



2009 Defined Contribution Trends Survey – Impact of Market Volatility on DC Plans

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Executive Summary

Credit crisis. Market collapse. Increased participant transfer activity. Decreasing participation. How have the events of 2008 reshaped defined contribution plans? What are plan sponsors doing to position their DC plans for this new and challenging landscape going forward? Callan's *2009 Defined Contribution Trends Survey: Impact of Recent Market Volatility on DC Plans* examines steps that plan sponsors are taking to bolster their plans' investments, design, delivery, and communication.

Key findings include:

- DC plan sponsors' primary areas of focus in 2009 are fund/manager performance and due diligence.
 - More than one-third (39%) of participating firms replaced a fund/manager in 2008 for performance-related reasons.
 - 44% expect to replace a fund/manager for performance-related reasons in 2009.
- Stepped up monitoring is also a priority. Plan sponsors have been increasing investment committee meetings by holding ad hoc meetings or changing to monthly meetings.
 - More than three-quarters (76%) of plan sponsors report increasing the number of investment committee meetings in light of market volatility.
- Participant communication is expected to rise. Two out of three plan sponsors intend to provide more DC communication/education in 2009. Of these:
 - 95% will increase investment communication to participants.
 - 71% will increase communication around plan participation.
 - 64% will increase communication about retirement income adequacy.
- Target date funds have become common defaults in DC plans, and their prevalence will continue to rise. More than one-half (59%) of plans now use a target date fund series as their default investment vehicle, up from 32.5% in 2006.
 - Balanced and asset allocation funds are used by 23.1% of plans, down from 27.5% in 2006.
 - Stable value is used by 12% of plans, down from 30% in 2006.
 - Portfolio construction, or the "glidepath," of the target date fund ranks as the most important criteria in selecting or retaining target date retirement funds. Performance ranks a distant second.
 - Nearly half (43%) of plans use the target date funds of their recordkeeper.



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Key findings continued:

- Reassessing plan features and design ranks low in priority for plan sponsors in 2009. Few plan sponsors expect to add a Roth contribution, investment advice, automatic enrollment or contribution escalation to their plans.
- One in five plan sponsors are unsure what steps they will take between now and the end of 2009 with respect to the company match. Only 1% say they are likely to decrease the company match, while 73% indicated they will make no changes.

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