Defined Contribution Plan Survey Report

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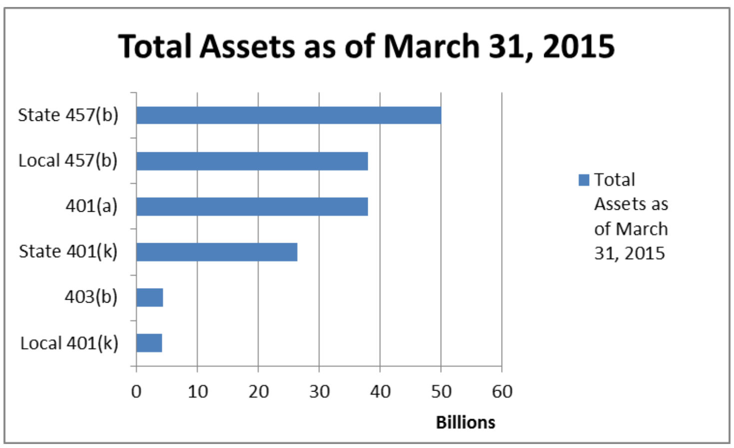
RESPONDENT DEMOGRAPHICS

The second 2015 NAGDCA Defined Contribution Plan survey covered 84 government defined contribution plans, including:

457 – 56 plans (28 state, 27 local, 1 transportation district)
401(a) – 16 plans (10 state, 5 local, 1 transportation district)
401(k) – 9 plans (7 state, 2 local)
403(b) – 3 plan (2 local, 1 education)

Plan Assets

As of March 31, 2015, 67 responding governmental 457 plans had assets valued at over $88 billion. Twenty-five state 457 plans held approximately $50 billion of this total, while 41 local 457 plans and 1 transportation district 457 plan held the remaining $38 billion. Of the responding state 457 plans, those with the largest asset bases are Ohio ($11.4 billion), California ($5.4 billion) and Wisconsin ($4 billion). The largest local plans responding to the survey are City of New York ($13.6 billion) and County of Los Angeles, CA ($8.3 billion).



NAGDCA also solicited responses from public 401(k) plans. Nine responding governmental 401(k) plans had assets valued at almost $30.6 billion. The 6 responding state 401(k) plans held $26.4 billion of these assets. Two local government 401(k) plans held $4.2 billion. The largest state 401(k) plan responding to the survey is the State of North Carolina with over $9.1 billion in assets, and the largest local 401(k) plan is the County of Los Angeles, CA with over $2.2 billion in assets.

NAGDCA also solicited responses from public 401(a) plans. Sixteen responding governmental 401(a) plans had assets valued at $38 billion. The 10 responding state 401(a) plans held $37.1 billion of these assets, while the six local government and one transportation district 401(a) plans held nearly $1 billion. The largest state 401(a) plan responding to the survey is the State Universities of New York with $15.5 billion in assets, and the largest local 401(a) plan is the County of San Diego with over $502 million in assets.

NAGDCA also solicited responses from public 403(b) plans. Three responding governmental 403(b) plans had assets valued at $4.3 billion.

The total assets of all responding plans were valued at over $161 billion.

LOANS

Sixty percent of responding government defined contribution plans reported that their plans offer loans, while 40% reported that they do not offer loans. Of the plans offering loans, 86% have a Loan Policy Document that covers the day to day administration of loans.

Fifty-six percent of those plans that allow loans answered that participants may have one loan at a time, while 35% answered that participants may have two to three loans at a time. Nine percent of plans allow participants to have more than three loans at one time.

Eighteen percent of respondents answered that active participants who have a previously defaulted (or deemed) loan were able to take out a new loan without paying back the defaulted loan plus accrued interest, while 80% answered that this was not allowed in their plans. Two percent were unsure.

Loans After Separation of Service

Thirty two percent of those plans that offer loans reported that participants can continue making payments via check or money order after separation, while 32% reported that participants can continue making payments after separation, but must sign up for automatic debit from a bank account or the loan will default.

Nineteen percent of those plans that offer loans reported that loans must be paid in full the quarter following the separation date from government service or the loan will default. Nine percent responded that the loan must be offset against the participant's account balance the quarter after separation or the loan will default. The remaining eight percent were unsure or had other policies, such as one in which terminated participants may repay the loan or it would be deemed as income and included on that year's W-2 form.

Average Loan Balance

Of the responding plans, the average outstanding loan balance for all plans was $7,102.

The average for 457 plans was $7,292 while the average outstanding loan balance for responding 401(k) plans was $6,130.

AUTO FEATURES

Of the responding plans, 15% offered auto-enrollment, while 85% did not.

