2020 Plan Investment Trends

Diversified Perspectives on Building a Diversified Portfolio

Highlights

12 Menu Mix

DC plans generally offer three times as many equity options as fixed income options in their investment lineup.

12 Stable, Valued

Stable value funds are the most common fixed income option.

13 Risky Business

Risk tolerance is the primary demographic consideration by advisors & plan sponsors in selecting a fixed income option.

18 Boxed In?

40 percent of advisors use a Morningstar style box in recommending fixed income options, compared to 71.9 percent who use one for equities.

22 Needs Improvement

More advisors stated fixed income education "needs improvement" than any other asset class other than real estate.

22 Staying Power?

Nearly two-thirds of advisors do not encourage retention of assets in the plan following separation.

Survey Features

Executive Summary

This report includes a detailed analysis of investment options in DC plans, with perspectives from both plan sponsors and advisors.

Full Tables

Included with the detailed analysis are the full supporting data tables from both plan sponsors and advisors.

Topical Index

The report includes a quick-reference topical index.

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Inside Front Cover

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Diversified Perspectives on Building a Diversified Portfolio

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2020 Plan Investment Trends.

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Acknowledgements

Thank you to everyone who took the time to respond to this inaugural *Plan Investment Trends*. Your contributions made this report possible.

PSCA would like to thank Janus Henderson for sponsoring this survey.

Janus Henderson
INVESTORS

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Executive Summary

Plan fiduciaries have long understood the need for a diversified portfolio. (See "Diversification Defined" below.) However, fixed income options have received neither the attention nor prominence of equity alternatives in most defined contribution menus. Various surveys show that a sizable majority of plans offer 15–20 investment options, where 10–12 are equity funds, 3–4 are fixed income funds, and 2–3 are other asset types.

To explore this apparent lack of diversification, and the potential implications for retirement savings plan fiduciaries, participants, and beneficiaries, PSCA and the National Association of Plan Advisors (NAPA), with sponsorship by Janus Henderson Investors, surveyed plan sponsors and retirement plan advisors (separately) between January 21 and February 21, 2020, regarding current plan menu designs and investment trends. Note that the survey responses were obtained as various equity market indices were still climbing to record levels — the S&P 500 and NASDAQ composite rose to record highs on February 19, 2020, and the COVID-19-driven declines started the very next day.

Responses were received from nearly 100 plan sponsors representing a wide range of plan sizes and industries, and separately from 200 retirement plan advisors who are primarily focused on 401(k) plans — many also work with a variety of plan types, including non-qualified deferred compensation, 403(b) and profit-sharing. The plan sponsor survey responses mirror what is generally considered to be a traditional plan menu investment architecture, with plans offering an average of 17 investment options, 10 of which are equity funds, four are fixed income funds, and three are other asset types (target date, balanced, etc.).

Diversification Defined

We're all familiar with the caution to avoid "putting all your eggs in one basket." It's a phrase whose original meaning was to be taken literally, in that if all the eggs gathered were in one basket and that basket were to be dropped, you could lose all the day's eggs. For plan fiduciaries, the admonition regarding portfolio diversification is more direct; specifically, they are directed to diversify the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

Technically, investment diversification is the practice of reducing the volatility of a retirement savings portfolio by using multiple, different investments to ensure that the exposure to any one type of asset is limited. Diversification is achieved when the investments in a portfolio react differently to the same economic events. Diversification can help mitigate risk and volatility by potentially reducing the number and severity of stomach-churning ups and downs. In a diverse portfolio, the performance of assets doesn't correlate with each other — when the value of one increases, the value of another may fall. While diversification does not ensure a profit nor provide a guarantee against losses, it lowers overall risk because, no matter what the economy does, some asset classes will benefit. When it comes to retirement savings, the four typical components of a diversified portfolio are domestic stocks, bonds, capital preservation fund, and international stocks.

Executive Summary

Key Survey Takeaways

1. **Equity Options Dominate Plan Menus:** Equity options outnumber fixed income options by approximately 3:1 on respondent plan menus, regardless of plan size. Advisors surveyed indicated they typically recommend three fixed income options.
2. **Advisor Recommendations Center on Stable Value:** Among the types of fixed income options typically recommended to plan sponsors, advisors were most likely to cite stable value fund (84.3 percent), intermediate/core (74 percent), and multi-sector (55.9 percent).
3. **Core Concentrations on Stable Value, Index Options:** Stable value (67.4 percent) and bond index (61.1 percent) funds dominate among plan sponsors' Core fixed income investments.
4. **Risk Tolerance, Retirement Age Top Fixed Income Factors:** When selecting fixed income options, plan sponsors and advisors frequently consider the same demographic criteria — risk tolerance (44.3 percent among sponsors, 56.3 percent among advisors) and retirement age (34.6 percent among sponsors, 40.8 percent among advisors).
5. **"Watched" Options Often Replaced:** Nearly half (49.4 percent) of respondent plans have placed a fixed income option on watch; more than half (51.3 percent) replaced that fund with a different one.
6. **Despite Complexities, Some Lack Fiduciary Help:** Fully one-third of plan sponsors confirmed that they do not have a fiduciary investment advisor.
7. **Fiduciaries More Likely to Flag Problems:** Among plan sponsors that retained a fiduciary advisor, nearly six in ten (58.5 percent) have had a fixed income option on watch compared to only four in 10 that do not have a fiduciary advisor.
8. **Fixed Assessments Forego "Style":** While nearly three-quarters (71.9 percent) of advisors incorporate a style box in their Core equity recommendations, less than four in ten (39.9 percent) do so for fixed income investments.
9. **"Essential" Elements in Fixed Income Recommendations:** When it comes to recommendations regarding fixed income options, risk/reward (94.6 percent), performance (98.5 percent), fees (95.1 percent), and quality (92.0 percent) dominate advisor thinking as "essential" or "preferred" factors.
10. **Fixed Income Education Falls Short:** While a third (34 percent) of advisors said the education and support they receive from asset managers on fixed income investments is "outstanding," 14.4 percent said they need improvement in education and support — more than twice the percentage (6.2 percent) cited for equity investments.

