



retirement
leadership
forum

Finding Opportunity in Uncertainty

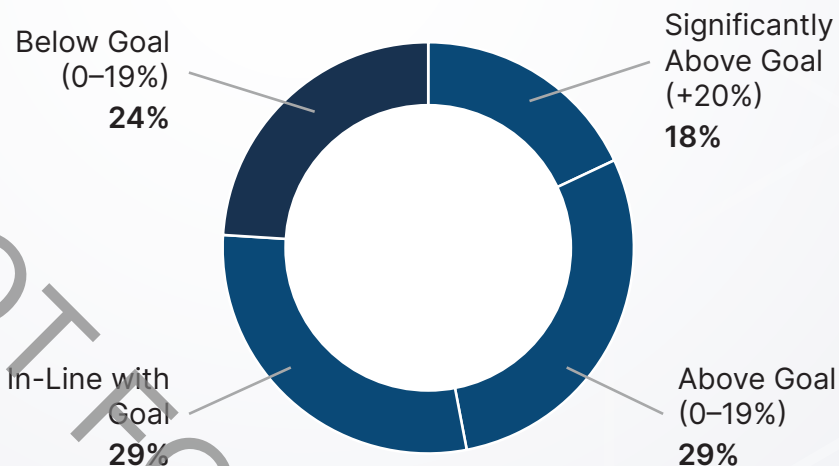
Building a Foundation for DCIO Success in
a Pandemic and Beyond

**2020 DCIO Benchmarking, Best Practices,
and Virtual Event Recap**

August 2020

Achieving Goals

DCIO Firm's Expectation of 2020 Sales Exceeding, Reaching or Missing Goal Level



n = 17

Source: RLF 2020 DCIO Benchmarking Survey

“We’ll finish the year well above goal and haven’t really seen a lull in sales because of our stable value offering. And we are fortunate that as the market has rebounded the other equity funds have picked up while stable value slowed.”

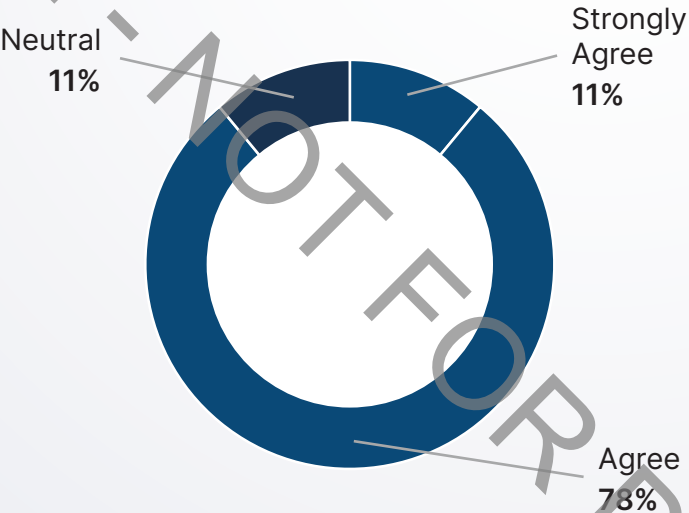
Head of DCIO Sales

Back to Business ... with Delays

Instead of advancing sales opportunities, firms spent March and early April helping intermediaries and plan sponsors adjust to the new normal, working from home with no face-to-face interactions with clients, understanding the CARES Act and developing best practices for virtual interactions. As we conducted our annual DCIO benchmarking and research interviews in late June/early July members commented on a marked shift in sales activity — real business conversations had resumed. Intermediaries restarted their investment review processes and were willing to have real business conversations. During our virtual event, many firms commented that August brought about a second lull in business conversations as many intermediaries were taking much needed and even longer vacations looking for a break in the face of the pandemic. Also, worth noting, activity seems to be slower the further down market you go.

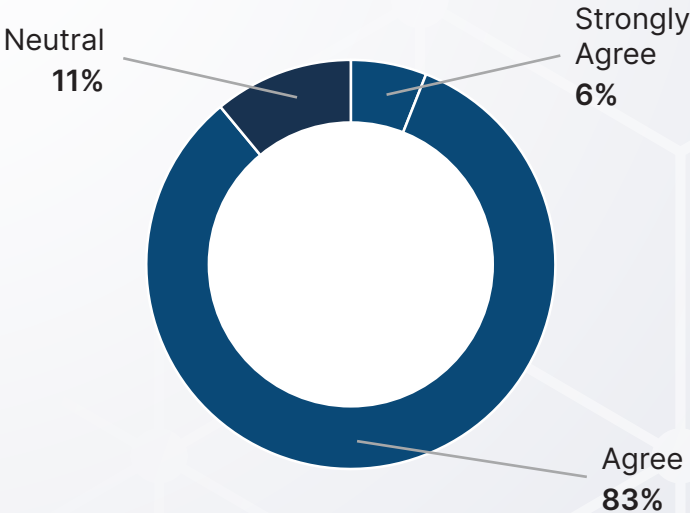
On the full-service plan side, business remains slow. Leading recordkeepers have seen plan conversions dry up and/or be delayed three months or more. Most DCIO members either “agree” or “strongly agree” that this will cause future delays in new flows, with the typical lag being a few months.

