The Path Forward
Designing the Ideal Defined Contribution Plan

Northern Trust
We hope you enjoy the latest presentation from Northern Trust’s Line of Sight. By providing research, findings, analysis and insight on the effects and implications of our changing financial landscape, Line of Sight offers the clarity you need to make better informed decisions.
THE PATH FORWARD: DESIGNING THE IDEAL DEFINED CONTRIBUTION PLAN

How would you design the ideal workplace defined contribution (DC) plan if you were freed from existing laws, structures, history, and standard industry practices? That is the question Northern Trust put to a group of the largest DC plan sponsors – many of which are multi-national organizations – and several of the most influential investment consultants in the United States in their recently conducted research study, *The Path Forward: Designing the Ideal Defined Contribution Plan*. This study represents the first in a series that will examine candid perspectives of leading industry practitioners regarding DC industry challenges and potential solutions. This research initiative translates the insights from these plan sponsor and consultant conversations into:

- Key characteristics of the ideal DC plan;
- Practical solutions that can be applied now; and
- Thought-provoking ideas for DC plans in the future.

Northern Trust launched the study for a good reason: DC plans have become the primary retirement savings vehicle for many U.S. workers and the DC structure will only grow in importance as other sources traditionally relied upon by U.S. workers for retirement funding come under increased pressure or disappear entirely.
Most young workers in the private sector today may never participate in the employer-sponsored defined benefit (DB) pension plans, which have served as the foundation for employee retirement funding since World War II. Even current participants in DB plans have reason for concern as private sector companies are pressured to seek ways to limit their exposure to pension risk. Cash-strapped municipalities and states contend with a funding deficit estimated between $2 trillion and $3 trillion. As for Social Security – the third leg of the traditional retirement stool – experts may disagree on precisely how dire the funding crisis facing the program will prove to be. However, no one disputes the need for an increase in retirement age or other adjustments in order to keep the system solvent.

Like it or not, these changes are thrusting DC plans into the role of the primary retirement savings vehicle for U.S. employees. DC plans held 55% of total pension assets in the United States as of January 2010 – compared to 41% worldwide – according to research from Towers Watson.1 That share is sure to grow rapidly in coming years as 1) companies respond to mounting pension costs and tougher accounting rules by closing their DB plans to new employees, and 2) public plan sponsors eventually come to grips with the unsustainable current DB model. In fact, according to the Bureau of Labor Statistics, employers have frozen DB plans for one in five private industry workers that once had access to these plans.2

In light of the critical role that DC plans will play in the national economy in coming years, it would be reassuring to know that the current model was the result of careful planning aimed at creating the most efficient structure possible. In truth, however, the existing DC structures evolved almost haphazardly when Congress amended the Internal Revenue Code by adding section 401(k) in 1978. Most experts agree that the current model has serious shortcomings.

With cracks already appearing, failings in DC plan structures will take on huge significance if, as expected, these employer-sponsored plans become the cornerstone component of the nation’s retirement system. Thus plan sponsors and policy-makers alike should review improving the DC structure as an essential task. Simply put: There is too much riding on the success of the DC system to risk getting it wrong.

RESEARCH APPROACH:
DESIGNING THE IDEAL WORKPLACE DC PLAN

To identify ways to improve the effectiveness of DC plans, Northern Trust conducted detailed interviews with 50 large U.S. DC plan sponsors and five leading investment consultants in North America specializing in the DC area. Altogether, the DC plans included in the analysis represent more than 970,000 participants and more than $100 billion in assets. Study participants were asked to describe the ideal characteristics of DC plans in the following key areas:

- Plan design and features
- Investment options
- Employee education and advice
- Administration
- Fees

According to the participants, the ideal plan would be simple, automatic and cost-effective. “If one believes that the main purpose of any defined contribution plan is to help individuals focus on accumulation, an ideal defined contribution structure should possess each of
**CHARACTERISTICS OF IDEAL PLAN STRUCTURE**