Detailed Summary of Results

Demographics

The survey represents responses from 96 plan sponsors of varying sizes, with more large plans (32.3 percent with 5,000 or more eligible employees) than small plans. *(See Table 1.)* More than 20 percent of plans have total assets of $1 billion or more. *(See Table 2.)*

Respondents also represent a diverse group of industries, with 13.5 percent in the durable goods manufacturing trade, 10.4 percent financial organizations, and 10.4 percent service organizations. *(See Table 3.)*

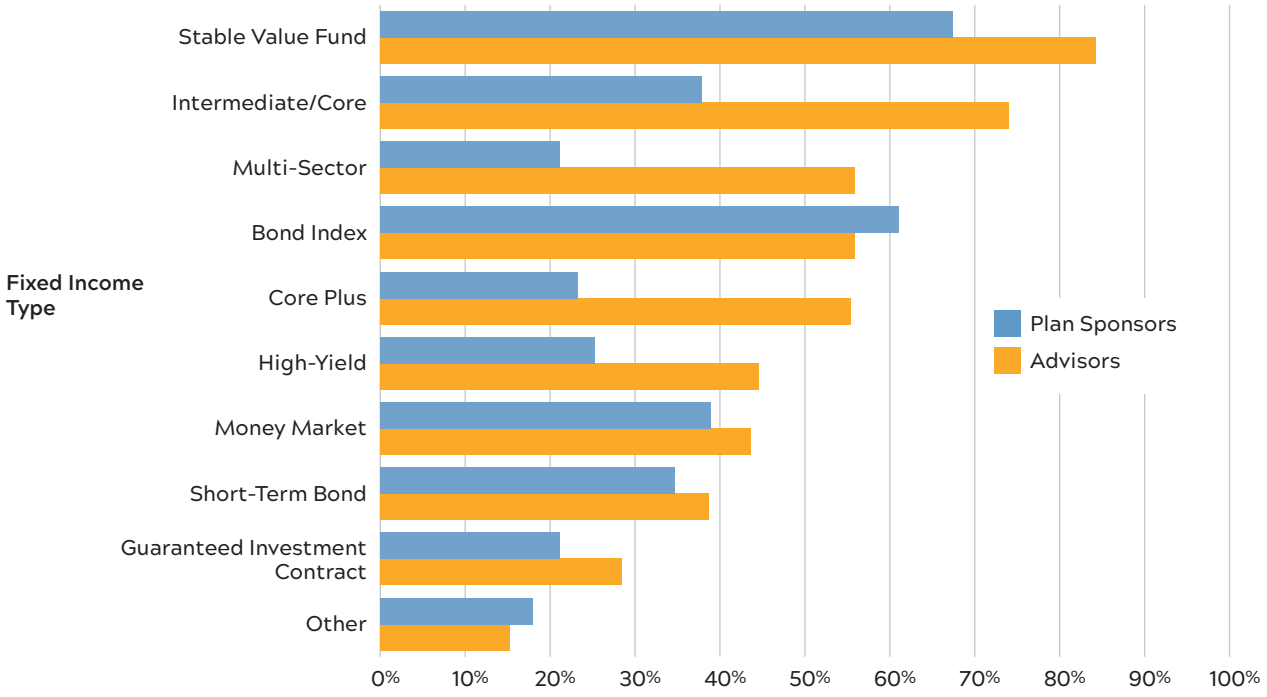
The survey also received responses from 204 advisors who work with a variety of plan types and sizes. Half of advisor respondents provide ERISA §3(21) services and 41.0 percent provide ERISA §3(38) services. *(See Table 22.)*

Fixed Income Options

Plan sponsors offer an average of 3.7 fixed income options compared to an average of 10.3 equity options. *(See Table 8.)* Advisors typically recommend three fixed income options, cited by 44.8 percent of advisors while 13.3 percent of advisors indicated the number recommended depends on the plan. *(See Table 33.)*

The most common fixed income options offered by plan sponsors were bond index (61.1 percent), stable value (67.4 percent), and money market (38.9 percent). *(See Table 9.)* Nearly three-quarters of advisors indicated they recommend intermediate/core funds, but fewer than 40 percent of plan sponsors state they offer them at present (37.9 percent). *(See Table 30.)*

Types of Fixed Income Options Provided or Recommended as Core Investment Options

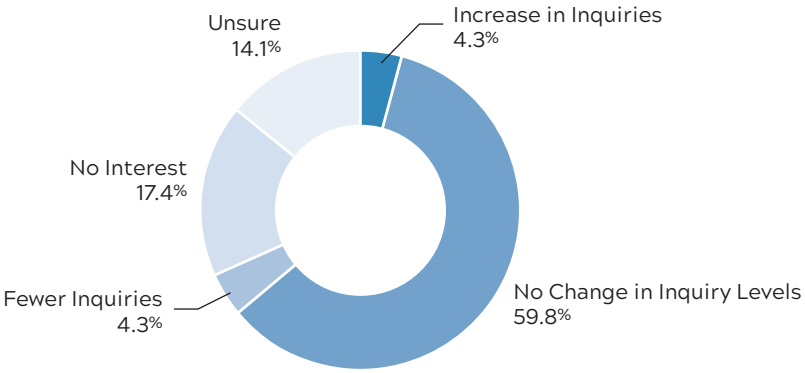


Half of plan sponsors indicated they had placed a fixed income option on watch. *(See Table 14.)* Among those that have, the option has typically been on watch until the next periodic review. *(See Table 15.)* Half of plan sponsors that have had a fixed income option placed on watch replaced that fund with a similar fund. *(See Table 16.)*

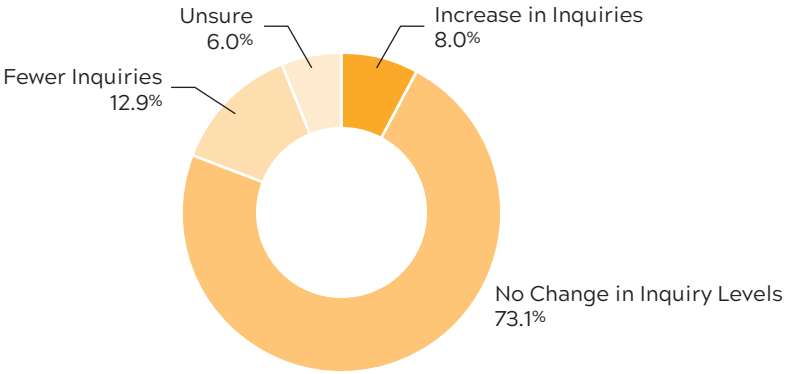
The survey was fielded prior to the COVID-19 coronavirus pandemic in America and the ensuing market volatility. Perhaps unsurprisingly under those circumstances, most plan sponsors indicted there had been no change in the levels of participant inquiry regarding their fixed income options, and 17.4 percent indicated no interest among participants. *(See Table 17.)* Echoing that result, more than 70 percent of advisors indicated no change in the number of inquiries from plan sponsors regarding fixed income options, and 73 percent indicated they experienced no increase in inquiry levels from participants. *(See Table 31.)*

