



## **The Managed Account Solution:**

*Managed Accounts Have Universal Appeal with Today's  
Retirement Plan Sponsors and Their Participants*

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## **The Managed Account Solution Has Universal Appeal**

This report presents results and observations regarding use of The Standard's managed account solution, known as Mainspring Managed, among 401(k) plans and participants. The data in this report reflects the experience of 347 plans that offered the managed account option to their participants and represents 11,843 participants who are utilizing the Mainspring Managed service as of March 31, 2008.

The participant adoption rate of the Mainspring Managed service (in plans that offer it) was 46.98% as of March 31, 2008.

As with our inaugural report dated March 31, 2007, we continue to find that utilization of the managed account service is not correlated to a particular industry or participant occupation (professional versus non-professional). In addition, managed account usage does not appear to be tied to plan size.

These findings support our belief that a managed account solution has universal appeal with today's retirement plan sponsors and their participants. As a result, we continue to believe that managed account solutions will play an increasingly important role in the retirement plan industry and should be considered a "must have" component of every participant-directed plan.

This report also compares some key characteristics of managed account users versus non-users (i.e., participants who have selected another retirement planning approach, such as building their own portfolio). Our data shows that while demographics of users and non-users are fairly similar (in terms of average age and average salary), managed account users, on average, defer at a higher rate and have higher average account balances.

## **Mainspring Managed: History and Service Description**

Mainspring Managed, The Standard's managed account solution, was launched in October of 2004. The service was originally introduced as AdvicePath. After acquiring Invesmart, Inc. in 2006, The Standard incorporated this service into the company's Mainspring Retirement Plans Solutions<sup>SM</sup> flagship brand. It was re-named Mainspring Managed.

Mainspring Managed services can be offered to clients on either our trust platform (available in all states) or our group annuity platform (available in all states except New York).

The Standard's Mainspring Managed solution is selected by participants who acknowledge that savings and retirement planning is important and necessary, but who also understand that they lack the knowledge, time and/or discipline to manage the process. They want someone to go beyond the typical well-intentioned planning efforts (which quickly become outdated due to changes in their careers and lives). They want help from professionals who will actually implement a savings plan and investment advice on their behalf, then automatically implement any changes necessary to help achieve their retirement goals.

The implementation of the Mainspring Managed service begins with census information. The Standard uses this information to create an initial retirement income gap analysis report for each participant in the plan. The comprehensive nature of the gap analysis report is often a wake-up call to plan participants who have previously been content simply to be saving something for retirement.

After seeing their gap analysis report, participants are given the opportunity to sign up for the Mainspring Managed solution. Those who choose Mainspring Managed receive five types of services from StanCorp Investment Advisers, Inc. (the investment advisory firm that is one of the companies that make up StanCorp Financial Group). Each service is designed to help them move closer to their retirement income goals:

- **Fact-Finding and Analysis:** Additional information about the participant's goals, circumstances and financial situation are collected by The Standard. An investment adviser representative is available by telephone or e-mail to answer specific questions or explain issues in the planning process.
- **Creation of a Savings and Investment Plan:** The Mainspring Managed solution looks at a participant's unique situation and estimates their projected retirement income needs. A formal Savings and Investment Plan is produced that reflects an optimal course for managing that participant's savings rate and asset allocation over time in order to deliver that projected retirement income in retirement. Conversations with an investment adviser representative may lead to changes in the Savings and Investment Plan.
- **Initial implementation of the Savings and Investment Plan:** Once the participant formally chooses the Mainspring Managed service (by signing the investment advisory agreement and accepting the Savings and Investment Plan), implementation begins immediately – without any additional effort on the part of the participant. Assets are invested in one of a series of broadly diversified, institutionally-priced portfolios. Recommended savings (contribution) rates are implemented.
- **Reporting:** A report which illustrates current progress made toward retirement income goals is mailed to the participant each quarter.
- **Ongoing management and implementation of changes to the Savings and Investment Plan:** Rebalancing or re-allocations of investments are performed automatically in accordance with the client's personal investment growth objectives.

