

NEPC 2020 DEFINED CONTRIBUTION PROGRESS REPORT



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DEFINED CONTRIBUTION PROGRESS REPORT

15TH ANNUAL SURVEY

About the Report

NEPC conducted our 15th annual Defined Contribution Plan & Fee Survey, also known as the NEPC Defined Contribution (DC) Progress Report. In this 2020 report, we are continuing to focus on measuring financial success for DC plans and participants. While defined contribution plans are inherently participant-directed programs, there are features that plan sponsors and fiduciaries can adopt in order to improve financial success for participants and retirees.

Sample Size and Respondents

142 Defined Contribution Plans

- 66% Corporate
- 21% Healthcare
- 13% Public, Not-for-Profit and Taft Hartley

\$191 billion in aggregate assets

1.8 million participants

Average Plan

\$1.4 billion in assets

13,377 participants

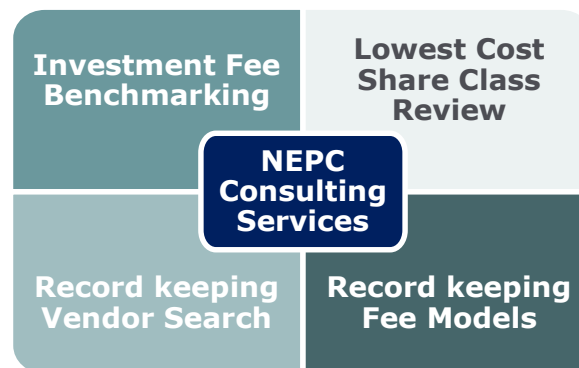
Median Plan

\$618 million in assets

5,770 participants

Additional Consulting Resources for Due Diligence of Plan Fees & Services

To support our clients' due diligence of record-keeping, trust, custody and investment fees, NEPC offers additional consulting services including: record-keeping vendor search services, administrative consulting around different fee models, and investment expense studies to certify lowest cost investments.



REPORT METHODOLOGY

NEPC gratefully acknowledges the assistance of the industry's largest DC record-keepers to assemble the data used in this report. These include but are not limited to,

- Alight Solutions
- Ascensus
- Bank of America
- Empower Retirement
- Fidelity Investments
- ICMA
- John Hancock Financial
- Lincoln Financial
- MassMutual
- Metlife
- Schwab Retirement Plan Services
- Prudential Financial
- T. Rowe Price Group
- Transamerica
- The Vanguard Group
- Voya Financial
- Wells Fargo

Data is as of December 31, 2019 and is reflective of information provided by client record-keepers and other service providers. Statistics marked with a "-" did not have a large enough sample size to include. The survey sample changes year over year which can affect the comparability of results.

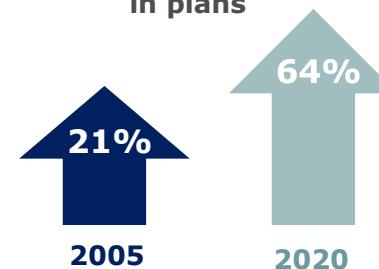
REPORT HIGHLIGHTS: BUSINESS AS USUAL



Auto-features have been broadly adopted

Auto features like automatic enrollment and automatic increase are widely viewed as effective solutions to the retirement savings problem, as inertia has proven to be a very powerful behavioral trait. Per our 2020 report, **64%** of plans offer auto-enrollment and **49%** offer auto-escalation.

Auto-Enrollment utilized in plans

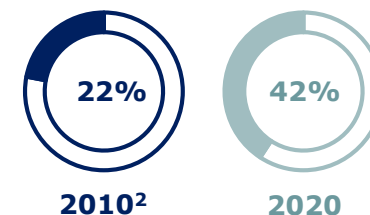


Investment menus have stayed largely the same



While the number of “core” menu investment options (**11**) have dropped from (**13**) since 2005, target date funds have increased in utilization from 76% of plans in 2005 to **96%** of plans today. On average **42%** of plan assets are now in target date funds.

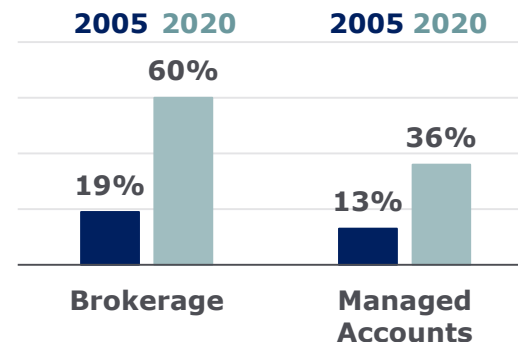
Plan Assets Invested in Target Date Funds¹



Popularity of Plan features is mixed



Plan features, such as brokerage, have seen a significant increase in adoption from 2005 to 2020. Brokerage has grown from 19% to 60% of plans. Despite significant marketing efforts on the part of service providers, managed accounts are not offered by a majority of plans, having increased from 13% to 36%.