Executive Summary

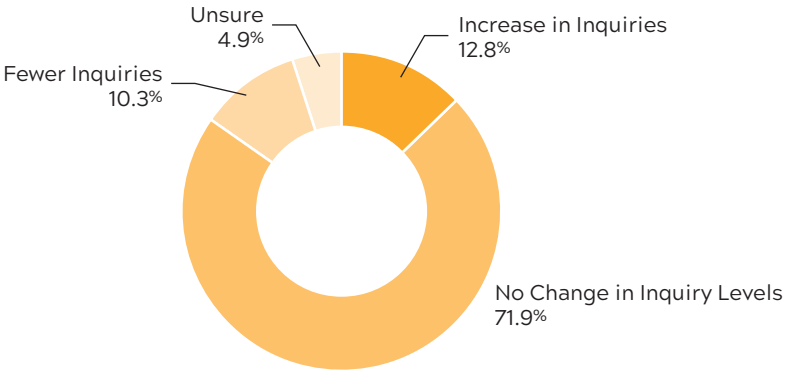
Plan Sponsor-Reported Inquiries from Participants



Advisor-Reported Inquiries from Participants



Advisor-Reported Inquiries from Plan Sponsors



Investment Selection and Monitoring

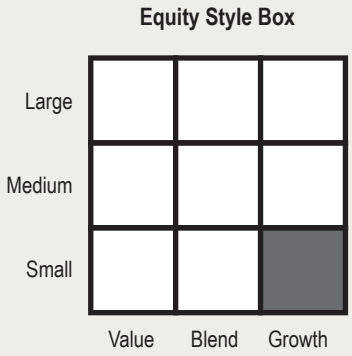
Just 40 percent of advisors incorporate the Morningstar style box *(see Box "Set" below)* in evaluating fixed income options compared to 71.9 percent of advisors who indicate they do so for equity investments. *(See Tables 25 and 26.)* In recommending fixed income options to plan sponsors, advisors consider risk/reward, performance, fees, and quality to be essential factors, while ESG considerations, sectors, and exposure to alternatives are considered optional factors. *(See Table 27)*.

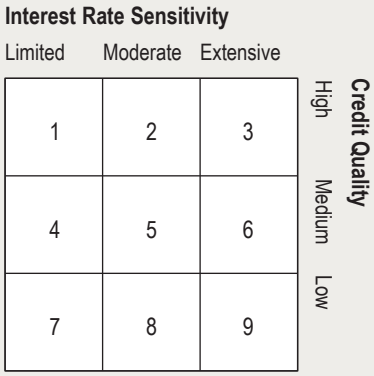
Generally speaking, plan sponsors do not appear to be focusing on participant demographics when selecting fixed income options. While academics and industry professionals have extensively documented the differences in investment knowledge and experience among today's diverse American workforce, gender, ethnicity, education level, and salary level were almost never considered by plan sponsors in selecting fixed income investments.. *(See Table 11.)* Rather, 44.3 percent indicated they always consider risk tolerance and a third said they look at retirement age. More than half of advisors (56.3 percent) indicated that they always consider risk tolerance, and 40 percent indicated they always consider retirement age and average age of participants when recommending fixed income options. *(See Table 29.)*

Box "Set"

While nearly three-quarters (72 percent) of surveyed advisors confirm that they regularly incorporate a nine-quadrant style box[1] when making recommendations for Core domestic equity investments, only 40 percent of advisors use the comparable style box when making recommendations for Core fixed income investments[2].

Equity boxes are determined using three organization-size categories or capitalization bands (small, midsize, and large) as well as three investment styles (value, blend and growth).





Fixed income boxes are determined using static or dynamic evaluations of interest rate sensitivity based on the bond fund's effective duration (limited, moderate, and extensive) as well as three levels of credit quality (high, medium, low).

Static duration breakpoints might be "Limited" (less than or equal to 3.5 years), "Moderate" (between 3.5 and 6 years), and "Extensive" (more than 6 years). Static credit quality breakpoints might be "Low" (less than "BBB-"), "Medium" (less than "AA-" but greater or equal to "BBB-"), "High" ("AA-" and higher).

[1] Investopedia, accessed 3/12/20 at: https://www.investopedia.com/terms/e/equity_stylebox.asp

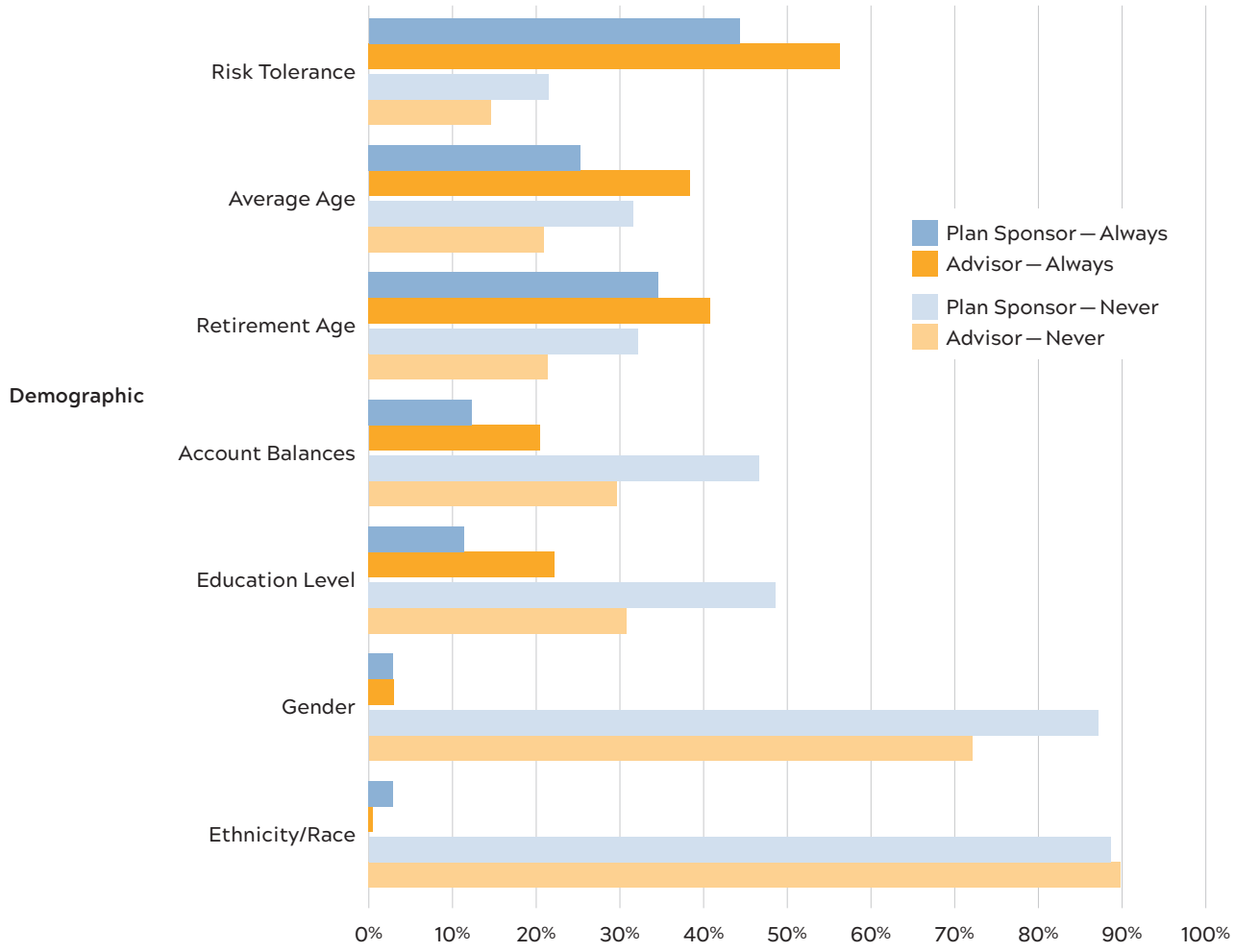
[2] Morningstar, Morningstar Style Box, accessed 3/12/20 at: http://www.morningstar.com/invglossary/morningstar_style_box.aspx

