



NEPC 2022 DC PLAN TRENDS & FEES SURVEY

MARCH 2023



PROPRIETARY & CONFIDENTIAL

TODAY'S AGENDA



ABOUT OUR SURVEY

- Process & Overview



PARTICIPANTS

- Holdings, Participation, Contributions



PLAN FEATURES & DESIGN

- Saving & Spending Phase Menus



TARGET DATE FUNDS

- Plans Offering & Prevalence



MANAGED ACCOUNTS

- Adoption, Utilization, Fees



FEES & EXPENSES

- Benchmarking Fees



ESG & DEI

- NEPC Research, Prevalence



THEMES & CLIENT QUESTIONS

- Retirement Income, SECURE 2.0, etc.



ADVISORY VS. OCIO

- Growth & Adoption



QUESTIONS

- Wrap-Up, Q&A

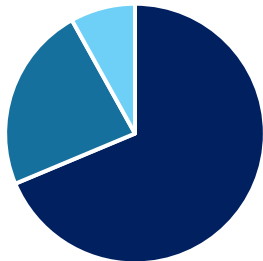
17TH ANNUAL DC PLAN TRENDS & FEES SURVEY

ABOUT OUR SURVEY



NEPC conducted its annual Defined Contribution Plan Trends & Fees Survey which examines current plan investment trends, features, and innovations across major sectors, and how these plans have evolved over the years.

207 DC Plans across **119** Clients



68% Corporate

23% Healthcare

8% Public, Not-For-Profit,
Taft Hartley

\$283 BILLION in aggregate assets

2.2 MILLION participants

12 recordkeepers responded to survey

AVERAGE PLAN

\$1.9 BILLION in assets

13,452 participants

MEDIAN PLAN

\$805.9 MILLION in assets

4,506 participants



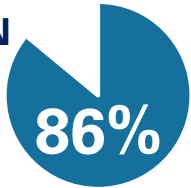
Data as of December 31, 2021, unless otherwise noted

PARTICIPANT STATS

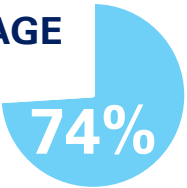
2.5 average number of funds held by participants

PARTICIPATION RATES

MEDIAN



AVERAGE



MEDIAN
71%

% OF PARTICIPANTS HOLDING AT LEAST ONE TDF

AVERAGE
67%

PARTICIPANT DATA

ALL

OVER 60

Median Balance

\$69,045

\$134,839

Average Balance

\$162,593

\$260,431

Average Tenure

11
YEARS

20
YEARS

MEDIAN
63%


% OF YEAR END CONTRIBUTIONS IN THE QDIA


AVERAGE
61%



TARGET DATE FUNDS

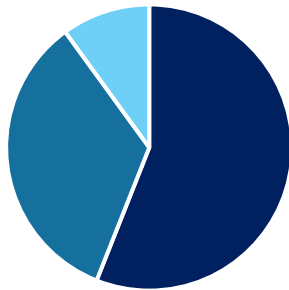
\$112 BILLION in TDF assets

 **96%** of plans offer TDFs

 **46%** average plan assets in TDFs

 **95%** use TDFs as the QDIA

of those offering...

