



NEWS RELEASE

PLAN SPONSORS TO FOCUS ON STRATEGIC INITIATIVES IN 2010 CALLAN SURVEY FINDS

SAN FRANCISCO, Jan. 11, 2010 — Callan Associates' *2010 Defined*

Contribution Trends Survey: Getting the DC Plan Back on Track finds that DC plan sponsors are seeking ways they can reposition their plans following the market collapse to avoid future pitfalls.

In 2009, DC plan sponsors kept a sharp eye on monitoring and evaluating fund performance, increased their communications to calm participants' fears about the market decline and reviewed plan-related expenses—saying the latter was the most important fiduciary action they took over the past 12 months. In 2010, however, strategic initiatives—which include reviewing investment structure and plan design—will rise in importance.

“In 2009, plan sponsors were consumed with managing poorly performing investments and helping participants navigate the market collapse,” said Lori Lucas, defined contribution practice leader at Callan. “Now that most of the fires have been put out, sponsors are focusing on how to reposition their plans for any market challenges ahead.”

Callan's survey found that plan sponsors are concerned about inflation. In 2009, real return/TIPS funds were the most common fund additions and they will likely keep that position in 2010. The second most common fund additions in 2009 were target date funds and they are expected to remain in that spot in 2010.

“It is encouraging that the popularity of target date funds as an investment default continues,” says Lucas. “However, too many plan sponsors still view target date funds as commodities, using the proprietary target date funds of their recordkeeper.” Lucas points out that in 2009, 55.9% of plan sponsors offered the target date mutual fund of their recordkeeper, and that number is expected to be 56.5% in 2010.

In its survey, Callan found that nearly 19% of plan sponsors either reduced or eliminated their company matching contribution in 2009—but in 2010—only about 8%

plan to take that action. Over the next 12 months, 58% of sponsors that either reduced or eliminated the match plan to reinstate it.

“As the economy recovers, plan sponsors are using the opportunity to bring back their company match,” says Lucas. “They understand that the matching contribution not only attracts participants to the company’s 401(k) plan, but it makes the plan competitive and appealing to potential employees.”

The survey found that the adoption of auto features has plateaued recently. Just under half (43.9%) of plans offered automatic enrollment in 2009—a figure that has changed little since 2007. Similarly, the proportion of plans offering automatic contribution escalation has stagnated to about one-third over the past several years.

“Market volatility and the weak economic environment in 2009 made it unpalatable for plan sponsors to add features that would involve automatic increases in payroll deductions,” Lucas says.

Other key findings include:

- Most DC plans now have a qualified default investment alternative, with 69.3% of plan sponsors reporting that a target date fund is their default.
- Virtually all of the plan sponsors in the sample (93.3%) had calculated the fees of their DC plan within the past 24 months, with the majority (84%) having done so within the past year.
- At 93.2%, mutual funds dominate as an available investment vehicle. However, more than half (52.7%) of plan sponsors also use collective trusts— often a stable value fund—and over one-third (37.8%) use separate accounts.

Callan surveyed 90 companies representing more than \$300 billion in DC assets. The majority of respondents, nearly 74%, offer 401(k) plans and one in ten have 403(b) plans—double the amount in Callan’s 2008 survey. The majority of plans have more than \$100 million in assets and one-third have assets of more the \$1 billion. Fifty-four percent view their DC plan as the primary company retirement plan.

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About Callan Associates

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