<table>
<thead>
<tr>
<th>Key Characteristics</th>
<th>Why This Makes Sense</th>
</tr>
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<tbody>
<tr>
<td>1. Mandatory participation for all employees.</td>
<td>Employees are automatically enrolled into the plan on their first day of employment, thereby ensuring immediate savings.</td>
</tr>
<tr>
<td>2. Default employee contributions of 5% – 6% of salary.</td>
<td>This contribution rate automatically increases on an annual basis until it reaches 11% – 12% of salary, the contribution level commonly recommended for retirement security.</td>
</tr>
<tr>
<td>3. No limit on employee contributions.</td>
<td>Though limits on employer matching contributions and government-sponsored tax deferral are acceptable, unlimited post-tax employee contributions encourage higher levels of saving.</td>
</tr>
<tr>
<td>4. Immediate vesting of employer contributions.</td>
<td>Immediate vesting allows today’s more mobile workforce to recognize immediate benefit from plan participation.</td>
</tr>
<tr>
<td>5. Participant loans are not permitted, unless under duress.</td>
<td>Prohibiting loans removes participant temptation from drawing upon balances for non-retirement-related expenses. Hardship withdrawals are the exception to this rule.</td>
</tr>
<tr>
<td>6. Continuation of shared decision-making between plan sponsor and participants.</td>
<td>Participants are responsible for investments and asset allocations within guidelines established by sponsors, which enables participants to control their money while ensuring adherence to prudent investment practices.</td>
</tr>
<tr>
<td>7. Optimized investment menus.</td>
<td>Investment lineups are required to include asset allocation funds like target date or other managed options, but can also include more flexible options for more informed or active participants.</td>
</tr>
<tr>
<td>8. Broad-based advice for participants.</td>
<td>Participants have access to advice that not only focuses on investment products, but also long-term financial planning, offered in an environment of reduced concern about potential liability.</td>
</tr>
<tr>
<td>9. High levels of fee transparency.</td>
<td>Participants receive clear and concise information regarding administration expenses, investment management fees and participant-initiated transaction fees.</td>
</tr>
</tbody>
</table>

Plan sponsors and consultants expressed preferences and suggestions that they believe, when distilled into the 10 characteristics, left, would define the ideal DC plan structure.
these three traits in order to satisfy the requirements of the different constituencies that are relying on saving efficiently in defined contribution plans,” said Jim Danaher, senior investment product manager for Defined Contribution Solutions at Northern Trust Global Investments, the asset-management arm of Northern Trust. “Among those constituencies are employees who need an efficient means of accumulating assets for retirement, employers in need of a cost-effective benefit to attract and retain valuable employees, and policy-makers in need of a reliable savings vehicle in an age of lengthening life spans, pension funding crises and chronic under-saving.”

One investment consultant’s description of the ideal plan encapsulated many of these elements. “The ideal defined contribution plan is one that participants are defaulted into at a reasonable – but aggressive – contribution rate that is matched by an employer contribution,” he said. “It uses best-of-breed, institutional quality investment managers across multiple asset classes, including alternatives and non-liquid asset classes. It puts participants in an asset allocation designed specifically to suit the individual’s specific needs, using not only age but also any other information that is relevant to define what is an appropriate allocation for them.”

This view lays bare the one fault line between the visions of the ideal DC plan described by plan sponsors and those of investment consultants. This investment consultant suggested that plan sponsors assume much of the responsibility for decision making within the DC plan. In fact, in areas including enrollment, contributions levels and investment options, investment consultants consistently expressed a desire to take critical decisions out of the hands of plan participants altogether. Time and again, plan sponsors pushed back at these suggestions, which they view as excessively “paternalistic.” Rather than assuming direct responsibility for their employees’ decisions, plan sponsors believe employers should design efficient retirement programs – through strong investment options and deployment of automatic plan features – but then allow employees to make informed decisions about what is best for them and their money.

In general, however, the plan sponsors and consultants interviewed for the study were in broad agreement about the basic characteristics of the ideal DC plan in terms of plan design, investment options, employee education and advice, plan administration and fees.

**PLAN DESIGN: MANDATORY PARTICIPATION FOR ALL EMPLOYEES**

Sixty-three percent of plan sponsors and four of five consultants think participation in DC plans should not be optional for all employees (Chart 1). One consultant explained his mixed feelings toward the concept
of mandatory participation and why he believes the country must move in that direction despite any misgivings. “Forced savings for both the employee and the employer runs counter to our culture,” he said. “But if people want to retire, we have to get our arms around this. We can’t have our cake and eat it too. We can’t have this be optional and expect the population in any way, shape or form to be ready for retirement. Too many people in America think Social Security is a retirement program. It’s not – it’s a safety net.”