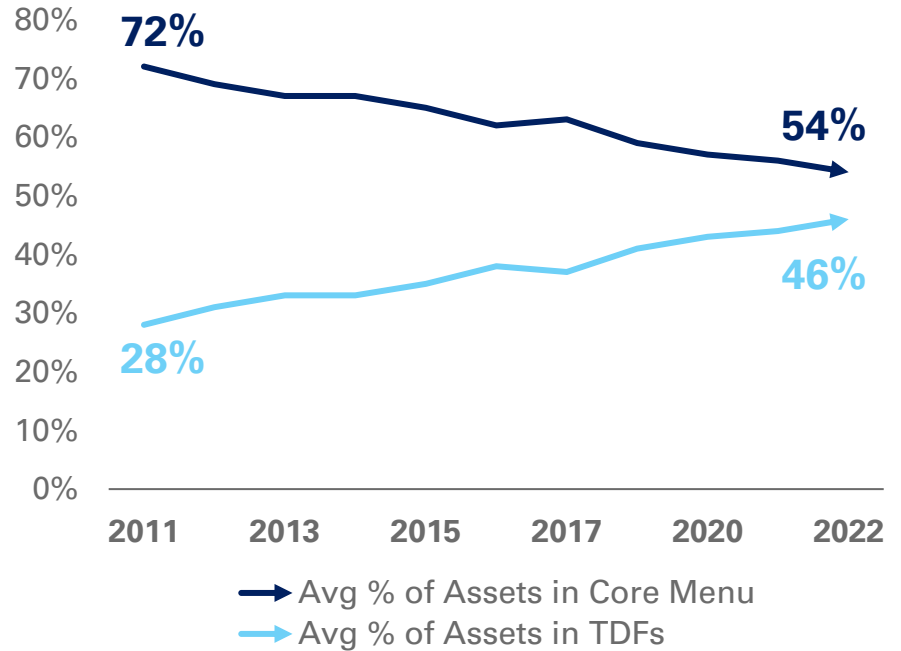


ACTIVE 56%

PASSIVE 34%

BLEND 10%

TDFS CONTINUE TO SHRINK THE CORE MENU



PARTICIPANT USAGE

MEDIAN 71% **AVERAGE 67%**

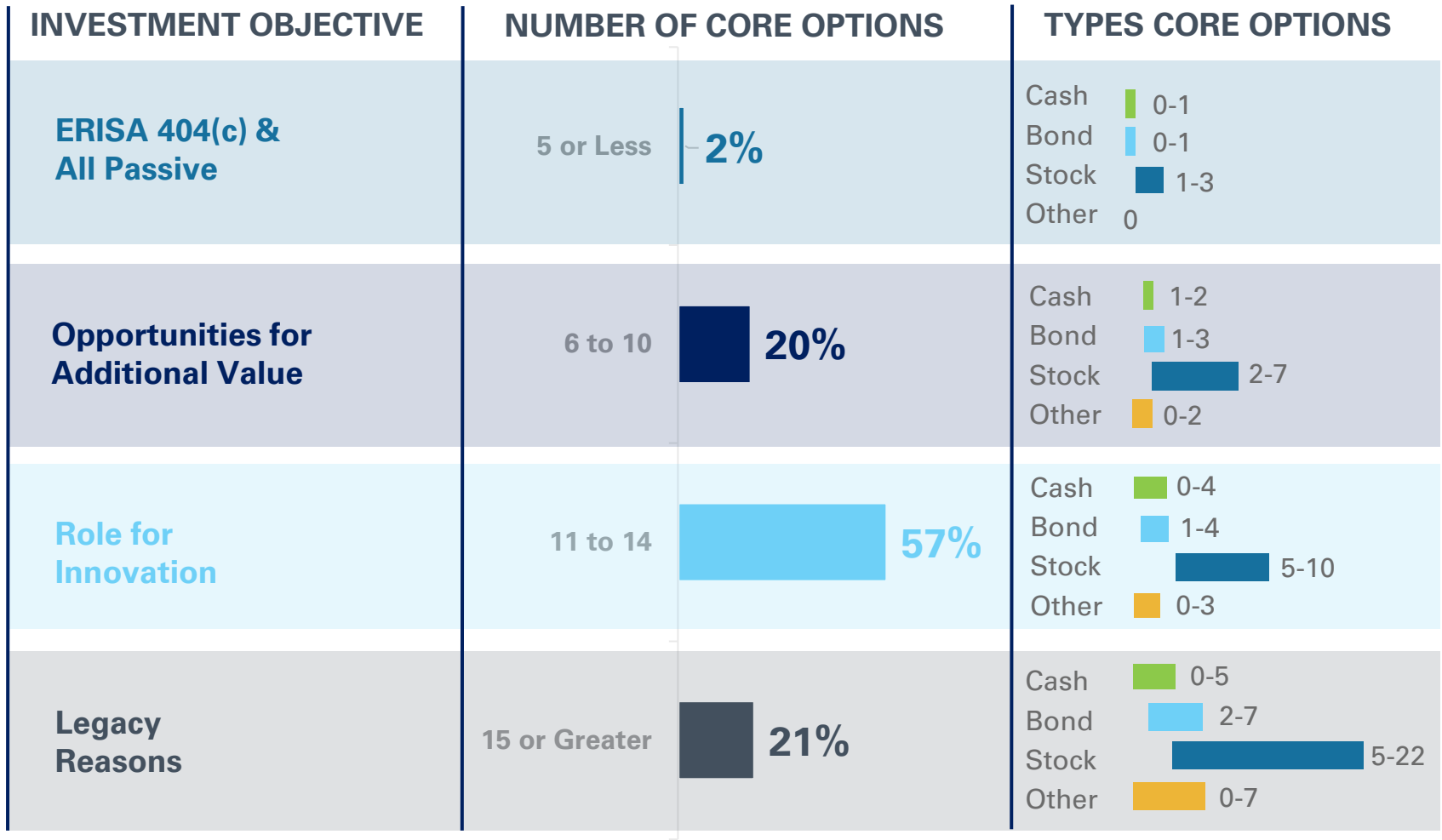