Executive Summary

Participant Demographics Considered When Selecting a Fixed Income Option by Plan Sponsors and Advisors

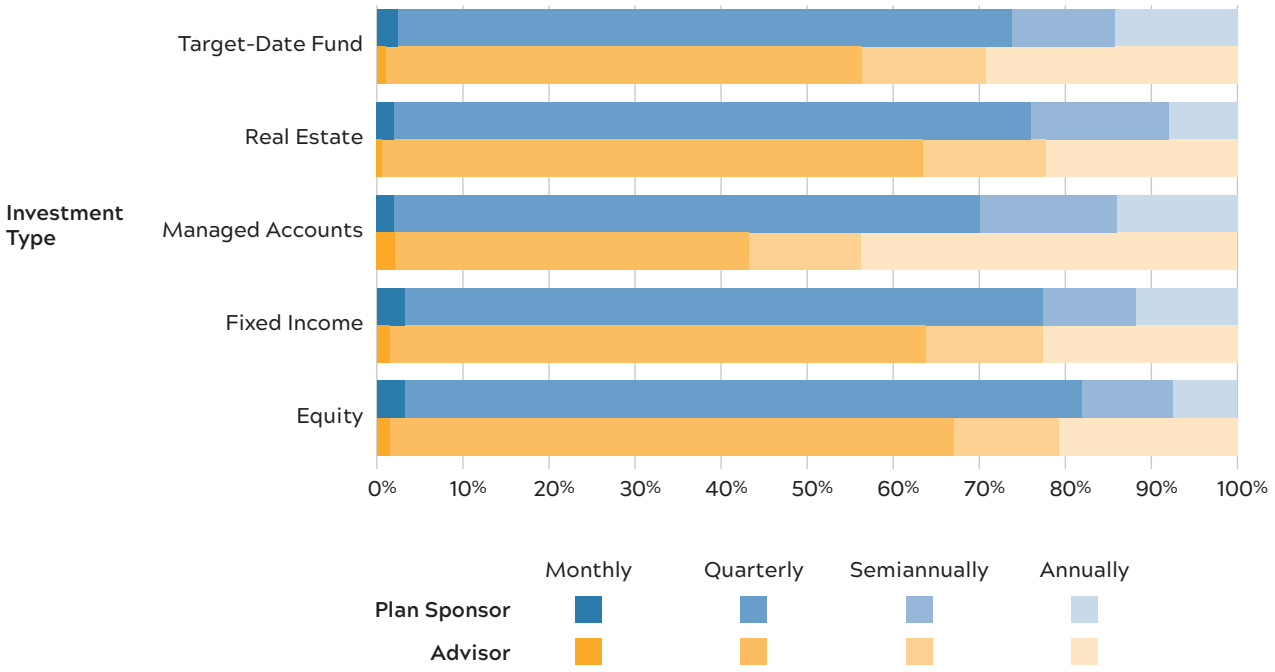
Demographic	Plan Sponsor Always	Advisor Always	Plan Sponsor Never	Advisor Never
Risk Tolerance	44.3%	56.3%	21.5%	14.6%
Average Age	25.3%	38.3%	31.6%	20.9%
Retirement Age	34.6%	40.8%	32.1%	21.4%
Account Balances	12.3%	20.4%	46.6%	29.6%
Education Level	11.4%	22.2%	48.6%	30.8%
Gender	2.9%	3.0%	87.1%	72.1%
Ethnicity/Race	2.9%	0.5%	88.6%	89.8%

Participant Demographics Considered When Selecting a Fixed Income Option by Plan Sponsors and Advisors



Most plan sponsors indicated that they evaluate their investment options quarterly, regardless of investment type. *(See Table 10.)* About 60 percent of advisors recommend plan sponsors evaluate investments at least quarterly. *(See Table 23.)*

Frequency of Investment Option Evaluation



Education

Three-fourths of plan sponsors receive comparable education support for all Core investment options. *(See Table 18.)* Most advisors indicated that education and support is "adequate" for all investment types, with 43.1 percent indicating it was "outstanding" for equities and 34.0 percent giving fixed income education an "outstanding" rating. *(See Table 36.)*

That said, there are clearly education gaps with fixed income options relative to other asset classes — more advisors stated fixed income education "needs improvement" than any other asset class than real estate — and it was more than twice the percentage that expressed that need regarding equity or target-date funds.

Full Data Tables

Following are the full data tables by section that support and expand on the data found in the Executive Summary. These tables are in line with the tables from previous survey reports.

