Retirement Income
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Managed accounts are a proxy for income options in DC plans: Cerulli

By Editorial Staff *Tue, Feb 6, 2018*

'While the DC industry continues to wonder how best to structure in-plan retirement income solutions..., managed accounts are quietly making progress as a less controversial option for plan sponsors to offer participants,' a Cerulli director said.

Despite strong annual growth, defined contribution (DC) managed accounts still represent only about 4% of total DC assets, according to Cerulli Associates, the global research consultant.

“Cost concerns, lack of participant understanding, and lack of qualified default investment alternative status” inhibit adoption of managed accounts in DC plans, said Jessica Sclafani, a director at Cerulli. Eight companies currently provide managed accounts to plan sponsors.

Plan sponsors offer managed accounts primarily because they “can be positioned as a retirement income solution,” Sclafani said in a release. “While the DC industry continues to wonder how best to structure in-plan retirement income solutions with guaranteed interest components, managed accounts are quietly making progress as a less controversial option for plan sponsors to offer participants.”

“Managed account providers seeking to demonstrate how their services are worth the additional cost versus a traditional target-date fund should focus on the additional capabilities a managed account service offers,” she added.

While 68% of the top-25 DC recordkeepers (by 2016 record-kept assets) offer a proprietary target-date fund, Cerulli said, only 28% offer a proprietary managed account service.

“Recordkeeping is sometimes referred to as a commoditized business,” Sclafani said. “But there are higher-margin asset management opportunities, such as proprietary target-date or managed account solutions.”

Cerulli’s latest report, *U.S. Retirement Markets 2017: The Rise of Fiduciary Services*, provides analysis of the U.S. retirement market; examines corporate defined benefit and DC assets, plans, and participants by plan asset and participant segment; and sizes the IRA market by assets and number of accounts.