% of participants holding

MEDIAN \$43,704 **AVERAGE \$113,254**

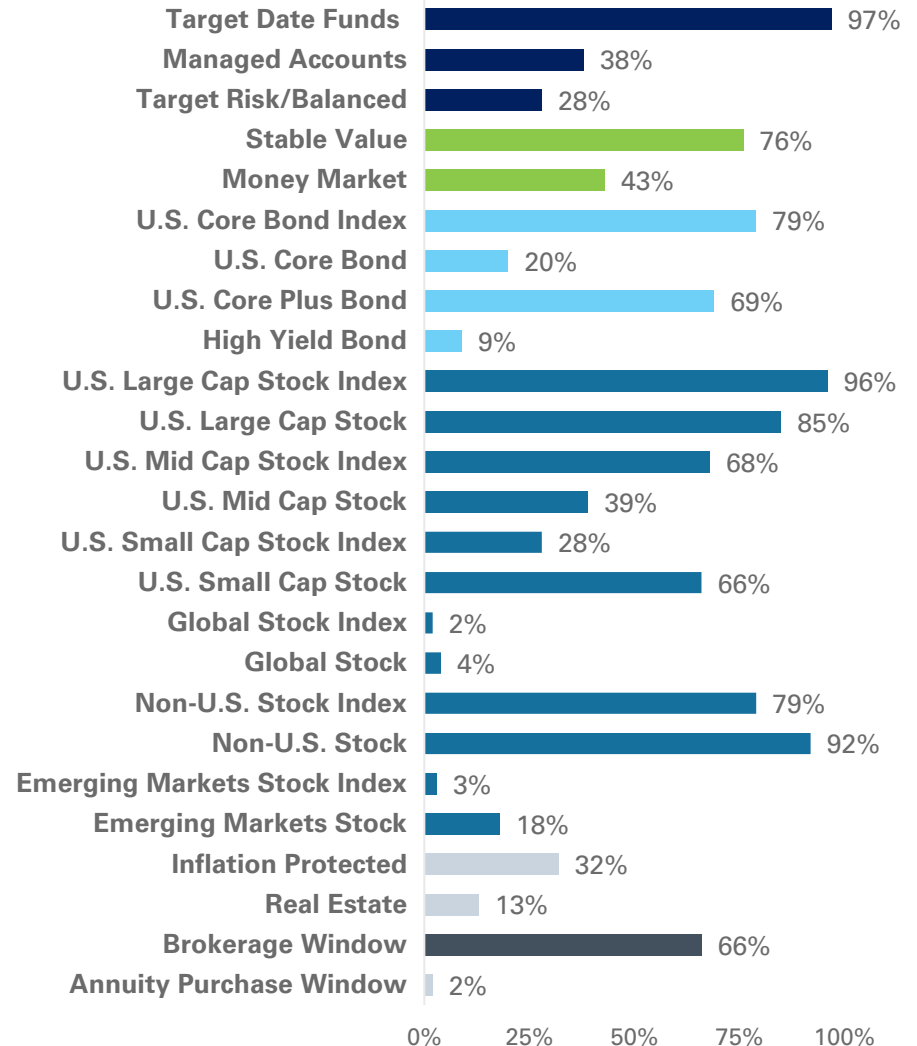
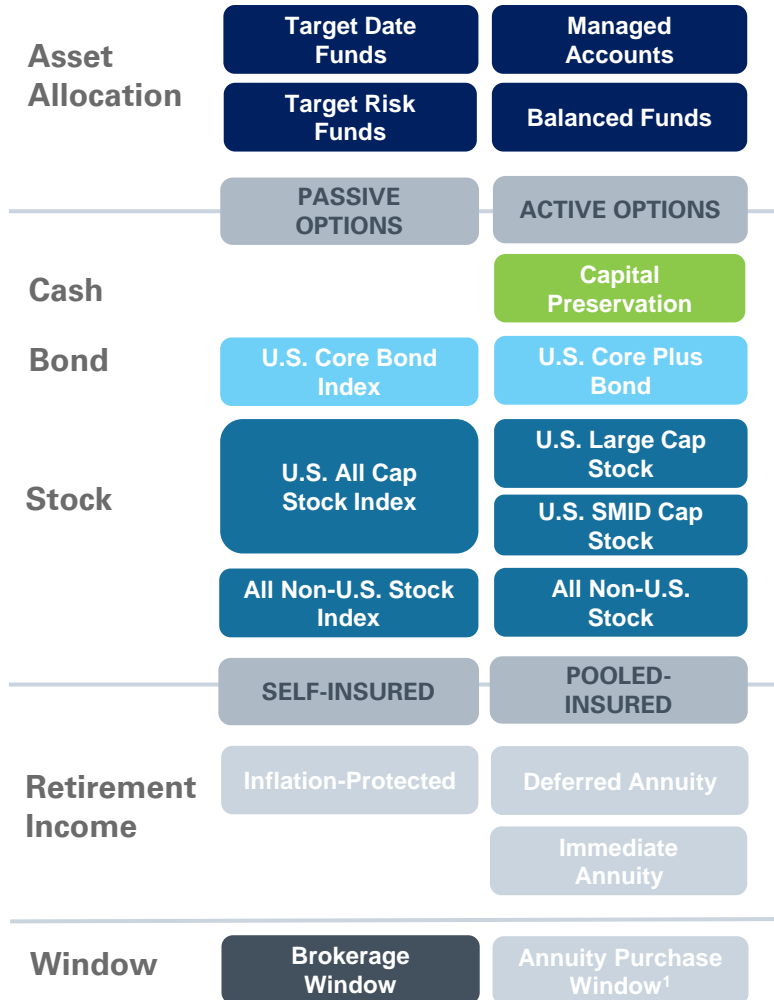
participant balance invested in TDFs