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Plan Sponsor Responses — Demographics

Table 1 | **Respondents by Number of Plan Participants**

	Number of Plan Participants				
Respondent Breakdown	**1–199**	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Number of Plans	25	25	15	31	96
Percentage of Plans	26.0%	26.0%	15.6%	32.3%	99.9%

Table 2 | **Approximate Plan Asset Size of Respondents**

	Respondent Breakdown	
Total Assets	**Number of Plans**	**Percentage of Plans**
Less than $10 million	13	13.5%
$10–$50 million	18	18.8%
$50–$100 million	13	13.5%
$100–$250 million	13	13.5%
$250 million–$1 billion	18	18.8%
$1 billion or more	21	21.9%
Total	96	99.9%

Table 3 | **Industry**

	Respondent Breakdown	
Industry	**Number of Plans**	**Percentage of Plans**
Construction	4	4.2%
Durable Goods Manufacturing	13	13.5%
Engineering	2	2.1%
Financial	10	10.4%
Healthcare	3	3.1%
Insurance	6	6.3%
Non-Durable Goods Manufacturing	8	8.3%
Non-Profit Organization	3	3.1%
Real Estate	3	3.1%
Retail Trade	9	9.4%
Services	10	10.4%
Technology or Telecommunications	6	6.3%
Transportation	4	4.2%
Utility or Energy	7	7.3%
Wholesale Distribution	5	5.2%
Other	3	3.1%
Total	96	100.0%

Table 4 | **Average Age of Participant**

Participant Type	Average
Employed Participants	45.5 Years Old
Retired Participants	65.7 Years Old

Table 5 | **Types of Plans Offered**

Plan Types	Percentage of Plans
401(k)	95.7%
403(b)	4.3%
457	4.3%
Money Purchase	3.2%
Profit Sharing	25.5%
ESOP	11.7%
KSOP	1.1%
NQDC	21.3%
Defined Benefit	26.6%
Other (SEP, SIMPLE, etc.)	5.3%

Table 6 | **Plan Design Features Offered**

Design Feature	All Plans
Matching Employer Contribution	86.2%
Non-Matching Employer Contribution	50.0%
Automatic Enrollment	69.1%
Roth 401(k)	75.5%
Plan Loans	84.0%
Hardship Withdrawals	84.0%
In-Service Distributions	75.5%

Table 7 | **Plans that Work with an Advisor**

	Number of Plan Participants				
Advisor Type	**1–199**	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Fiduciary Advisor	56.0%	60.0%	42.9%	40.0%	50.0%
Advisor, not Fiduciary	28.0%	8.0%	7.1%	6.7%	12.8%
Fiduciary Consultant	4.0%	24.0%	7.1%	33.3%	19.1%
Consultant, not Fiduciary	0.0%	4.0%	0.0%	13.3%	5.3%
Other	4.0%	0.0%	0.0%	0.0%	1.1%
None	12.0%	8.0%	42.9%	6.7%	13.8%

Plan Sponsor Responses — Investments

Table 8 | **Average Number of Investment Options**

	Number of Plan Participants				
Investment Type	**1–199**	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Equity	11.2	11.1	10.7	9.0	10.3
Fixed Income	4.2	3.8	4.2	2.9	3.7
Multi-Asset (Balanced)	1.9	4.4	1.1	0.8	2.0
Target-Date Series	1.2	1.1	0.9	1.0	1.1
Other	1.4	1.2	1.6	1.6	1.5
Total	19.3	19.7	16.5	14.6	17.4

Table 9 | **Types of Fixed Income Options Offered as Core Investment Options**

Fixed Income Type	All Plans
Money Market	38.9%
Stable Value Fund	67.4%
Guaranteed Investment Contract	21.1%
Intermediate/Core	37.9%
Core Plus	23.2%
High-Yield	25.3%
Multi-Sector	21.1%
Short-Term Bond	34.7%
Bond Index	61.1%
Other	17.9%

Table 10 | **Frequency Investment Options are Evaluated by Type of Option**

	Frequency			
Investment Type	**Monthly**	**Quarterly**	**Semiannually**	**Annually**
Equity	3.2%	78.7%	10.6%	7.4%
Fixed Income	3.2%	74.2%	10.8%	11.8%
Real Estate	2.0%	74.0%	16.0%	8.0%
Target-Date Fund	2.4%	71.4%	11.9%	14.3%
Managed Accounts	2.0%	68.0%	16.0%	14.0%

Table 11 | **Participant Demographics Considered When Selecting a Fixed Income Option**

	Frequency			
Demographic	**Always**	**Sometimes**	**Occasionally**	**Never**
Average Age	25.3%	30.4%	12.7%	31.6%
Average Tenure	21.6%	25.7%	12.2%	40.5%
Retirement Age	34.6%	25.6%	7.7%	32.1%
Salary	13.7%	17.8%	16.4%	52.1%
Risk Tolerance	44.3%	21.5%	12.7%	21.5%
Education Level	11.4%	24.3%	15.7%	48.6%
Presence of Other Benefits	19.7%	15.8%	10.5%	53.9%
Gender	2.9%	5.7%	4.3%	87.1%
Account Balances	12.3%	23.3%	17.8%	46.6%
Ethnicity/Race	2.9%	4.3%	4.3%	88.6%

Table 12 | **Plans that Encourage Participants to Retain Assets in the Plan After Separation**

	Number of Plan Participants				
Encourage Asset Retention	**1–199**	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Only at Retirement	8.0%	4.2%	6.7%	0.0%	4.2%
Only at Separation, not Retirement	0.0%	0.0%	0.0%	0.0%	0.0%
At Separation Regardless of Reason	32.0%	29.2%	33.3%	48.4%	36.8%
No	60.0%	66.7%	60.0%	51.6%	58.9%
Total	100.0%	100.1%	100.0%	100.0%	99.9%

Table 13 | **Plans that Offer Retirement Income Options**

	Number of Plan Participants				
	1–199	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Percentage of Plans	12.5%	18.2%	6.7%	22.6%	16.3%

Table 14 | **Plans that Have Had a Fixed Income Option on Watch**

	Number of Plan Participants				
	1–199	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Percentage of Plans	57.9%	36.8%	50.0%	51.7%	49.4%

Table 15 | **Length of Time Plans Had a Fixed Income Option on Watch**

Watch Time	**All Plans**
Until the Next Review	51.3%
For a Specified Period	35.9%
Other	12.8%

Table 16 | **Action Ultimately Taken for Fixed Income Option Placed on Watch**

Action Taken	All Plans
Still on Watch Today	10.3%
Removed from Watch List	28.2%
Walled off from New Money	2.6%
Replaced with a Different Fund	51.3%
Other	7.7%

Table 17 | **Inquiries from Participants in the Last Year Regarding Fixed Income Options**

	Number of Plan Participants				
Inquiries	**1–199**	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Increase in Inquiries	4.2%	4.2%	7.1%	3.3%	4.3%
No Change in Inquiry Levels	62.5%	58.3%	50.0%	63.3%	59.8%
Fewer Inquiries from Plan Participants	0.0%	8.3%	7.1%	3.3%	4.3%
No Inquiries from Plan Participants	16.7%	8.3%	28.6%	20.0%	17.4%
Unsure	16.7%	20.8%	7.1%	10.0%	14.1%

Table 18 | **Education and Support for Investment Types**

	Number of Plan Participants				
Investment Type Support	**1–199**	**200–999**	**1,000–4,999**	**5,000+**	**All Plans**
Comparable for All Core Investment Options	76.0%	87.5%	66.7%	76.7%	77.7%
More for Equity Options	0.0%	4.2%	13.3%	0.0%	3.2%
More for Fixed Income Options	0.0%	0.0%	0.0%	0.0%	0.0%
More for Mixed-Asset Investment Options	8.0%	4.2%	13.3%	6.7%	7.4%
Unsure	16.0%	4.2%	6.7%	16.7%	11.7%