Each quarter additional analysis is performed and a decision is made to continue with the current Savings and Investment Plan, or to make a change to it. In the case of a projected retirement income shortfall, The Standard may identify and implement tactical solutions, such as increasing the savings rate or revising the asset allocation strategy. In the case of a projected retirement income surplus, The Standard may recommend adopting a more conservative asset allocation strategy in order to reach the goal while exposing the participant's portfolio to less risk.

The Mainspring solution remains actively managed, and assumes that a participant's personal situation will change and evolve over time. As changes occur, the participant can call an investment adviser representative and have the savings and investment plan updated immediately. For example, a change in marital status usually requires an immediate update of the plan. Changes in a participant's tolerance for risk over time can be incorporated into the plan as well. Participants are also given an opportunity to take into consideration outside assets as part of their overall plan, including spouse/partner assets, if they wish.

The fee for utilizing the service can be absorbed by the Plan or passed on directly to the participant.

## MAINSRING MANAGED: Evaluating Current Usage Trends

This report answers three fundamental questions regarding Mainspring Managed usage trends:

1. Can higher usage of the Mainspring Managed account service be directly correlated to a particular industry or type of business?
2. Can usage of the Mainspring Managed account service be directly correlated to a particular plan size?
3. Are there any key differences between participants that choose the Mainspring Managed account solution versus those who did not choose it (i.e. participants that select another retirement planning approach, such as building their own portfolios)?

1. Can higher usage of the Mainspring Managed account service be directly correlated to a particular industry or type of business?

### The Data

Type of Business	Percent of The Standard's Plans offering Mainspring Managed Account Service	
	March 31, 2007	March 31, 2008
Accommodations & Food Services	2%	2%
Administrative and Support Services	N/A	1%
Agriculture	N/A	1%
Arts, Entertainment & Recreation	N/A	1%
Construction	13%	12%
Educational Services	1%	1%
Finance & Insurance	8%	7%
Health Care and Social Assistance	9%	11%
Information	2%	3%
Manufacturing	18%	16%
Management of Companies & Enterprises	N/A	1%
Mining	1%	1%
Other	4%	2%
Prof, Scientific, & Tech Services	23%	25%
Public Administration	0%	1%
Real Estate	1%	1%
Retail Trade	8%	5%
Transportation/Warehouse	2%	2%
Utilities	1%	1%
Wholesale Trade	6%	6%
<b>Total:</b>	<b>100%</b>	<b>100%</b>

### The Conclusion

Our conclusions for 2008 remain the same as for 2007: higher usage of the managed account service does not appear to be directly correlated to professional occupations versus non-professional occupations. As of 3/31/08, there is high usage among Professional, Scientific and Technical Service-types of companies (25% of plans). However, high usage is also seen among non-professional occupations, most notably Manufacturing and Construction companies (a combined 28% of plans). This trend is expected to continue, although it will be closely monitored as our sample size continues to increase.

## 2. Can usage of the Mainspring Managed account service be directly correlated to a particular plan size?

### The Data

*Managed account participant demographics -- by plan size (assets)*

#### 2007

Plan size (Assets)	Average Age	Average Salary	Average Deferral Rate %
< 1 MM	44	\$56,349	7.0%
1 - 5 MM	45	\$52,386	7.0%
>5MM but <10 MM	44	\$50,604	7.0%
10 MM +	43	\$57,438	7.0%

**Data is as of March 31, 2007.** Deferral rates shown are after adoption of the service.

#### 2008

Plan size (Assets)	Average Age	Average Salary	Average Deferral Rate %
< 1 MM	43	\$53,209	6.2%
1 - 5 MM	44	\$54,729	7.0%
>5MM but <10 MM	44	\$51,426	6.9%
10 MM +	42	\$56,943	7.3%

**Data is as of March 31, 2008.** Deferral rates shown are after adoption of the service.

### The Conclusion

Our conclusion for 2008 remains the same as our conclusion for 2007: there does not appear to be any direct correlation between usage of the Mainspring Managed account service and a particular plan size. Specifically, average age and average salary do not vary significantly for managed account users across plans of different asset sizes. The only thing that does vary is deferral rate. Managed account participants in larger plans have slightly higher average deferral rates, but the variance between the highest and lowest average deferral rates among the four plan size categories is only 1.1%.