CORE MENU OPTIONS

NUMBER & TYPES OF FUNDS, AVG/MEDIAN = 12



MENUS FOR THE SAVINGS & SPENDING PHASE



¹Single insurance annuities data was not requested
Peer universes sourced from Morningstar



MANAGED ACCOUNTS

38%

plans **offering** managed accounts

5%

participants **utilizing** managed accounts

4%

assets **invested** with managed accounts

% of Managed Account Users by Age

39%

36%

25%

Under 40

40 to 55

Over 55

ADOPTION

- has remained stagnant for the last four years

FEES

- are becoming more negotiable
- some providers offering asset-based fees with a hard dollar cap per participant

Average Managed Account Fees Per Account (%)¹

0.60%

0.40%

0.20%

0.00%

Avg MA Fees Per Account (%)

Average Managed Account Fees Per Account (\$)¹

\$2,500

\$2,000

\$1,500

\$1,000

\$500

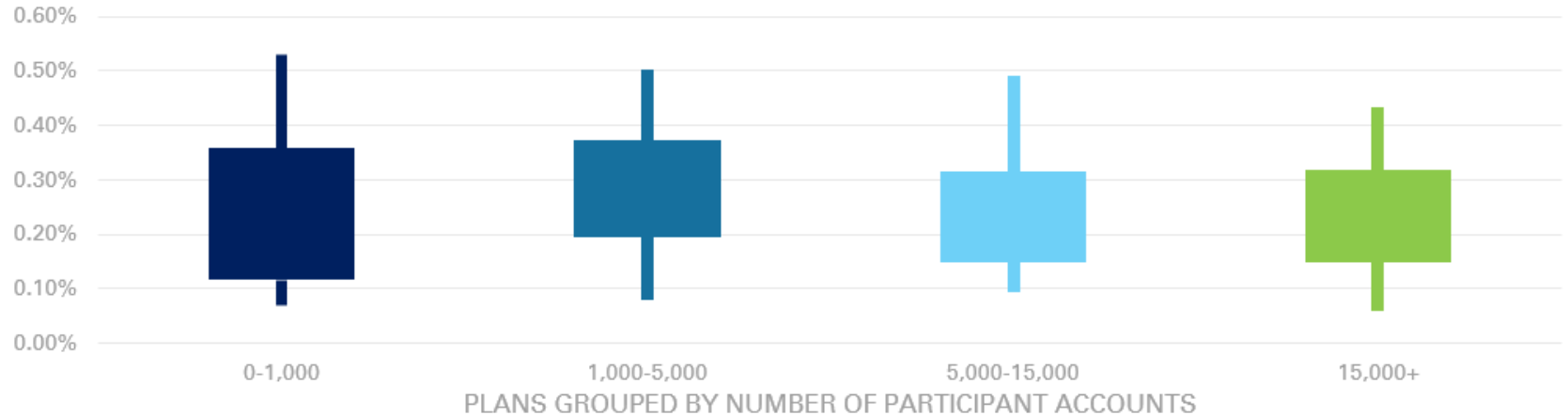
\$-

Avg MA Fees Per Account (\$)