Advisor Responses — Demographics

Table 19 | **Average Plan Size with Which Respondent Advisors Typically Work**

Total Assets	Percentage of Advisors
Less than $10 million	45.0%
$10–$50 million	36.5%
$50–$100 million	10.5%
$100–$250 million	3.5%
$250 million–$1 billion	3.0%
$1 billion or more	1.5%
Total	100.0%

Table 20 | **Types of Retirement Plans with Which Respondent Advisors Typically Work**

Plan Type	Percentage of Advisors
401(k)	99.5%
403(b)	72.0%
457	47.5%
Money Purchase	27.0%
Profit Sharing	70.0%
ESOP	16.5%
KSOP	6.5%
NQDC	43.5%
Other (SEP, SIMPLE, etc.)	26.0%

Table 21 | **Types of Advisors**

Advisor Type	Percentage of Advisors
RIA	63.1%
Wirehouse	7.1%
B/D	6.6%
Independent	12.1%
Insurance	1.0%
Other	10.1%
Total	100.0%

Table 22 | **Types of Services Provided by Advisors**

Services Provided	Percentage of Advisors
3(38)	41.0%
3(21)	49.5%
Neither	9.5%
Total	100.0%

Advisor Responses — Investments

Table 23 | **How Frequently Advisors Recommend Sponsors Evaluate Investments**

	Frequency			
Investment Type	**Monthly**	**Quarterly**	**Semiannually**	**Annually**
Equity	1.5%	65.5%	12.3%	20.7%
Fixed Income	1.5%	62.3%	13.6%	22.6%
Real Estate	0.6%	62.8%	14.4%	22.2%
Target-Date Fund	1.0%	55.4%	14.4%	29.2%
Managed Accounts	2.1%	41.1%	13.0%	43.8%

Table 24 | **Percentage of Advisors Who Typically Incorporate the Morningstar Style Box for Core Equity Investments**

Use Morningstar Style Box	Percentage of Advisors
Yes	71.9%
Sometimes	10.3%
No	8.4%
Use Something Else	9.4%
Total	100.0%

Table 25 | **Percentage of Advisors Who Typically Incorporate the Morningstar Style Box for Fixed Income Options**

Use Morningstar Style Box	Percentage of Advisors
Yes	39.9%
Sometimes	27.1%
No	24.6%
Use Something Else	8.4%
Total	100.0%

Table 26 | **Percentage of Their Clients Who Advisors State Have Adopted an Investment Policy Statement**

Percentage of Clients	Percentage of Advisors
0%–25%	4.0%
26%–50%	4.0%
51%–75%	7.9%
76%–100%	82.7%
Unsure	1.5%
Total	100.0%

Table 27 | **Factors Important to Advisors in Recommending a Fixed Income Option for a Plan**

	Importance Ranking				
Factor	Essential	Preferred	Optional	Irrelevant	Unsure
Performance	63.2%	35.3%	1.0%	0.5%	0.0%
Price	39.2%	35.2%	11.6%	10.1%	4.0%
Fees	60.1%	35.0%	4.4%	0.5%	0.0%
Risk/Reward	66.2%	28.4%	4.4%	0.0%	1.0%
Duration	43.1%	47.0%	7.9%	1.0%	1.0%
Passive/Active Management	30.8%	35.8%	29.9%	2.5%	1.0%
Diversification	44.1%	46.5%	9.4%	0.0%	0.0%
Quality	53.0%	39.0%	7.0%	0.5%	0.5%
Investment Transparency	46.3%	40.4%	10.3%	2.0%	1.0%
Experience with Fund Manager	28.7%	42.1%	24.3%	3.5%	1.5%
Portfolio Manager Tenure	37.9%	45.3%	13.8%	2.0%	1.0%
Correlation with Equities	23.8%	39.6%	26.7%	6.9%	3.0%
Yield	25.1%	50.2%	20.7%	3.4%	0.5%
Exposure to Alternatives	7.5%	26.0%	47.0%	15.0%	4.5%
Sectors	11.7%	39.1%	38.6%	8.1%	2.5%
ESG Factors	2.0%	14.4%	48.5%	32.7%	2.5%
Max Drawdown	15.5%	30.5%	33.0%	13.5%	7.5%

Table 28 | **Frequency Fixed Income Fund Factors are Evaluated**

	Frequency			
Factor	**Monthly**	**Quarterly**	**Semiannually**	**Annually**
Performance	10.9%	70.8%	8.4%	9.9%
Price	9.5%	60.3%	8.9%	21.2%
Fees	6.0%	64.2%	10.0%	19.9%
Risk/Reward	9.1%	66.5%	11.2%	13.2%
Duration	5.1%	65.1%	11.8%	17.9%
Passive/Active Management	4.0%	63.8%	12.1%	20.1%
Diversification	4.2%	66.1%	10.9%	18.8%
Quality	4.6%	69.5%	10.7%	15.2%
Investment Transparency	6.1%	59.7%	11.0%	23.2%
Experience with Fund Manager	4.7%	57.0%	13.4%	25.0%
Portfolio Manager Tenure	5.3%	64.7%	12.1%	17.9%
Correlation with Equities	2.3%	57.9%	15.8%	24.0%
Yield	5.4%	66.1%	12.4%	16.1%
Exposure to Alternatives	2.0%	60.1%	13.1%	24.8%
Sectors	3.0%	62.5%	13.7%	20.8%
ESG Factors	2.6%	51.3%	15.4%	30.8%
Max Drawdown	3.4%	58.1%	11.5%	27.0%

Table 29 | **Frequency Participant Demographics Considered when Recommending Fixed Income Options**

	Frequency			
Demographic	**Always**	**Sometimes**	**Occasionally**	**Never**
Average Age	38.3%	30.1%	10.7%	20.9%
Average Tenure	12.2%	27.0%	21.9%	38.8%
Retirement Age	40.8%	28.1%	9.7%	21.4%
Salary	17.3%	28.9%	20.3%	33.5%
Risk Tolerance	56.3%	20.6%	8.5%	14.6%
Education Level	22.2%	31.3%	15.7%	30.8%
Presence of Other Benefits	24.7%	30.9%	18.6%	25.8%
Gender	3.0%	12.7%	12.2%	72.1%
Average Account Balances	20.4%	34.2%	15.8%	29.6%
Ethnicity/Race	0.5%	3.6%	6.1%	89.8%

Table 30 | **Types of Fixed Income Options Typically Recommended to Plan Sponsors**