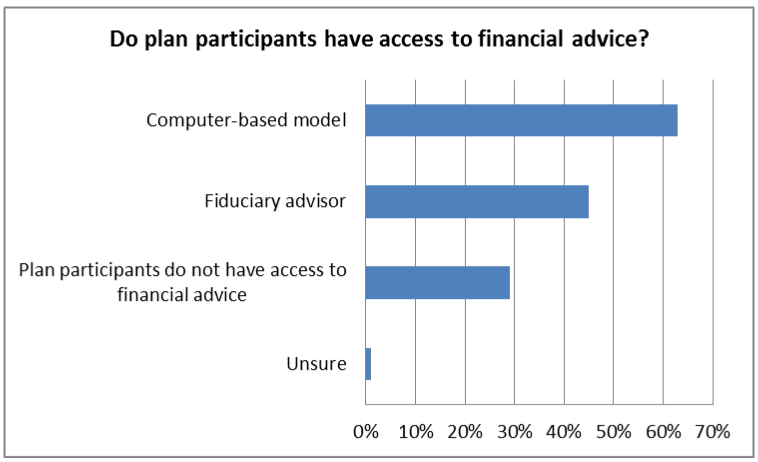
Of the responding plans, 25% offered auto-escalation, while 75% did not.

Of those offering both auto-enrollment and auto-escalation, none had auto-escalation built into the auto-enrollment program.

RETIREMENT ADEQUACY

Financial Advice

When asked if plan participants had access to financial advice, 63% of responding plans answered that plan participants have access to a computer-based model and 45% have access to a fiduciary advisor. Twenty-nine percent of responding plans answered that their participants do not have access to financial advice and 1% weren't sure.

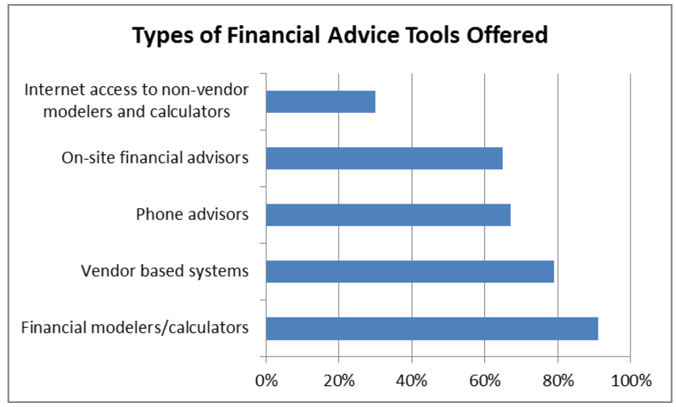


Ninety four percent of respondents stated that their plan provides tools for participants to calculate the amount of income they are likely to receive in retirement; six percent do not.

Financial Tools

Of those plans that offer financial advice, the most common types included financial modelers/calculators (91%), on-site financial advisers (70%), and phone advisers (67%). Sixty five percent said their participants have access to on-site financial advisors and 30% have internet access to non-vendor modelers and calculators.

Sixty eight percent of those offering such financial tools measured their usage, while about 19% did not and about fourteen percent were unsure.



Of those who measured the frequency and usage of the financial tools, 10% were able to measure the impact of the tools on their participants' retirement adequacy, while 28% were not. Twenty six percent of respondents weren't sure and 36% percent did not attempt to measure the impact of the tools.

Of those plans that do measure the frequency and usage of the tools, 43% have not been able to measure the impact of the tools on their participants' retirement adequacy. Forty one percent were unsure and 16% said they have been able to measure the impact.

Retirement Adequacy

When asked if their plan had ever conducted a study of retirement adequacy for their participants, 17% responded that they had, while 70% responded that they had not. Thirteen percent were unsure.

Of the plans that had conducted such a study on their DC plans, 71% included the DB plan in the study. Twenty three percent included nonqualified plans and 77% included social security.

Of the plans utilizing retirement adequacy metrics, 92% utilize total retirement accounts, 75% utilize retirement income illustrations, 71% utilize replacement ratios, and 50% utilize percentage of compensation.

Thirty eight percent of plans measuring retirement adequacy communicated shortfalls to participants, while 62% did not. Seventy seven percent of those measuring retirement adequacy provided individual projection of retirement income from the DC plan while 19% did not and 4% were unsure.

COMMUNICATION

Participant Outreach Methods

Defined contribution plan sponsors were asked to rate the success of various participant outreach methods on a scale of 1-5 (1 is poor and 5 is excellent).

Method	*Average Rating*
Face-to-face	4.67
Group meetings	4.25
Participant website	4.05
E-mail (work account)	3.96
Short videos	3.36
Newsletter	3.32
E-mail (personal account)	3.30
Intranet	3.30
Mailings (postcards, etc.)	3.21
Statement messages	3.07
Mobile apps	2.98
YouTube videos	2.8
Facebook	2.35
Paycheck stub messages	2.26
Twitter	2.11
Foursquare	1.56

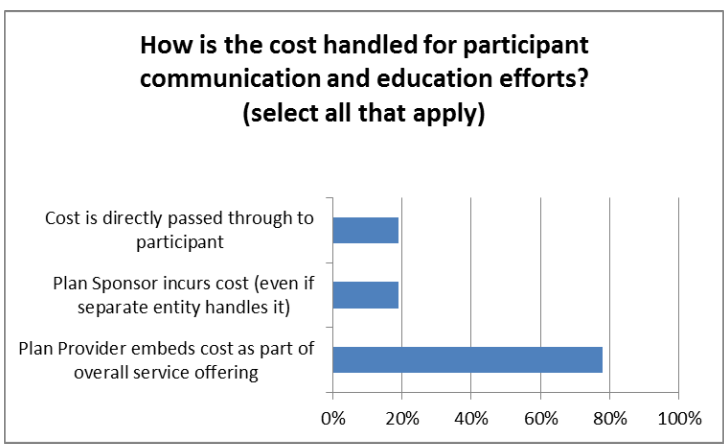
Participant Communication and Education

NAGDCA solicited responses regarding who was primarily responsible for participant communication and education related to the plan.