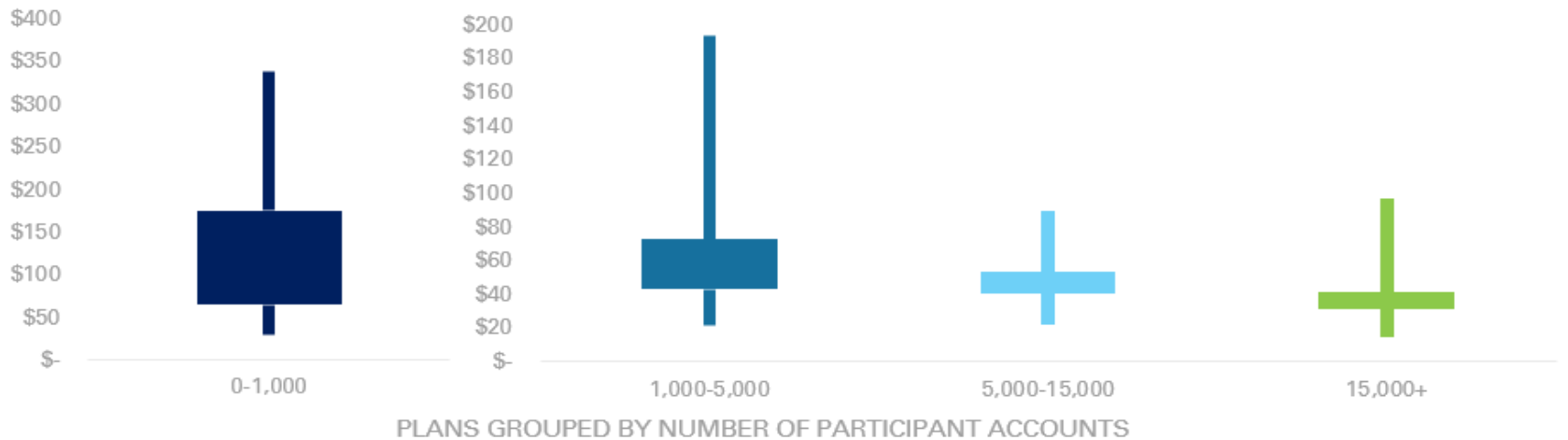
¹Calculated by taking the average fees per account by the average asset per account for each client

INVESTMENT & ADMIN EXPENSES


INVESTMENT FEE REVIEW: BENCHMARKING ASSET-WEIGHTED EXPENSE RATIOS




RECORDKEEPING, TRUST & CUSTODY FEE REVIEW: BENCHMARKING BASE FEES




ESG & DEI INVESTING LANDSCAPE




Environmental
Sustainability & resource efficiency




Social
Workplace practices & human capital




Governance
Executive pay, accounting, ethics



Diversity
Differences



Equity
Access, opportunity, & support



Inclusion
Involvement, engagement, & acceptance

NEPC ESG/DEI Manager Research Ratings

- 1** The firm and strategy fully integrate ESG and/or DEI into their process
- 2** ESG and/or DEI identified as a material factor in investment decision making process

	% of DC Plans Utilizing	% of DC Assets
Screening Screening in/out certain securities for non-financial reasons	6.2%	0.03%
ESG Integration ESG factors built-in as part of the investment process	79.2%	17.0%
DEI Factors Managers with a favorable NEPC Manager Research DEI rating	9.7%	0.3%

WAYS TO PURSUE ESG IN DC PLANS

Discovery & Education

Identify if ESG aligns with charter, IPS, or Plan type

Incorporate an ESG Framework

Assess managers' commitment to ESG as part of selection and/or monitoring

Add an Option to the Core Menu

Identify a discrete option that is financially beneficial compared to reasonable available alternatives

Screening references investment options that include/exclude securities based solely on ESG factor(s)

ESG Integration references strategies where ESG is embedded in the approach along with other considerations

DEI Factors references strategies where NEPC Manager Research has rated the strategy, from a DEI perspective, a 1 or 2

CLIENT QUESTIONS & ACTIONS FOR CLIENTS



POLLING NEPC CONSULTANTS

What are clients asking you about?

