Impact of the PPA:

Defined Contribution Plan Sponsor Survey

CALLAN
INVESTMENTS
INSTITUTE

Executive Summary

Callan's 2008 Defined Contribution Plan Sponsor Survey provides insight into how plan sponsors are adopting new features for their DC plans. These may include investment, design, delivery, due diligence and communication features and approaches. Many of these features derive from provisions of the Pension Protection Act (PPA). They also stem from the current legal and regulatory environment.

Covering 88 large plan sponsors overseeing more than $120 billion in assets and over two million participants, the survey examines expectations for the coming year relating to plan functionality, participant utilization and option prevalence.

The findings provide an update to our 2007 Survey covering the use of Qualified Default Investment Alternatives (QDIAs).

Summary of Trends:

- Adoption of automated features, such as automatic enrollment, occurred heavily in 2007—leaving fewer plan sponsors with the intention of adopting such features in 2008.
- Increasingly, plan sponsors are looking for a QDIA as the default. Target date funds are the QDIA of choice, particularly mutual funds. However, momentum is building for the use of collective trusts and customized mix of asset allocation funds.
- The role of stable value appears to be decreasing in DC plans, despite certain reprieves for this option within the final QDIA regulation.
- Re-enrollment remains an area of nominal interest to plan sponsors, despite some support in the Pension Protection Act.
- Many plan sponsors have either recently engaged in a fee analysis of their DC plan, or plan to do so in 2008.
- The adoption of the Roth 401(k) is on the rise, but the added complexity and expense to administer it remain a significant deterrent.
- The buzz around guaranteed income for life solutions is not translating into serious plan sponsor interest in 2008.

To order the survey please email your contact information to the Callan Investments Institute at institute@callan.com, or call Ray Combs at 415.974.5060.