
DC sponsors will go shopping, but most will just be looking: Cerulli

By Editor Test Thu, Jan 10, 2013

"More than half of plan sponsors [say] they are likely to conduct a search for recordkeepers within the next two years," said a senior analyst at the Boston-based research firm, which has just published a study on large and "mega" defined contribution plans.

In a new report, *State of Large and Mega Defined Contribution Plans: Investment Innovation and the Plan Sponsor Perspective*, Cerulli Associates predicts a surge in recordkeeper search activity but anticipates that most of the requests-for-proposals will be to benchmark pricing.

"More than half of plan sponsors [say] they are likely to conduct a search for recordkeepers within the next two years," said Kevin Chisholm, senior analyst at Boston-based Cerulli, in a release. "However, many of these plan sponsors have no intention of leaving their current recordkeeper."

The proprietary report examines the new products that have been developed for defined contribution (DC) plans, compares them to existing investment lineups. It is intended to give asset managers, recordkeepers, and consultants "a window into plan sponsor thinking and short- and long-term prospects for DC investment ideas."

"There is concern that the current emphasis on costs will increase the frequency of provider searches and force recordkeepers to re-bid on plans before they become profitable," Chisholm said.

"About 60% of plans have been with their current recordkeeper for more than three years. But a significant percentage, slightly more than 40%, have been with their current recordkeeper for less than three years."

Cerulli expects a sharp rise in recordkeeper searches as the fee disclosure drama plays out. Recordkeepers will need to determine which plans are actually shopping for a new provider and which plans simply want to benchmark pricing. Cerulli suggests that recordkeepers take the RFPs seriously, because such opportunities are rare.

The report is based on a survey of over 250 sponsors of large (\$250 million to \$1 billion) and mega (\$1 billion +) DC plans, as well as surveys of DCIO asset managers and conversations with executives at recordkeeping firms, investment consultants, and asset managers.

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