What’s Top of Mind for Plan Sponsors?

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Two things always on a plan sponsor’s mind—retirement readiness and fiduciary responsibility—are opportunities for retirement plan advisers.

Plan sponsors turn to advisers for a range of support services, and confidence in their own understanding of their fiduciary responsibilities is not a given.

Fidelity’s *Fourth Plan Sponsor Attitudes* survey revealed that plan sponsors’ concerns over employee retirement readiness and fiduciary responsibility may not only be creating a greater reliance on advisers (84% in the survey use an adviser), but also increasing their expectations of how advisers can help them.

Only slightly more than half of survey respondents (58%) are certain or very certain in their understanding, and 42% admit to needing help.

About two-thirds of all plan sponsors (66%) reported that “some, quite a few, or all employees” are in fact delaying retirement because they are not prepared. Over half of plan sponsors(57%) say they don’t think participants are saving enough. Plan sponsors are still not confident that they fully understand their fiduciary responsibilities – 42% say still need help.

These concerns also create greater expectations for adviser services: While 84% of all plan sponsors in the survey use an adviser and satisfaction is increasing, a little more than one-third (38%) are unsatisfied and 10% are actively looking to switch advisers.

Plan sponsors expect a wide range of investment and retirement expertise from their advisers, and desire a “more knowledgeable adviser.” Seven areas of expertise—regulatory changes; managing fiduciary responsibility and risk; plan design; improving plan performance; minimizing costs; offering insight on participant trends and behavior; selecting and monitoring investment options—were cited as the marks of the more knowledgeable adviser.

Active Advisers, Active Sponsors

Advisers play a critical role in plan sponsors’ engagement, the survey found, as those who work with advisers are more likely to make changes to plans than those who do not. Plan sponsors indicated in the survey that they are more actively:

Analyzing their investments—91% of plan sponsors are reviewing investment performance annually or more frequently.

Making plan design changes—72% of plan sponsors have made a plan change in the last two years and 55 percent are looking to make changes in the future.

Replacing underperforming funds—In the last two years, 70% of plan sponsors replaced funds that had performance issues.

Fidelity examined why plan sponsors switch advisers. According to the survey, 10% of plan sponsors are actively looking to change advisers. Top reasons for shopping around were the need for a more knowledgeable adviser (31%), servicing issues with a plan provider (28%) and not enough adviser support for plan servicing (12%). These numbers have ticked up each year the survey was performed. For example, in 2010, 5% of plan sponsors cited lack of support for plan servicing, which nudged up to 8% in 2012.

Advisers may be able to demonstrate value by keeping in mind what plan sponsor respondents said advisers do not do. A majority of plan sponsors (78%) said that advisers do not report how much time is spent working on the plan. More than half of plan sponsors (69%) said advisers do not report on types of activities for the plan. And 60% said advisers do not demonstrate how plan performance improved.

The Fidelity survey polled 937 sponsors of plans ranging in size from 25 to 10,000 participants. The plans used a wide variety of recordkeepers, including Fidelity and other firms. The survey can be downloaded here.

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