RETIREMENT INCOME

ESG in DC PLANS MARKETS & INFLATION

FEES SELF-DIRECTED BROKERAGE WINDOWS

LEGAL & REGULATORY



SECURE ACT 2.0 PASSED IN DECEMBER 2022



- Assess impact(s) on **plan priorities** in 2023 & beyond

PARTICIPANTS DOWN DOUBLE DIGITS IN 2022



- Elevated **inflation** and **tight monetary policy** has continued to be a headwind

SELF-DIRECTED BROKERAGE WINDOWS



- Plans offering brokerage increased
- **Re-affirm rationale** to/not to offer, and **review** current offering

REVIEW FIDUCIARY CALENDAR TO SEE IF ANY TOPICS SHOULD BE PRIORITIZED FOR 2023

ADVISORY VS DISCRETIONARY

\$23 BILLION

in DC OCIO assets

10% of DC clients are OCIO

94% INCREASE

in OCIO assets from 2020 to 2021

9% of DC assets are OCIO

WHY CLIENTS CHOOSE DISCRETION

Improved Returns

Selection of best-in-class managers

Simplification

Client has oversight over one provider

Resource Efficiency

Client can focus on running the business

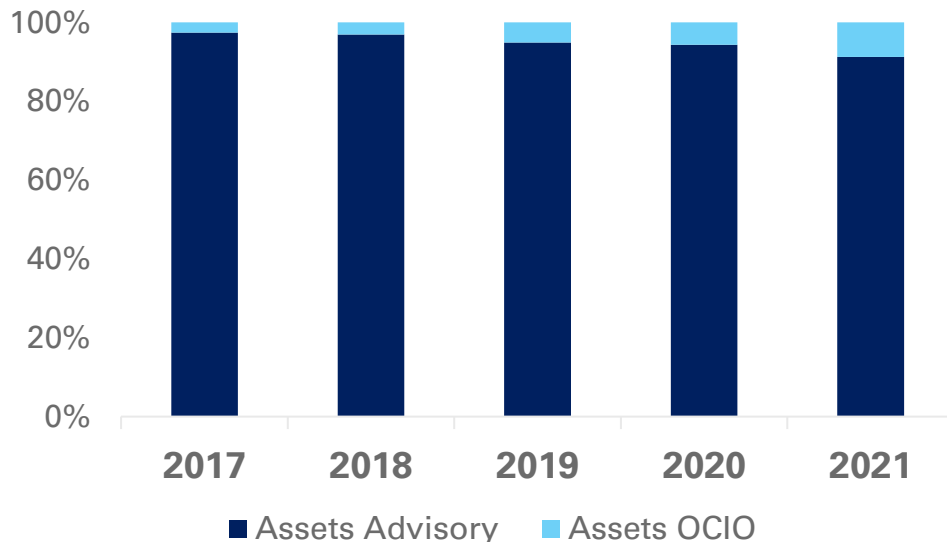
Fiduciary Protection

Delegation to expert investment manager

Fee Savings

Leverage OCIO manager's AUM to potentially save on management fees

ADVISORY VS. OCIO ASSETS



PROCESS METHODOLOGY & DISCLOSURES

NEPC DEFINED CONTRIBUTION PLAN TRENDS & FEE SURVEY

The U.S. Department of Labor has advised that fees and expenses are only one of the factors to consider in choosing investments or service arrangements.

The overall NEPC universe, like any compilation of data, will show some plans having fees above the median and some below. Having fees above a median is not indicative of imprudence. There are many reasons why a certain plan's administrative or investment fees might exceed peer group medians, and any individual plan's fees should be assessed based on the services rendered and the plan's needs.

The data provided in this report reflect the experience of the respondents to our survey during a given period of time. These data may or may not be indicative of the experience of the defined contribution plan market as a whole, during that period or any other period.

This report is not a substitute for, if and when appropriate, a full record keeper vendor search, request for information or other market testing, and it is not intended to indicate whether or not a given plan offers the lowest-cost share class and/or most appropriate investment vehicle under all circumstances relevant to that specific plan. Even the lowest-cost share class available may not result in an optimal arrangement for any given plan, or even the lowest overall cost to a plan; each plan's individual circumstances might counsel for a different arrangement.

Some of the information presented herein has been obtained from external sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this content, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the publication date and are subject to change at any time.



NEPC DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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This presentation contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches.