15% percent reported that all communication and education efforts were handled by an external vendor, while 10% reported that communication and education efforts were handled by internal staff only. The remaining 75% responded that the participant communication and education efforts were both partially handled internally and by an external firm.

Participant Communication and Education Fees

Defined contribution plan sponsors were asked how costs were handled for their participant communication and education efforts. Of the responding plans, 78% reported that their Plan Provider embeds the cost as part of the overall service offering. Nineteen percent reported that the Plan Sponsor incurs the cost of the participant communication and education efforts and 19% reported that such cost is passed directly on to the participant.



FEES

Investment Management Fees

Of the responding plans, total recordkeeping and administrative costs (internal and external) expressed as a percentage of plan assets was 0.51%.

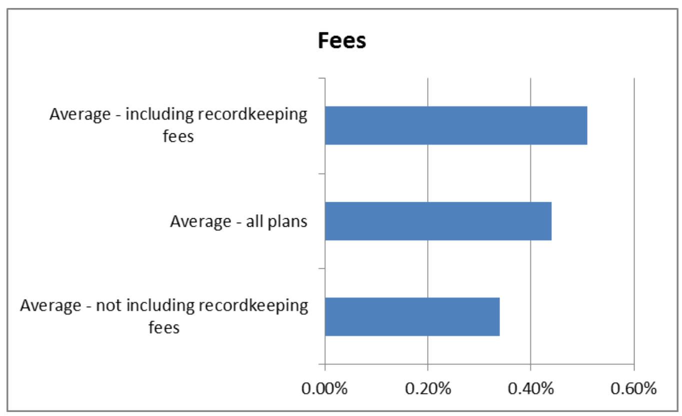
Of the responding plans, the average weighted total investment management fee was .44%.

Of the plans that reported that this fee included recordkeeping costs, the average total investment management fee was 0.51%. For those that reported this fee did not include recordkeeping costs, the average was 0.34%.

Seven percent of those who responded answered that those responsible for plan investment selection are not provided pertinent cost information and/or training on how to evaluate investment fee.

Of the plans responding, 12% offered reduced or waived fees for small balance accounts. The waiving of the quarterly administrative fee was the most common for those waiving or reducing fees for small balance accounts.

Of the responding plans, 26% have a cap on asset-based fees, while 74% do not.



Revenue Sharing

Fifty four percent of responding plans reported that their plan used investment options that provide revenue sharing to their recordkeeper. Thirty nine percent reported that they do not have such an arrangement while 7% weren't sure.

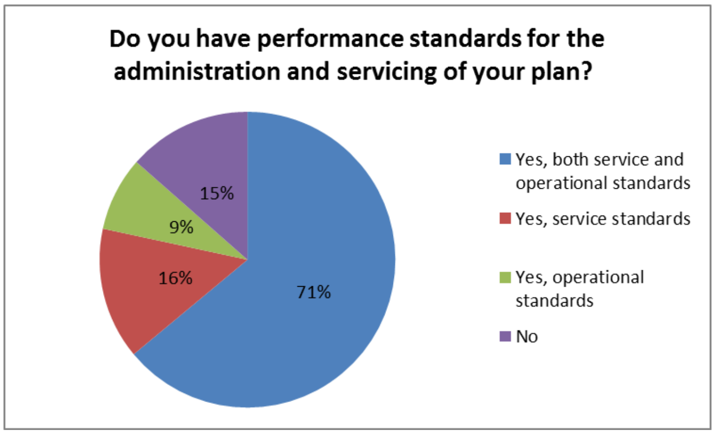
Plan Performance Standards

In this section of the survey, the following examples of service and operational standards were provided to help respondents differentiate between the two.

Service standards: number of days to process participant requests made via web, VRU, paper forms.

Operational standards: number of days to distribute quarterly statements, process contributions, percentage of website and VRU availability.

Of the responding government defined contribution plans, 71% reported having both service and operational standards for the plan. Sixteen percent reported just service standards and nine percent reported operational standards. Fifteen percent reported their plan had no service standards.



Seventy nine percent of respondents reported that the recordkeeper has agreed to service/operational guarantees, while 15% reported that their recordkeeper had not and six percent were unsure.

When asked if the recordkeeper put their own fees at risk of being reduced if the plan performance standards weren't met, 59% of respondents said their recordkeeper did, while 29% said their recordkeeper did not. Thirteen percent were unsure.

*Note: Further detail may be provided per request. Contact headquarters at 859-514-9218 or lfossett@amrms.com.