In an effort to increase participation rates, many plan sponsors in the United States are installing automatic enrollment features requiring employees to opt out if they do not want to participate. According to a recent Hewitt Associates survey of large DC plans, 51% of DC plans currently offer automatic enrollment to new employees and another 10% are very likely to implement automatic enrollment in the next year. The Bureau of Labor Statistics, however, estimates that only 19% of private industry workers are enrolled in plans currently utilizing automatic enrollment. Forty-nine of the 50 plan sponsors participating in the study and all of the investment consultants believe automatic enrollment would be a key feature of the ideal DC plan construction – despite the fact that auto-enrollment would increase costs to employers who offer contribution matches. “You are helping the employees help themselves,” said one plan sponsor about auto-enrollment. “You are helping guarantee they will have some sizeable amount of income replacement at retirement, as opposed to people who say they can’t afford to be in the 401(k).”

EMPLOYEE CONTRIBUTIONS: AGGRESSIVE, AUTOMATIC AND UNLIMITED
Approximately 40% of plan sponsors believe the ideal default level for employee salary contributions in auto-enrollment plans is 5% – 6% (Chart 2). One-quarter of plan sponsors would assign a default contribution rate of 3% – 4%, and one in five believes the ideal contribution level is 7% or greater. Given that the average pre-tax deferral rate for contributing eligible non-highly compensated employees is 6.8%, according to Greenwich Associates research, plan sponsors’ suggested initial default level appears reasonable. One consultant noted, however, that “10% of salary is not enough to reach a full replacement benefit ratio. Auto-escalation enables people to make a decision today to save more in the future.” This sentiment led several consultants to suggest use of auto-escalation up to 15% of salary.
Although three-quarters of plan sponsors support automatic escalation features that work in tandem with auto-enrollment (Chart 3), some plan sponsors expressed concerns about excessive paternalism. Plan sponsors who oppose the inclusion of auto-escalation features cite two main reasons: greater costs for employers and the infringement on employee freedom. As one consultant explained, “The reality is that some significant segment of the population lives paycheck-to-paycheck and it’s easy to say you should be saving more, but it’s hard for folks in the bottom quartile from a compensation perspective to actually make that happen.”

Roughly four of five study participants favor automatic rebalancing for all DC plan participants (Chart 4). Proponents cite the benefit of overcoming participant inertia, especially in volatile markets. Opponents note that because there are occasions when it makes sense not to rebalance, it would be better to allow for selective rebalance by participants.

Plan sponsors overwhelmingly oppose maximum restrictions on post-tax contributions, while simultaneously recognizing the need to limit pre-tax contributions (Chart 5). This position appears motivated by two main beliefs: 1) If people want to save for retirement, they should be able to do so, and 2) Since employers offer DC plans as tools for recruitment and retention, every effort should be made to maximize the attractiveness of these plans to employees and potential hires, including high-salary employees.

**EMPLOYER CONTRIBUTIONS: IMMEDIATE VESTING**

Virtually all plan sponsors and consultants agree that the ideal DC plan structure would include significant contributions from
employers. These matches would be based on either a percentage of the employee contribution or percentage of the employee salary contributed to the DC plan by the employer regardless of the amount the employee saves. In 2008, such employer contributions were the norm at large organizations. A 2008 Watson Wyatt study indicated that 68% of Fortune 100 companies analyzed offered matching contributions to employees’ DC plans and, of the remaining companies, 29% gave both matching and non-matching contributions. However, during the financial crisis, almost one in five U.S. companies with at least 1,000 workers reduced or suspended their matching contributions, according to Towers Watson research. Roughly half have yet to restore those benefits.

Perhaps more interestingly, 60% of plan sponsors in our survey believe employer contributions should vest immediately (Chart 7). “A change to immediate vesting would significantly increase costs for plan sponsors,” said Susan Czochara, senior investment product manager for Defined Contribution Solutions at Northern Trust Global Investments. “But recognizing the profound changes that have unfolded in the workforce and society and the shortened average tenure of many jobs, plan sponsors may be willing to accept these costs.”

**CHART 6: GOVERNMENT TAX ADVANTAGE AS AN INCENTIVE FOR EMPLOYEES TO PARTICIPATE?**

TAX ADVANTAGES: AN ESSENTIAL INCENTIVE FOR SAVING

Nine of 10 plan sponsors and consultants consider government incentives a critical component of the ideal DC plan structure. These respondents contend government has a vested interest in ensuring the effectiveness of private sector DC plans. Not only will effective DC structures help address the public policy goal of preparing individuals for retirement, a vibrant private sector retirement savings system should also reduce the country’s reliance on government programs – an important policy goal given the pressures on Social Security and the federal and state deficits, which are soaring to record levels. Suggested structures for the government incentive include variable incentives that fluctuate with overall compensation levels and direct credits versus deductions. “I think an actual credit – which would reduce the amount of taxes you owe dollar-for-dollar – would increase the number of people putting money away,” explained one plan sponsor.