Fixed Income Type	Percentage of Advisors
Money Market	43.6%
Stable Value Fund	84.3%
Guaranteed Investment Contract	28.4%
Intermediate/Core	74.0%
Core Plus	55.4%
High-Yield	44.6%
Multi-Sector	55.9%
Short-Term Bond	38.7%
Bond Index	55.9%
Other	15.2%

Table 31 | **Inquiries from Plan Sponsors and Participants in the Last Year Regarding Fixed Income Options**

	Population Inquiring	
Inquiries	Plan Sponsors	Participants
Increase in Inquiries	12.8%	8.0%
No Change in Inquiries	71.9%	73.1%
Fewer Inquiries	10.3%	12.9%
Unsure	4.9%	6.0%
Total	99.9%	100.0%

Table 32 | **Percentage of Advisors Who Recommend Limiting the Number of Core Investment Options**

Recommendation	Percentage of Advisors
Recommend 15 or less	41.3%
Recommend 16 to 25	39.3%
Recommend 25 or More	1.5%
Varies on Plan/Participant Characteristics	14.9%
Do Not Recommend a Limit	3.0%
Total	100.0%

Table 33 | **Number of Fixed Income Options Advisors Typically Recommend**

Number	Percentage of Advisors
One	2.0%
Two	10.8%
Three	44.8%
More than Three	28.6%
None	0.5%
Depends on Plan	13.3%
Total	100.0%

Table 34 | **Advisors Who Encourage Plan Sponsors to Encourage Participants to Retain Assets in the Plan After Separation**

Encourage Asset Retention	Percentage of Advisors
Only at Retirement	10.1%
Only at Separation, not Retirement	22.1%
At Separation Regardless of Reason	6.0%
Do Not Encourage Retention of Assets	61.8%
Total	100.0%

Table 35 | **Advisors Who Recommend Plan Sponsors Offer Retirement Income Options**

	Percentage of Advisors
Retirement Income Option Recommended	19.9%

Table 36 | **Rating of Sources of Education and Support for Investment Options from Asset Managers**

	Rating		
Investment Type	Outstanding	Adequate	Needs Improvement
Equity	43.1%	50.8%	6.2%
Fixed Income	34.0%	51.5%	14.4%
Real Estate	22.2%	52.8%	25.0%
Target-Date Fund	48.4%	45.3%	6.3%
Other	24.7%	63.5%	11.8%

Survey Questionnaire

The following nine pages are the survey questionnaires used to collect data for PSCA's *2020 Plan Investment Trends.* Both the Plan Sponsor and Advisor questionnaire versions are included. The questionnaires were distributed online only.

Fixed Income Survey – Plan Sponsor Version

1. How many investment options does your DC plan offer?

   Equity Investment Options: _____
   Fixed Income Investment Options: _____
   Multi-Asset (Balanced) Investment Options: _____
   Target-Date Funds: _____
   Other: _____
   Total Funds Offered: _____

   If "other" indicated above, please describe: _____

2. What types of fixed income do you offer as Core investment options? Check all that apply.
   - ☐ Money Market
   - ☐ Stable Value Fund
   - ☐ Guaranteed Investment Contract
   - ☐ Intermediate/Core
   - ☐ Core Plus
   - ☐ High-Yield
   - ☐ Multi-Sector
   - ☐ Short-Term Bond
   - ☐ Bond Index
   - ☐ Other: _____

3. Generally speaking, how often do you evaluate the investment options in your plan?

	Monthly	Quarterly	Semiannually	Annually	N/A
Equity					
Fixed Income					
Real Estate					
Target-Date Fund					
Managed Account					

4. Which, if any, participant demographics do you consider when selecting a fixed income option?

	Always	Sometimes	Occasionally	Never
Average Age				
Average Tenure				
Retirement Age				
Salary				
Risk Tolerance				
Education Level				
Presence of Other Benefits				
Gender				
Account Balances				
Ethnicity/Race				

1a

5. Do you typically encourage participants to retain assets in the plan after separation?
   - ◻ Yes, but only at retirement
   - ◻ Yes, at separation, but not at retirement
   - ◻ Yes, at separation, regardless of reason
   - ◻ No

6. Do you offer a retirement income option?
   - ◻ Yes
   - ◻ No

   If yes, what income and cash flow options do you offer? _____

7. Have you ever had a fixed income option on your plan menu put on "watch"?
   - ◻ Yes
   - ◻ No
   - ◻ I don't know

   If yes, how long did it stay on watch?
   - ◻ Until the next review
   - ◻ For a specified period (calendar quarter, calendar year, etc.)

   If yes, what action was ultimately taken?
   - ◻ Still on watch today
   - ◻ Removed from watch list
   - ◻ Walled off from new money
   - ◻ Replaced with a fund having the same characteristics with a different fund manager
   - ◻ Other: _____

8. Generally speaking, with regard to fixed income options, over the past year, have you:
   - ◻ Experienced an increase in inquiries from plan participants regarding those options?
   - ◻ Experienced no change in inquiry levels from plan participants regarding those options?
   - ◻ Experienced less interest from plan participants regarding those options?
   - ◻ Experienced no interest from plan participants regarding those options?
   - ◻ Unsure

9. Do you receive comparable levels of education and support for all Core investments or do asset managers provide more education and support for certain Core investment options?
   - ◻ Comparable for all Core investment options
   - ◻ More for equity options
   - ◻ More for fixed income options
   - ◻ More for mixed-asset investment options (balanced funds, target-date investments, etc.)
   - ◻ Unsure

2a

Plan Sponsor Demographics Questions

1. What type of plan(s) do you offer? (Check all that apply.)
   - ◻ 401(k)
   - ◻ 403(b)
   - ◻ 457
   - ◻ Money Purchase
   - ◻ Profit Sharing
   - ◻ ESOP
   - ◻ KSOP
   - ◻ NQDC
   - ◻ Other (SEP, SIMPLE, etc.): _____

2. Approximately how many participants are in your 401(k) plan?
   - ◻ 1–49
   - ◻ 50–199
   - ◻ 200–999
   - ◻ 1,000–4,999
   - ◻ 5,000+

3. What is the approximate total value of total plan assets?
   - ◻ Less than $10 million
   - ◻ $10–$50 million
   - ◻ $50–$100 million
   - ◻ $100–$250 million
   - ◻ $250 million–$1 billion
   - ◻ $1 billion or more

4. Please indicate which category most closely describes your industry.
   - ◻ Construction
   - ◻ Durable Goods Manufacturing
   - ◻ Engineering
   - ◻ Financial
   - ◻ Healthcare
   - ◻ Insurance
   - ◻ Non-Durable Goods Manufacturing
   - ◻ Non-Profit Organization
   - ◻ Real Estate
   - ◻ Retail Trade
   - ◻ Services
   - ◻ Technology or Telecommunications
   - ◻ Transportation
   - ◻ Utility or Energy
   - ◻ Wholesale Distribution
   - ◻ Other: _____

5. What is your plan's average:

   Participant age: _____

   Retirement age: _____

3a

6. Do you currently work with an advisor or consultant? If so, what type?
   - ◻ No
   - ◻ Advisor, as a fiduciary
   - ◻ Advisor, not a fiduciary
   - ◻ Consultant, as a fiduciary
   - ◻ Consultant, not a fiduciary
   - ◻ Other: _____

7. What plan design features does your plan offer? Please respond for your largest DC plan if your organization offers more than one. Check all that apply.
   - ◻ Matching Employer Contribution
   - ◻ Automatic Enrollment
   - ◻ Roth 401(k)
   - ◻ Plan Loans
   - ◻ Hardship Withdrawals
   - ◻ In-service Distributions

4a

Fixed Income Survey – Advisor Version

1. Generally speaking, how often do you recommend sponsors evaluate the investment options in their plans?

	Monthly	Quarterly	Semiannually	Annually	N/A
Equity					
Fixed Income					
Real Estate					
Target-Date Fund					
Managed Account					

2. Do you typically incorporate the Morningstar Style Box (nine-box grid, measuring capitalization and investment style) for Core equity investments?
   - ◻ Yes
   - ◻ Sometimes
   - ◻ No
   - ◻ I use something else (please specify): _____

3. Do you typically incorporate the Morningstar Style Box (9 box grid, measuring interest rate sensitivity and credit quality) for Core Fixed Income investments?
   - ◻ Yes
   - ◻ Sometimes
   - ◻ No
   - ◻ I use something else (please specify)

4. Approximately what percentage of the plans you work with have adopted an Investment Policy Statement?
   - ◻ 0%–25%
   - ◻ 26%–50%
   - ◻ 51%–75%
   - ◻ 76%–100%
   - ◻ Unsure

5. Approximately how many plans do you currently work with? _____

1b

6. Please rank the following considerations by importance in evaluating/recommending a fixed income option for a plan.

	Essential	Preferred	Optional	Irrelevant	Unsure
Performance					
Price					
Fees					
Risk/Reward					
Duration					
Passive/Active Management					
Diversification					
Quality					
Investment Transparency					
Experience with Fund Manager					
Portfolio Manager Tenure					
Correlation with Equities					
Yield					
Exposure to Alternatives					
Sectors					
ESG Factors					
Max Drawdown					

7. With regard to the fixed income options in the plans with which you work, how often do you review the following?

	Monthly	Quarterly	Semiannually	Annual	N/A
Performance					
Price					
Fees					
Risk/Reward					
Duration					
Passive/Active Management					
Diversification					
Quality					
Investment Transparency					
Experience with Fund Manager					
Portfolio Manager Tenure					
Correlation with Equities					
Yield					
Exposure to Alternatives					
Sectors					
ESG Factors					
Max Drawdown					

2b

8. Which, if any, participant demographics do you consider when recommending/selecting a fixed income option?

	Always	Sometimes	Occasionally	Never
Average Age				
Average Tenure				
Retirement Age				
Salary				
Risk Tolerance				
Education Level				
Presence of Other Benefits				
Gender				
Account Balances				
Ethnicity/Race				

9. Which fixed income options do you typically recommend to plan sponsors?
   - ◻ Money Market
   - ◻ Stable Value Fund
   - ◻ Guaranteed Investment Contract
   - ◻ Intermediate/Core
   - ◻ Core Plus
   - ◻ High-Yield
   - ◻ Multi-Sector
   - ◻ Short-Term Bond
   - ◻ Bond Index
   - ◻ Other: _____

10. Generally speaking, please indicate the amount of inquiries you have received regarding fixed income options during the last year (compared to previous years).

	Increase in Inquiries	No Change	Fewer	Unsure
From Plan Sponsors				
From Participants				

11. Excluding target-date investments, do you typically recommend the plan sponsor limit the number of Core investment options?
   - ◻ No
   - ◻ Yes, generally 15 or fewer
   - ◻ Yes, generally 16–25
   - ◻ Yes, generally 25+
   - ◻ Yes, varies based on plan/participant characteristics

3b

12. Excluding target-date investments and managed accounts, how many fixed income options do you typically recommend for the plans with which you work?
    - ◻ 1
    - ◻ 2
    - ◻ 3
    - ◻ More than 3
    - ◻ None
    - ◻ Varies based on plan/participant characteristics

    If it varies based on plan/participant characteristics, what factors do you consider in recommending a maximum number of Core Investment options?
    - ◻ Average Age
    - ◻ Average Tenure
    - ◻ Retirement Age
    - ◻ Salary
    - ◻ Risk Tolerance
    - ◻ Education Level
    - ◻ Presence of Other Benefits
    - ◻ Gender
    - ◻ Average Account Balances
    - ◻ Ethnicity/Race
    - ◻ Other: _____

13. Do you typically encourage plan sponsors to encourage participants to retain assets in the plan after separation?
    - ◻ Yes, but only at retirement
    - ◻ Yes, at separation, but not at retirement
    - ◻ Yes, at separation, regardless of reason
    - ◻ No

14. Do you currently offer a retirement income option?
    - ◻ Yes
    - ◻ No

    If yes, what income and cash flow options do you typically recommend a plan sponsor consider?
    _____

15. How would you rate the sources of education and support for investment options from asset managers?

	Outstanding	Adequate	Needs Improvement	Unsure
Equity				
Fixed Income				
Real Estate				
Target-Date Fund				
Real Estate				
Other				

4b

Demographics

1. Average plan size that you service:
   - ◻ Less than $10 million
   - ◻ $10 – $50 million
   - ◻ $50 – $100 million
   - ◻ $100 – $250 million
   - ◻ $250 million – $1 billion
   - ◻ $1 billion or more

2. Types of plans you work with:
   - ◻ 401(k)
   - ◻ 403(b)
   - ◻ 457
   - ◻ Money Purchase
   - ◻ Profit Sharing
   - ◻ ESOP
   - ◻ KSOP
   - ◻ NQDC
   - ◻ Other (SEP, SIMPLE, etc.)

3. Type of advisor
   - ◻ RIA
   - ◻ Wirehouse
   - ◻ B/D
   - ◻ Independent
   - ◻ Insurance
   - ◻ Other

4. Do you offer 3(38) or 3(21) services? Check all that apply.
   - ◻ 3(38)
   - ◻ 3(21)
   - ◻ Both
   - ◻ Neither

5b

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