¹Sources: 2020 NEPC DC Progress Report and 2010 NEPC Plan and Fee Survey. The survey sample changes year over year which can affect the comparability of results.

²NEPC did not measure assets in target date funds prior to 2010

INCREASING SAVINGS RATES

PLAN DESIGN FEATURES

	Overall	Corporate
Automatic Enrollment	64%	74%
<i>Average Default Deferral (%)</i>	4%	4%
Automatic Escalation	49%	66%
<i>Offered as an "Opt-Out" Feature (%)</i>	61%	56%
<i>Average Deferral Cap (%)</i>	15%	15%
Average Plan Participation Rate	82%	86%

Source: NEPC 2020 Defined Contribution (DC) Progress Report which includes 142 participating plans, including both NEPC clients and other organizations. Data is as of December 31, 2019 and is reflective of information provided by client record-keepers and other service providers.

PROFESSIONALIZING INVESTMENT DECISIONS

INVESTMENT FEATURES

	Overall	Corporate
Total Number of Investments Offered	23	23
<i>Target Date Funds Offered</i>	96%	98%
<i>Plan assets invested in TDFs (%)</i>	42%	39%
<i>Number of Core Investments Offered</i>	11	11
Brokerage	60%	61%
Company Stock	27%	41%

Source: NEPC 2020 Defined Contribution (DC) Progress Report which includes 142 participating plans, including both NEPC clients and other organizations. Data is as of December 31, 2019 and is reflective of information provided by client record keepers and other service providers.

PROFESSIONALIZING INVESTMENT DECISIONS MANAGED ACCOUNTS

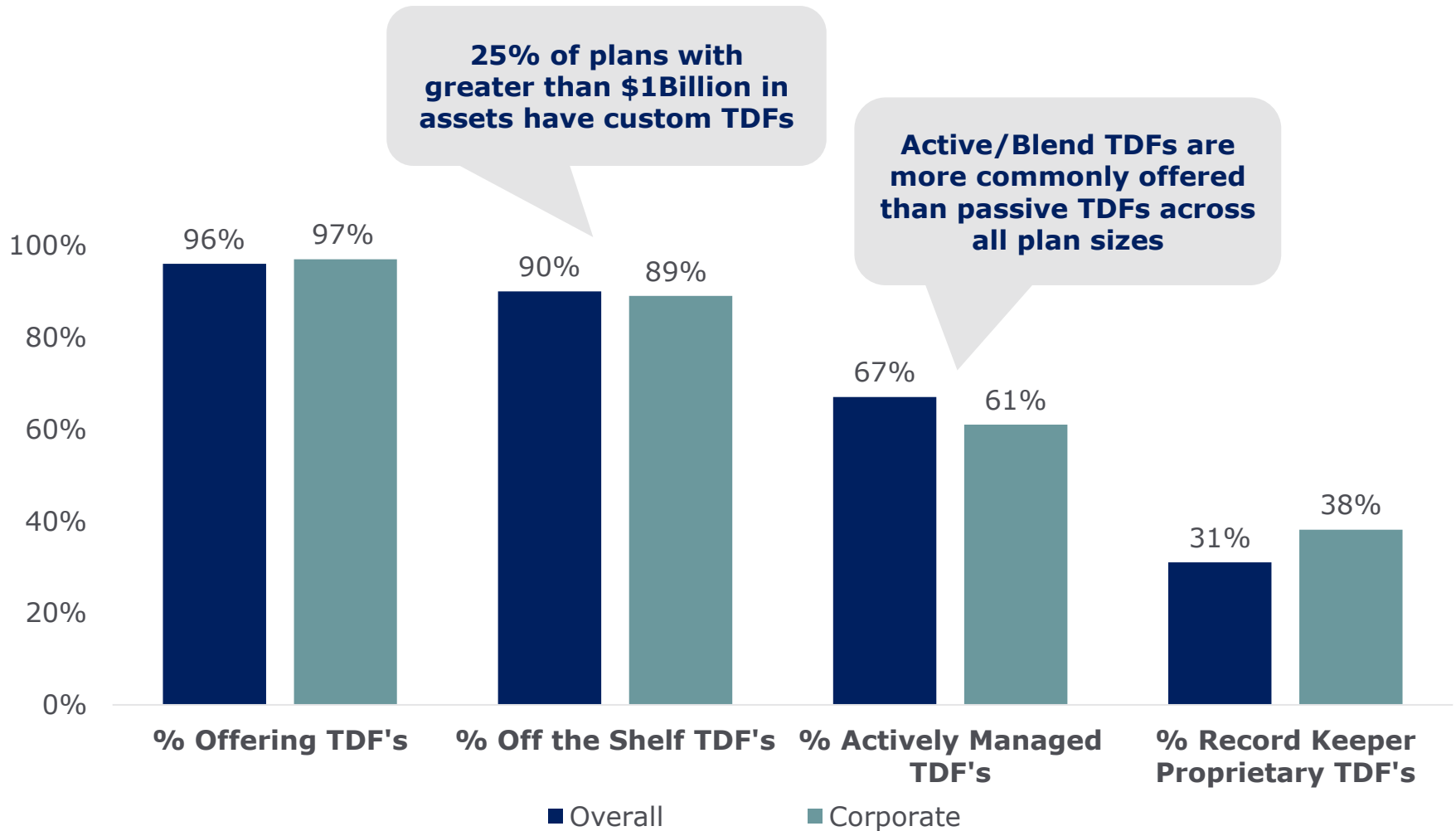
	Overall	Corporate
Managed Accounts Offered	36%	35%
<i>Participants using the service (as a % of total Plan participants)</i>	6.6%	7.3%
<i>Participant assets in the service (as a % of total Plan assets)</i>	5.2%	5.4%

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PROFESSIONALIZING INVESTMENT DECISIONS

TARGET DATE INVESTMENTS



Source: NEPC 2020 Defined Contribution (DC) Progress Report which includes 142 participating plans, including both NEPC clients and other organizations. Data is as of December 31, 2019 and is reflective of information provided by client record keepers and other service providers.

PROFESSIONALIZING INVESTMENT DECISIONS

CORE MENU OPTIONS

Capital preservation observations

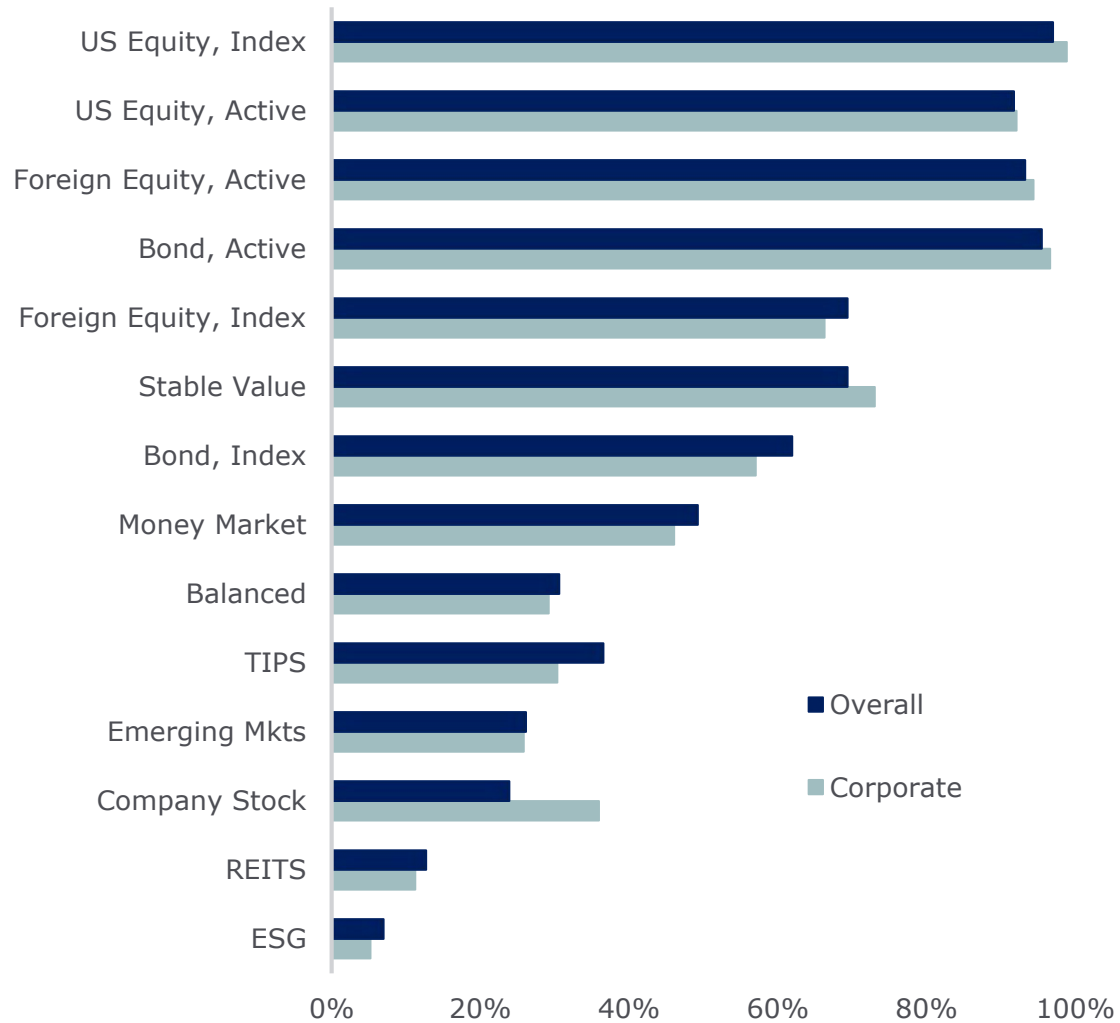
- 45% of plans offer Stable Value as the sole capital preservation option
- The provision of both stable value and money market options is most common among large plans, with 18% of plans with >\$1B in assets offering both

Passive management observations

- 58% of plans offer a passive tier, defined as three or more passively managed funds including at least one fixed income option

Large market observations

- Consolidated core menus: 44% of plans with >\$2.5B in assets offer between 6-10 options
- Broader use of white-label options: 38% of plans with >\$1B in assets offer at least one white-label option



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DISTRIBUTING RETIREMENT ASSETS

DISTRIBUTION OPTIONS

	Overall	Corporate
<p>Lump Sum: Retired / separated participants can elect a one-time lump sum payment of their entire account balance.</p>	100%	100%
<p>Partial Withdrawals: Retired / separated participants can take withdrawals as needed (i.e. ad hoc or "on-demand" withdrawals).</p>	76%	73%
<p>Installment Payments: Retired / separated participants can set up systematic, non-guaranteed withdrawals (i.e. monthly or quarterly "retirement paychecks").</p>	87%	86%
<p>In-Service Withdrawals: At age 59 1/2 , assets can be withdrawn from a DC plan without the 10% federal penalty tax. Plan sponsors can allow withdrawals at this age.</p>	91%	96%

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FEE REVIEW

NEPC, LLC

2020 INVESTMENT AND PLAN FEE REVIEW

IMPORTANT CONSIDERATIONS

Why review plan fees?

- Plan fiduciaries have an obligation under ERISA to ensure that the fees of a plan are reasonable for the services provided
- From a fiduciary perspective, the fee benchmarking data included in this report can help inform fiduciaries and serves as an interim check-up on certain Plan fees relative to other plans and peer groups¹

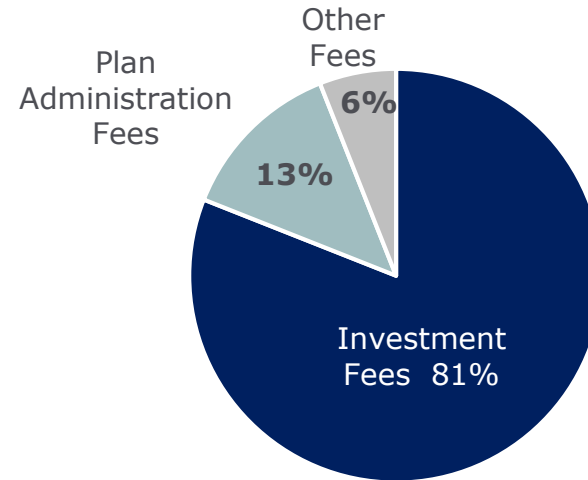
What are the primary types of plan fees?

- Investment Fees: Fees paid for management of plan investments
- Plan Administration Fees (i.e. Record-keeping and Trust / Custody Fees): Fees paid for services such as record-keeping, safekeeping of investments and payment of benefits
- “Other” Fees: Additional fees earned by record-keepers for ancillary services such as loan origination, loan maintenance, QDRO’s, and managed accounts

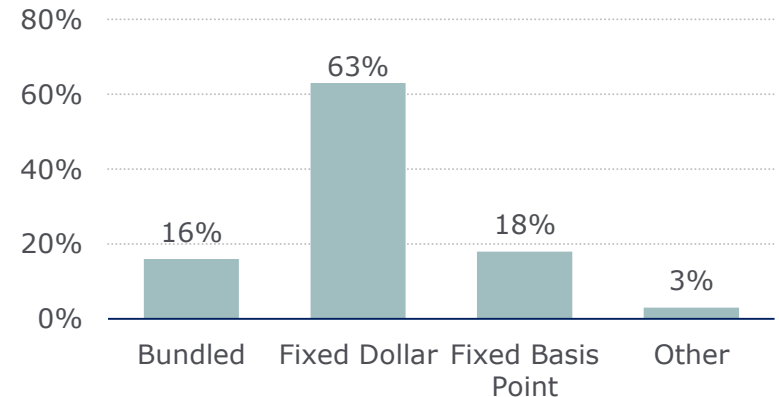
How are plan administration fees paid?

- Bundled: All fees paid by revenue sharing
- Fixed Dollar: Flat dollar amount per account
- Fixed Basis Point: Fixed percentage of account assets
- Other: Various combinations of the above

**Overall NEPC Universe:
Composition of Total Plan Costs**



**Overall NEPC Universe:
Method of Contracting Plan Administration Fees
(By Number of Plans)**



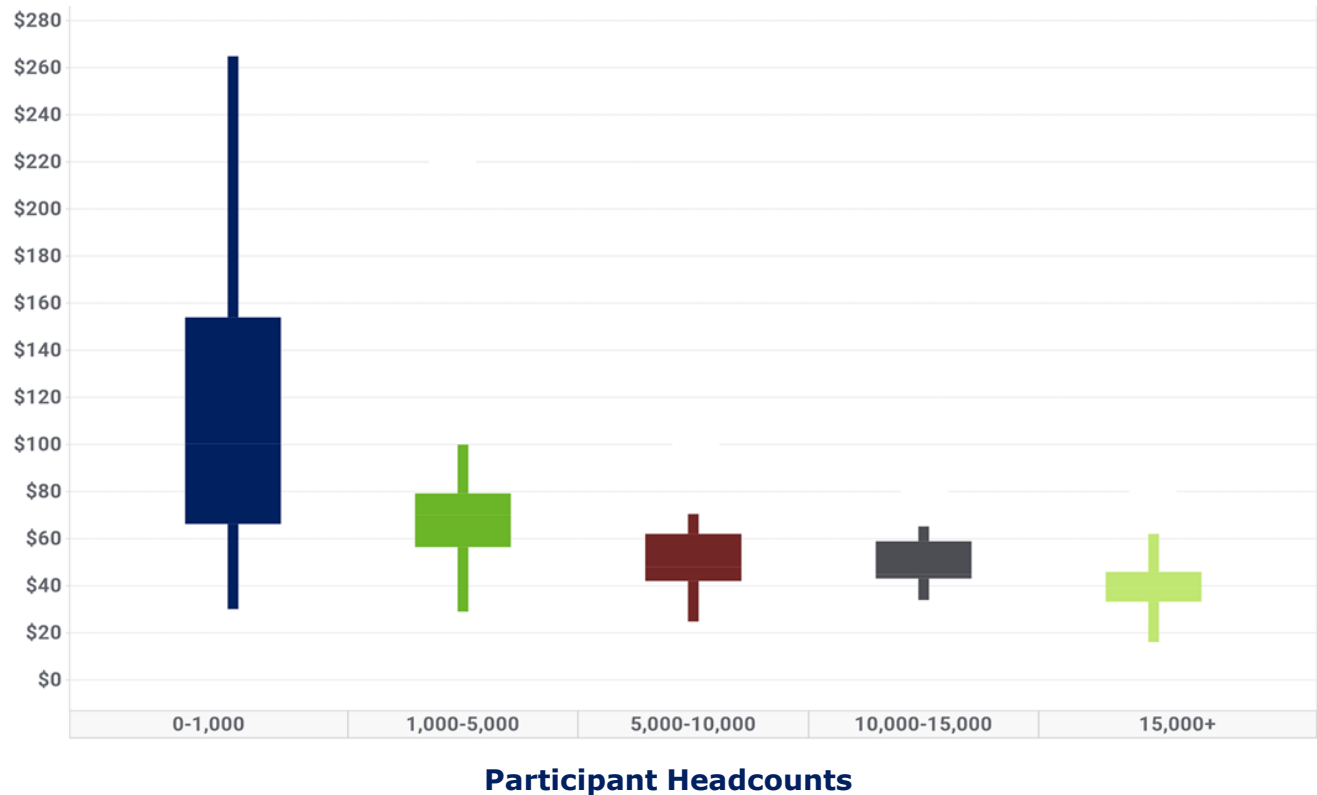
¹This report is not a substitute for a full record keeper vendor search and it is not intended to validate that a Plan offers the lowest-cost share class and/or most appropriate investment vehicle

2020 RECORD KEEPING FEE REVIEW

All plans are not created equal. Higher (or lower) record-keeping fees are a function of plan size and complexity, and the package of services the plan sponsor has contracted for.

While there is scale pricing (i.e., larger plans can access lower fees), operational complexity and service levels drive meaningful differentiation in price. Best practice is to compare fees and services through a record-keeping vendor search Request for Proposal ("RFP") process.

Record Keeping, Trust and Custody Per-Participant Cost by Plan Size



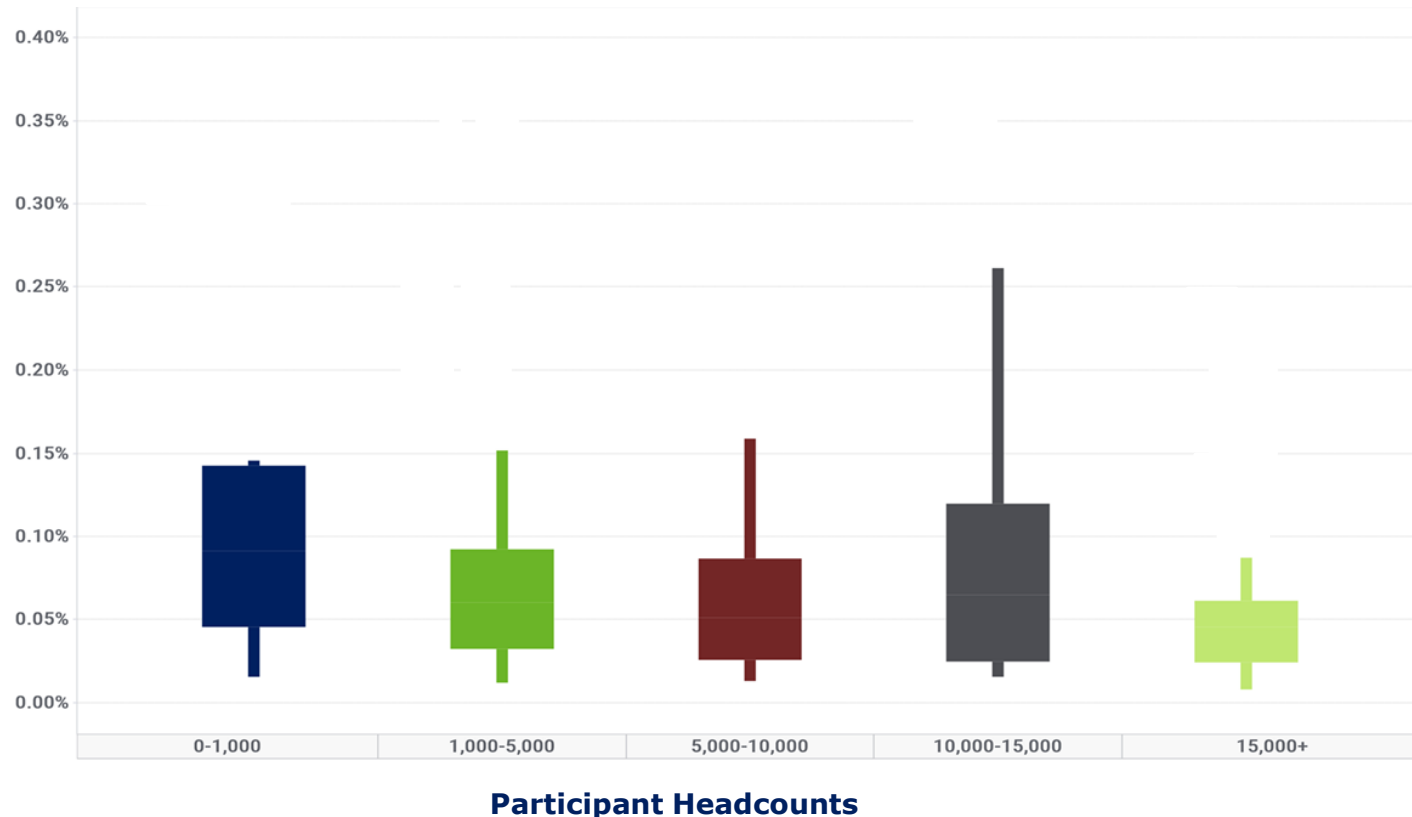
Each box plot provides a pictorial representation of record-keeping, trust and custody costs by plan size, according to NEPC's 2020 Defined Contribution Plan & Fee Survey which included 142 defined contribution and deferred compensation plans. Fees were gathered from participating plans' service providers and recast in a uniform format. Displayed are the 95th percentile, 75th percentile, 25th percentile and 5th percentile plan cost points. The data represents broadly what plans pay and not how they pay.

2020 RECORD-KEEPING FEES AS A PERCENTAGE OF PLAN ASSETS

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Record-keeping Fees as a % of Plan Assets



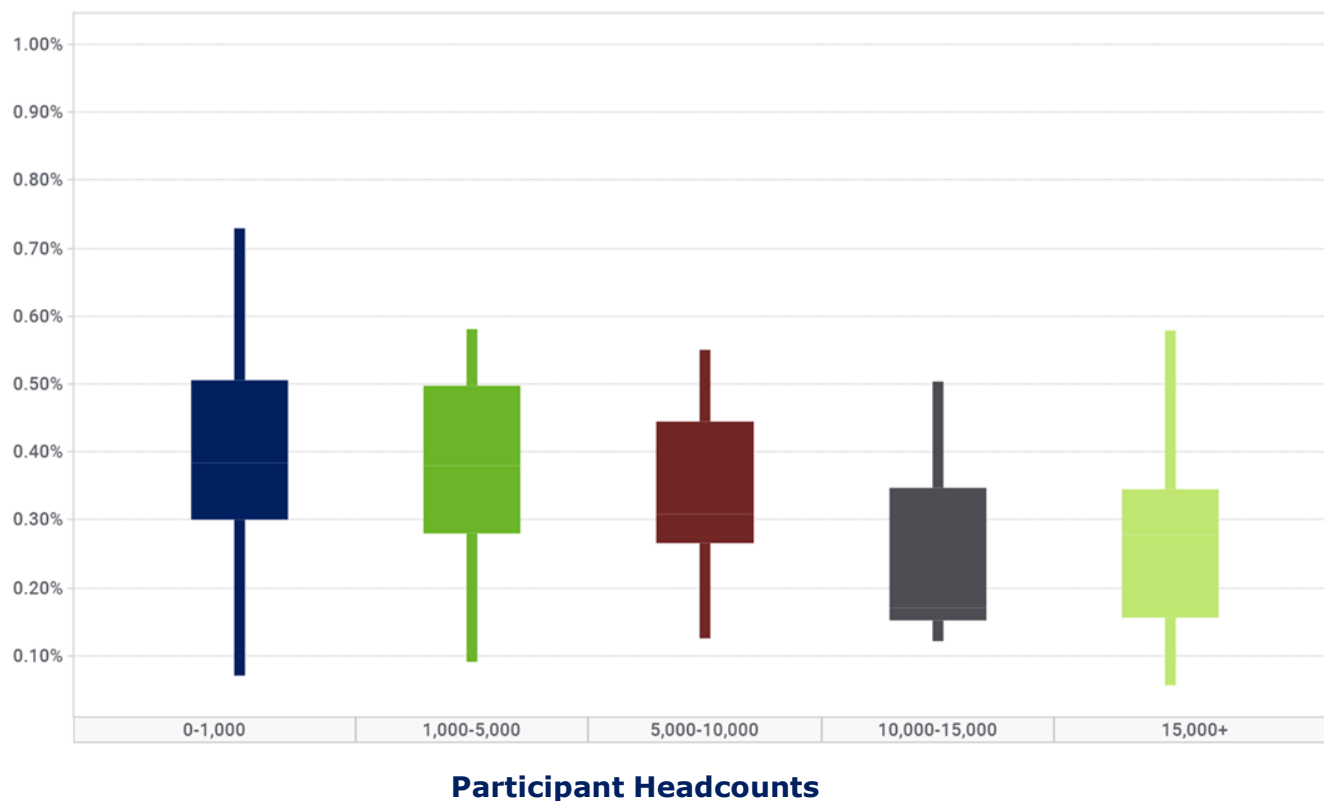
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2020 INVESTMENT FEE REVIEW

Asset-weighted expense ratios are a function of how much plan investment options cost and where participants allocate their assets.

The exhibit illustrates the range of pricing across plan sizes. Larger plans have lower asset-weighted expenses because of their access to scale pricing, less use of revenue sharing, and because a portion of plan assets (for corporate plans) may be invested in employer securities with low or no expense. Any plan with substantial index assets plots at the lower end of the range.

Asset-Weighted Expense Ratios by Plan Size



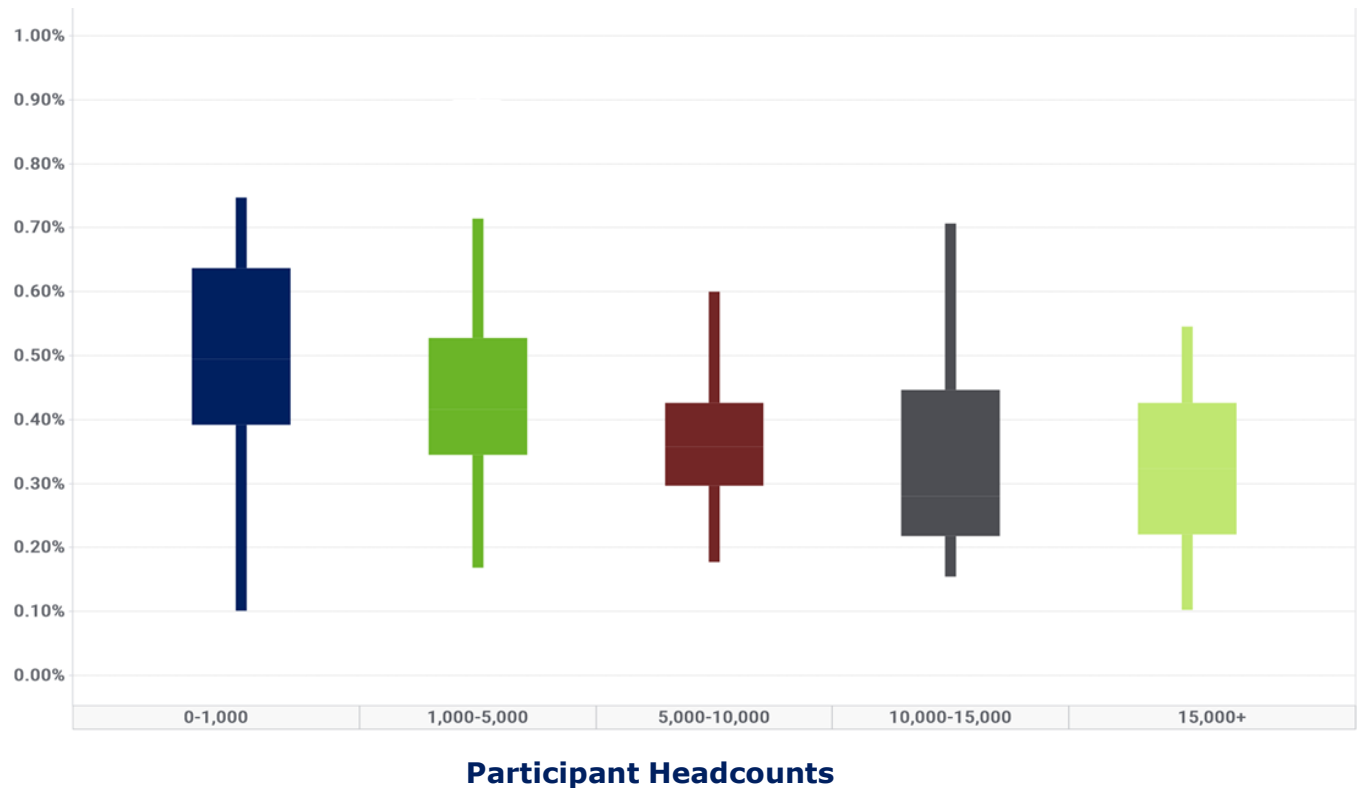
Each box plot provides a pictorial representation of asset-weighted expense ratios by plan size, according to NEPC's 2020 Defined Contribution Plan & Fee Survey which included 142 defined contribution and deferred compensation plans. Investment options, asset balances and expense ratios were gathered from participating plans, with NEPC calculating the asset-weighted expense ratio. Displayed are the 95th percentile, 75th percentile, 25th percentile and 5th percentile plan cost points.

2020 TOTAL FEES AS A PERCENTAGE OF PLAN ASSETS

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While there is scale pricing (i.e., larger plans can access lower fees), operational complexity and service levels drive meaningful differentiation in price. Best practice is to compare fees and services through a record-keeping vendor search Request for Proposal (“RFP”) process.

Total Plan Fees (Investment + RK + Other) as a % of Plan Assets



Each box plot provides a pictorial representation of record keeping, trust and custody costs by plan size, according to NEPC’s 2020 Defined Contribution Plan & Fee Survey which included 142 defined contribution and deferred compensation plans. Fees were gathered from participating plans’ service providers and recast in a uniform format. Displayed are the 95th percentile, 75th percentile, 25th percentile and 5th percentile plan cost points. The data represents broadly what plans pay and not how they pay.

DISCLOSURES

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DISCLAIMERS & DISCLOSURES

- **The opinions presented herein represent the good faith views of NEPC as of the date of this presentation and are subject to change at any time.**
- **The comments provided herein should be considered a general overview and do not constitute investment advice, are not predictive of any future market performance, are not provided as a sales or advertising communication, and do not represent an offer to sell or a solicitation of an offer to buy any security.**
- **The plan sponsor is responsible for selection of a plan's recordkeeping service provider and for a plan's investment fund options.**
- **Information used to prepare this report was obtained directly from various external sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within or the completeness of such information.**
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