**CHART 7: HOW LONG BEFORE FULLY VESTED?**
PLAN DECISION MAKING:
A SHARED RESPONSIBILITY
Within the DC plan, sponsors think
an ideal framework would facilitate
shared decision making between
themselves and their participants
(Chart 8), with participants
responsible for decisions regarding
investments and asset allocation
within guidelines set by sponsors.
While approximately 65% of plan
sponsors believe that decision making
within the DC plan should be a
shared responsibility between
participants and sponsors, a majority
of consultants believe plan sponsors should take a more active, guiding role by maintaining
decision-making powers over their participants’ investments and asset allocation, thereby
shifting plan design toward more traditional DB decision-making structures.

INVESTMENT OPTIONS:
OPTIMIZING THE LINE-UP
At a conceptual level, most plan sponsors seem to agree that simple is best when it comes
to investment options. Many of the plan sponsors participating in the study explained
that a relatively small menu of carefully chosen investment options should yield the best
results in a DC plan. These sponsors seemed to agree with the less-is-more approach
described by one of their peers, who said that in an ideal DC fund, “there would be a
limited number of investment alternatives, including some annuity-type component
and some minimum cash payment choices. These would be very low cost and would not
require much interaction between employee and company. It would include a number
of auto-pilot investment options like target date funds.”

Other sponsors – while agreeing to the general premise that the number of investment
options should be limited and that relatively unsophisticated investors should be guided
into target date and other managed products – would also like to include some options
that provide greater levels of flexibility for more sophisticated participants. Finally, a
smaller number of plan sponsors advocated for a tiered system that includes a larger
number of investment options targeting participants of varying levels of sophistication.
One participant provided this thoughtful outline: “The ideal plan would have three doors,”
he said. “The first door would be a balanced/target date fund. The second would enable
the employee to set up his or her own investments from a menu of not-too-complicated
options from broad categories like equities, fixed income and alternative investments. The
third door would be a brokerage option in which employees could buy individual stocks
and use individual managers.”

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<th>Chart 8: Decision-Making Power in the Ideal Plan?</th>
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<td>Plan Sponsors</td>
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<td>Participant-Led</td>
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<td>Shared Decision Making</td>
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<td>Plan Sponsor-Led</td>
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Despite the general consensus that less is more when it comes to investment options, plan sponsors asked to specify the ideal number of investment options in a DC plan tend to favor the status quo. Approximately 45% of plan sponsors put the ideal number of plan options between 11 and 15. Roughly 30% put the ideal at 6 to 10, with about one in 10 preferring fewer options and approximately 15% preferring 16 or more options. Consultants would prefer fewer options than plan sponsors, on average (Chart 10).

DEFAULT OPTIONS: STATUS QUO
Plan sponsors overall are comfortable with the investment options included in the QDIA (Qualified Default Investment Alternatives) regulations. Almost 80% of the plan sponsors think target date funds represent the best default option for plans with automatic enrollment (Chart 11 on page 10), as do all the consultants. About one in five plan sponsors would also be open to using target risk funds, managed accounts and stable value funds as default options in automatic enrollment plans.

Slightly more than half the plan sponsors believe participants should be free to invest in multiple target date funds (Chart 12 on page 10). Seventy percent of plan sponsors oppose requiring participants to remain invested in target date funds through maturity. Consultants are more open to stricter controls, including both limitations on

**CHART 9: ALLOWED TO TAKE LOANS AGAINST ACCOUNT BALANCE?**

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<tr>
<th>Plan Sponsors</th>
<th>Consultants</th>
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<tbody>
<tr>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>16</td>
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**CHART 10: IDEAL NUMBER OF INVESTMENT OPTIONS OFFERED TO EMPLOYEES?**

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<tr>
<th>Plan Sponsors</th>
<th>Consultants</th>
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**401(K) LOANS: PREVENTING LEAKAGE**
Two-thirds of all plan sponsors and 100% of the consultants participating in the study believe participants should not be allowed to take loans against their DC account balances. “Too many people use their 401(k) savings as a rolling savings account as opposed to a retirement account,” explained one plan sponsor. “They need to leave that money in there to grow.” A consultant agreed, saying, “Leakage is detrimental to building up retirement savings.” A minority of plan sponsors believe that loans should be permitted – although most would restrict access to cases of proven hardship. “Although I think it is a bad idea, it is their money,” said one plan sponsor. “You have to allow people to withdraw money for hardships. I would probably tighten things up. I wouldn’t let people borrow money for a house or a car or a boat, but I think [the ideal structure] would have to allow for hardship.”
the number of target date funds in which participants can invest and requirements about length of investment.