DCIO Firms' Level of Agreement with the Statement: *Across the last 4-6 weeks, we have found it easier to have "real business" conversations again, 2020*



n = 18
Source: RLF 2020 DCIO Benchmarking Survey

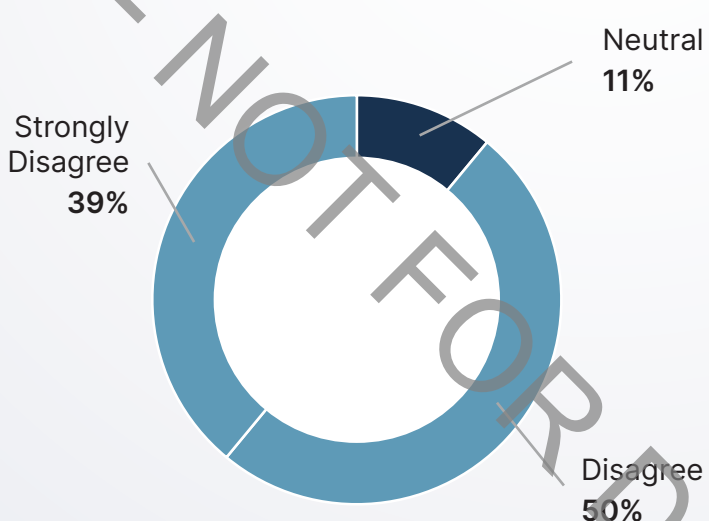
DCIO Firms' Level of Agreement with the Statement: *We continue to be impacted by delays in plan conversions, 2020*



n = 18
Source: RLF 2020 DCIO Benchmarking Survey

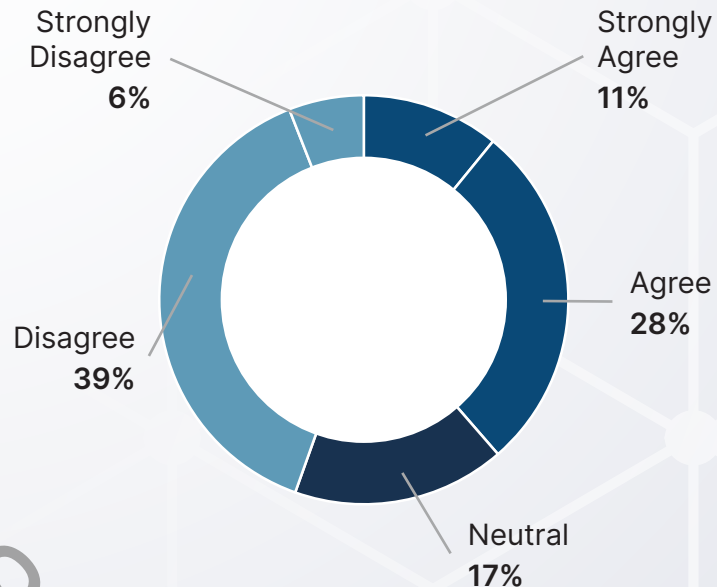
A Lasting Impact?

DCIO Firms' Agreement with the Statement: *Senior management has asked us to cut staff and resources assigned to the DCIO opportunity in light of the pandemic, 2020*



n = 14
Source: RLF 2020 DCIO Benchmarking Survey

DCIO Firms' Agreement with the Statement: *Senior management has asked us to re-evaluate our DCIO model to the business in light of the pandemic, 2020*



n = 14
Source: RLF 2020 DCIO Benchmarking Survey

Given the steady state of most DCIO business and strong stock market performance, it seems as if the pandemic will have no short-term impact firms' investment in the DCIO business. None of our members reported being asked to make any immediate cuts to their staff or DCIO budget (note this survey question was asked in July and official 2021 budgeting conversations had not begun).

Looking ahead, however, some leading firms (39%) are being challenged by their senior management to learn something from this global pandemic. And, even for DCIO businesses without a top-down mandate for change, a year without travel has provided the opportunity to:

- experiment with more efficient sales models
- narrow partnerships (in number and focus)
- and reevaluate product offerings.

We believe firms that embrace and drive change now will be the ones who cement a long-term place in the DCIO space.

“Post Pandemic” Retirement Outlook

In fact, in looking at the broader DC landscape, there are changes happening with all the key players in the business that call for improvements in the DCIO model.

Recordkeepers: Across the last few years, we've seen recordkeepers lose influence over investment line-ups to advisors and consultants. Couple that with on-going fee and margin pressure as well as the current, pandemic-driven sales slowdown and the result is a potentially dire situation for all but the largest players. However, recordkeepers are fighting back. Many firms are now posturing for power, looking to gain control of the broader participant relationship and leverage plan data. To further these efforts, recordkeepers are looking to improve economics by partnering more narrowly with investment and distribution firms that offer the best strategic fit.

Recordkeepers

- Stagnant Sales Pipeline
- Posturing for Power
 - Participant Ownership
 - Data Sharing
 - Narrowing Partnerships

Distributors

- Cautious Expansion Continues
- Advice: Gateway to Participants
- Narrowing Partnerships
 - Relationship Pricing
 - Beyond the Economic Update

External Factors

- On-going Pandemic
- Legislation
 - SECURE
 - CARES
 - ESG
- Retiring the Word Retirement

Source: Retirement Leadership Forum

DCIO World



Evolving DCIO Model

- Large Market: Capacity Driven Model
- “Junior Wholesaler” Opportunity
- Internals More Proactive/ Accountable for Outcomes



A Higher Bar for Meeting Content

- Shared Experiences = High Value
- Expectation of a Tailored Consultative Approach to Engagement



Partnerships Narrow



Increased Competition

- Product development
- Field initiatives