
Demand for stable value funds is stable: MetLife

By Editor Test *Mon, Mar 18, 2013*

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Most (86%) plan sponsors have offered stable value as an investment option in their defined contribution (DC) plans for more than two years, and about 78% don't plan to make changes to their stable value offerings within the next year, according to MetLife's just-released 2013 Stable Value Study.

Among plan sponsors that added stable value funds within the past two years, 47% said they did so to provide participants with a "capital preservation fund," 37% said stable value "offers higher interest rates than other comparable investments" and 37% said it was recommended by their recordkeeper/TPA.

MetLife commissioned this study of 140 plan sponsors and 19 stable value fund providers to gain updated insights into the current landscape of stable value products since its inaugural study, released in 2010. The new study can be found at www.metlife.com/stablevaluestudy.

Among the study's findings:

- About half of all DC plans offer a stable value fund as an investment option. Estimates of the percentage of DC assets allocated to stable value range from 17% to 37%. At least \$540 billion associated with Stable Value Investment Association (SVIA) member companies is allocated to stable value funds.
- Among plan sponsors that offer stable value as an investment option in a 401(k) or 457 plan, 48% say that their stable value option is backed in part by traditional Guaranteed Investment Contracts (GICs); 31% say they include separate account GICs and 19% have synthetic GICs.
- The largest plans (10,000 or more participants) are likelier than small plans (100 to 999 participants) to say their offering is backed in part by a synthetic GIC (45% vs. 12%). About 75% of stable value fund providers said their offerings included more than one investment type.
- More than one in five plan sponsors (22%) that offer stable value funds to their participants did not know what types of stable value contracts back their offering. The low percentage of smaller plans identifying synthetics as elements of their stable value option suggests they may not be aware that pooled stable value funds often incorporate all three types of contracts. This finding is consistent with the results of MetLife's 2010 Stable Value Study.
- When accessing stable value funds, 62% of plan sponsors say they predominantly access or arrange their stable value offerings through a recordkeeper or full-service provider; an additional 13% of plans access stable value funds through a TPA.
- Only 5% of plan sponsors access stable value through a pooled fund offered by an investment-only stable value manager, and just 4% use a qualified professional asset manager (QPAM) to access their stable value offerings.