Plan sponsors commented on the pros and cons of target date funds: “There are plenty of people who can be overwhelmed by the investment decisions,” said one supporter. “It is easier for them to just say, ‘You know what, I just need my money at X time.’” However, another plan sponsor said that target date funds “do a tremendous disservice” to plan participants. “They are totally misunderstood by participants,” he said. “They don’t have similar advice paths, they don’t have any benchmarks and there are no comparisons.”

EMPLOYEE EDUCATION AND ADVICE: A HOLISTIC, MULTI-CHANNEL APPROACH

Plan sponsors and consultants agree that the ideal DC plan would offer comprehensive information and advice to participants about products, investments and long-term planning. “There’s an opportunity to offer a more holistic approach to advice,” notes one plan sponsor. “We try to get them to invest, but we don’t often put that in the broader perspective of how their investments sit in their financial planning picture overall.” Between two-thirds and 85% of plan sponsors and consultants agree that the ideal DC plan would offer advice in the following consultative services: product-related advice, specific investment strategy advice, general retirement planning advice and broad-based financial planning.
“The ideal DC plan envisioned by plan sponsors differs from today’s plans in an important respect,” said Danaher. “In the ideal DC plan, concerns about fiduciary responsibility and liability have been overcome and have freed plan sponsors to provide unbiased and comprehensive advice to participants about their investments.”

Plan sponsors are about evenly divided in opinion about the best manner of providing participants with education, advice and general communications (Chart 13 on page 10). While half believe that the Internet should be the primary channel for delivering such information, about one quarter favor hard- or soft-copy reports and the remainder are split among on-site/in-person meetings and other methods. Consultants are more likely to favor online delivery. However, despite the best efforts and significant investments on the part of plan sponsors, websites and online tools often fail to drive participants to take action.

Recognizing the limitations of online communications, nearly all plan sponsors believe the ideal DC plan would feature in-person group educational meetings at least once per year. In fact, about half of plan sponsors say in-person meetings should be held semi-annually or even quarterly. Approximately 30% of plan sponsors believe the ideal structure would also include one-on-one meetings held annually or semi-annually. Almost half would prefer to offer participants the option of one-on-one meetings, as requested. One consultant stated, “We don’t see one-on-ones as often as we should.”

FEES STRUCTURES:
AN OPEN QUESTION

Plan sponsors generally agree on most characteristics that would define the ideal DC plan. When it comes to fees, there is little consensus, however. Roughly half of plan sponsors believe that at least three-quarters of management or maintenance fees should be passed on to active plan participants (Chart 14). About a quarter of plan sponsors believe plan participants should incur between 1% and 50% of fees, with another quarter of sponsors contending that plan participants should not bear any management or maintenance costs.

Plan sponsors broadly agree that advice to plan participants should not be subject to discrete fees, but rather should be included in the overall cost of participation. Most plan sponsors believe participants should pay separately for discretionary services such as loans or brokerage windows (Chart 15 on page 12).
Most plan sponsors, about 60%, believe plans must go beyond “total cost” disclosure (Chart 16). These sponsors prefer high levels of transparency and detailed disclosure regarding administrative expenses, investment management fees and participant-initiated transaction fees. Consultants are even more likely to favor full transparency over total cost-only disclosure.

**PLAN ADMINISTRATION: UNBUNDLED “BEST-OF-BREED”**

A large majority of plan sponsors and consultants prefer an unbundled service structure over bundled offerings (Chart 17 on page 13). Unbundled structures are seen as maximizing flexibility and allowing sponsors to utilize “best-of-breed” providers. “No single firm is good at all the different services that are required: asset management, record keeping, trust services, etc.,” explained one consultant. “The ideal plan would have best-of-breed providers for those various categories.” One plan sponsor in the bundled minority explained his preference. “I’ve done internal administration and I’d never go back to that,” he said. “I think the bundled offering is less confusing for the employee to understand – seeing fewer names – and, quite frankly, I believe it works better for the plan sponsor, too. When we’ve been in bundled situations, it reduces the administration time I have to put into areas that don’t add value.”

**CONCLUSION:**

**THE PATH FORWARD TO DESIGN THE IDEAL PLAN**

Revamping DC plans to make them more effective as a meaningful source of income at retirement for employees will require a series of actions by plan sponsors and policy-makers alike. Plan sponsors can take some of these steps immediately and implement them in the short term at little or no cost to themselves or participants.
Other alterations, in the medium term, will require plan sponsors to make some hard decisions and accept the imposition of new — and in some cases significant — costs. Finally, getting to the ideal DC structure in the long term will require regulators and politicians to face up to current shortcomings and change the regulatory structure to permit critical improvements. The following list identifies the various stages and actions needed to reach the ideal DC plan structure:

**Short Term (potentially minimal cost)**
- Automation: Plan sponsors should act immediately to adopt automatic enrollment and auto-escalation features.
- Simplification of investments: Plan sponsors can take steps to make plans simpler and more efficient. This can be achieved mainly by reducing the number of investment options to plan participants.
- Transparency: Plan sponsors should provide all plan participants with detailed information about administrative expenses, investment management fees and participant-initiated transaction fees.
- Customization of default options: Plan sponsors should set an appropriate default contribution level for employees and work with providers to identify proper default investment options.

**Medium Term (additional costs incurred by plan sponsors)**
- Employer match: Plan sponsors should set a reasonable employer matching contribution level either based on employee contributions or, ideally, independent of employee contribution and tied to employee salary.
- Improved advice: Plan sponsors should provide participants with robust consultative services for product-related advice, specific investment strategy advice, general retirement planning advice and broad-based financial planning.
- Eliminate unnecessary differences in plan structure across geographic regions.

**Long Term (onus on policy-makers; outside of plan sponsor control)**
- Address liability and fiduciary concerns that discourage plan sponsors from providing participants with robust advice.
- Eliminate employee contribution caps.
- Facilitate the inclusion of annuities within DC plans to provide participants with a reliable stream of post-retirement income to plan “through retirement” rather than “to retirement.”
THE PATH FORWARD SERIES
Northern Trust is pleased to introduce a new series focusing on The Path Forward in the DC industry. This series will examine candid perspectives of leading industry practitioners regarding DC industry challenges and potential solutions. Insights generated from these research-driven initiatives are intended to inform the decisions of companies, public plan sponsors and policy-makers alike.

As Part I of the series, The Path Forward: Designing the Ideal Defined Contribution Plan examines how the largest DC plan sponsors and most influential investment consultants in the United States would design the ideal workplace DC plan if they were freed from existing laws, structures, history and standard industry practices.

RESEARCH DETAILS
During July and August 2010, Greenwich Associates conducted in-depth telephone interviews with 50 plan sponsors and five investment consultants. These DC plans represent more than 970,000 participants and more than $100 billion in assets.

Perceptions gathered from plan sponsors and investment consultants yielded valuable insights, as these constituencies’ opinions differ regarding the level of decision-making autonomy plan participants should have in areas including enrollment, contribution levels, investment options and asset allocation. Interviews focused on respondents’ perspectives regarding the design of the ideal DC plan, with a particular focus on investment options, plan features, education, communication, advice, fee structures and plan administration.
### PARTICIPATING PLAN SPONSORS AND CONSULTANTS

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<tr>
<th>Plan Sponsors</th>
<th>GATX Corporation</th>
<th>UT-Battelle, LLC</th>
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<tr>
<td>Accenture plc</td>
<td>Honda of America</td>
<td>Volkswagen Group of America, Inc.</td>
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<td>ACCO Brands Corporation</td>
<td>Honeywell International Inc.</td>
<td>W. R. Grace &amp; Company</td>
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<td>HSBC North America Holdings Inc.</td>
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<td>Lockheed Martin Corporation</td>
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<td>United Technologies Corporation</td>
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### FOOTNOTES

7. Plan sponsors and consultants were asked to consider target date funds as one investment option despite the fact that the investment option may consist of up to 15 different funds.
8. Two respondents requested anonymity.

The above reflects a list of clients selected based on their participation in this survey that have consented to the use of their name. It is not known whether the listed clients approve of Northern Trust, Northern Trust Global Investments or any services provided.