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## Plan Sponsors Increasingly Turn to Investment Consultants—Cerulli

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By Editor Test     *Wed, Sep 30, 2009*

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Investment consultants have become the gatekeepers for asset managers hoping to distribute through a 401(k) platform, especially as plan sponsors demand best-of-breed managers and custom target-date funds, according to the third quarter issue of The Cerulli Edge-Retirement Edition.

This trend toward investment consultants cannot be ignored, the report said, since they now control as 41% of DC assets, with the majority of these assets in large plans over \$500 million in assets.

Over three-quarters of consultants said they want asset managers to demonstrate consistent investment performance track record without “surprises.”

“Consultants want stable investment organizations that have a repeatable process, and equally importantly, they want to know when something goes awry,” notes Scott Smith, senior analyst at Cerulli Associates.

Asset managers should develop the role of the portfolio specialist, he added. A good portfolio specialist takes relationship management burdens off of portfolio managers while using their investment knowledge to strengthen the relationship management team. Only 57% of consultants feel direct access to a portfolio manager is very important.

As the DC market increases in size and complexity, asset managers should be prepared for an institutional sale through investment consultants. By understanding how investment consultants operate and effectively meeting their demands, managers can be best poised to take part in custom target-date funds and open-architecture DC platforms.

Other findings from this issue of The Cerulli Edge-Retirement Edition include:

- As plan sponsors try to meet to higher fiduciary standards, they will increasingly turn to investment consultants.
- The best way for asset managers to reach the investment decision makers in a consulting firm is to understand the firm’s business structure and organization.
- The shift of client assets into alternatives and long-duration fixed income will create opportunities for managers with proven track records in these asset classes.