches)
 - Research, Science, or Environmental
 - Social/Community Services
 - Other: