
Aon Hewitt releases biennial report on DC trends

By Editor Test *Wed, Aug 10, 2011*

Plan sponsors say they are concerned about fees, but the share of sponsors who calculate all their fees didn't rise in the past two years. It dropped.

More than half of retirement plan sponsors (63%) say they are “very or somewhat concerned” about their investment, administrative and trustee expenses—a reflection of the federal government’s campaign for fee disclosure and lawsuits against sponsors.

But the percentage of plan sponsors who say they have calculated total plan cost has declined since 2009—to 72% from 84% of plans—according to Aon Hewitt’s [2011 Trends & Experience in Defined Contribution Plans](#) report, published every two years since 1991.

The findings were based on a survey of 546 DC plans, including 30% of the Fortune 500, with a combined total of over 12 million employees and \$780 billion in assets. The median/average number of employees is 6,000/23,286, and the median/average plan size is \$384 million/\$1.64 billion.

According to the Aon Hewitt report:

“Larger plans, with more than 5,000 employees, were more likely to [calculate fees] than smaller plans. Among those who have not calculated, half (51%) listed complexity as a hurdle, while 23% simply have not made it a priority or have not attempted. “Additionally, three-quarters of employers have made efforts to reduce expenses in the past two years, similar to what was reported in 2009.

“Regarding administrative fees, 73% of plans report that participants pay all recordkeeping fees, either directly or indirectly. Less than one-quarter of companies (22%) share the fees with participants, and 5% of employers pay all fees directly. The percentage of employers paying all administrative costs fell from 11% to 5% in 2011.

“In terms of how fees are assessed to participants, 94% do so across plan assets— including 66% through revenue sharing (only), 11% through add-ons (accruals) to funds, and 17% that combine these approaches. Additionally, 14% of plans charge a periodic line-item fee to participants (including 2% that also charge fees over assets). Add-ons as well as line-item charges have been increasingly used to help more equitably share costs with participants on a consistent basis, especially among larger employers.

“Disclosure of fees has become a priority during the past two years, as employers are increasingly using vehicles to illustrate fees, and many are using multiple methods. About half (51%) of plan sponsors say they disclose administration fees in fund fact sheets and/or prospectus information (up from 28%), and now 43% include it with participant account statements (up from 23%). For investment management fees, 85% of plan sponsors note they disclose fees in fund fact sheets and/or prospectus information, up from 60%.