The average age of managed account participants only varies slightly across the four plan size categories. The oldest average age (44) is seen in both the \$1MM -\$5MM plan size category and the >\$5MM but < \$10MM category. The youngest average age (42) is seen in the largest market category (\$10MM +).

The average salary levels among managed account users across all four plan size categories also only vary slightly. Managed account participants in plans with asset sizes greater than \$10 million tend to have the higher average salaries (\$56,943). The second highest average salary is among users in the \$1 - 5 million plan asset size category (\$54,729).

**3.** Are there any key differences between participants that choose the Mainspring Managed account solution versus those who choose another retirement planning approach, such as building their own portfolios?

## **The Data**

### **2007**

	Chose Managed Account Service	Did Not Choose Managed Account Service
Percentage of participants	54%	46%
Average Age:	45	45
Average Salary:	\$51,499	\$51,336
Average Current Deferral Rate:	7.0%	5.0%
Average Current Account Balance:	\$49,353	\$43,792

**Note:** This data is taken from plans that have offered the managed account option from May 2005 to March 31, 2007. Deferral rates shown are after adoption of the service.

### **2008**

	Chose Managed Account Service	Did Not Choose Managed Account Service
Percentage of participants	48%	52%
Average Age:	43	42.4
Average Salary:	\$54,491	\$53,375
Average Current Deferral Rate:	7.0%	6.1%
Average Current Account Balance:	\$53,131	\$40,712

**Note:** This data is taken from plans that have offered the managed account option from May 2005 to March 31, 2008. Deferral rates shown are after adoption of the service.

## **The Conclusion**

Our conclusion for 2008 remains unchanged from 2007: the average age and average salary of managed account users versus non-users are very similar. However, the current average deferral rate for users is higher than non-users (7 % versus 6.1%). This is what should be expected given the goal-based approach utilized, in conjunction with automatic increases that are implemented to achieve the savings target. In addition, the current average balance of managed account users is significantly higher than that of non-users (\$53,131 versus \$40,712). This is also an expected long term outcome given the risk-based asset allocation approach and automatic rebalancing which are applied to all Mainspring Managed accounts.

It is interesting to note that the average balance of those that did not choose the managed account service has decreased from \$43,792 (2007) to \$40,712 (2008), while the average deferral rate of this same group has increased from 5% (2007) to 6.1% (2008). Average balances of those that chose the managed account service have risen from \$49,353 to \$53,131, while average deferral rates have remained at 7.0%.

## **THE MAINSPRING MANAGED EXPERIENCE: Looking Ahead**

The Standard's managed account service was launched almost 3 ½ years ago (October of 2004) and our plan experience is still in the early stage. As our experience becomes more empirical, we will continue to analyze our data and expect to be able to draw additional conclusions about the use and benefits of the Mainspring Managed solution.

We believe the data contained in this report suggests that the need and demand for a managed account solution by plan sponsors and participants is universal. Managed account use and user characteristics cannot be directly correlated to a particular type of business or industry, or plan size. Rather, the need for a managed account solution and the characteristics of users are likely more a direct function of individual circumstances and desire.

In addition, as the data in this report indicates, participants who chose to enroll in a managed account option saved at a higher average rate which, when coupled with asset allocation and rebalancing, has the potential to result in greater saving accumulations over time. In fact, looking at 2008 versus 2007, the average balance of users of the managed account service rose and the average balance of users who did not choose the managed account service decreased. This is despite very similar average deferral rates among the two groups.

At The Standard, we continue to enhance and perfect the delivery of our Mainspring Managed account solution. Our goal is to help retirement plan participants achieve significantly greater retirement planning success.

## **ABOUT THE STANDARD**

StanCorp Financial Group, Inc., through its subsidiaries marketed as The Standard — Standard Insurance Company, The Standard Life Insurance Company of New York, Standard Retirement Services, StanCorp Mortgage Investors, StanCorp Investment Advisers, StanCorp Real Estate, StanCorp Equities, and StanCorp Trust Company — is a leading provider of financial products and services. StanCorp's subsidiaries serve approximately 8.6 million customers nationwide as of March 31, 2008, with group and individual disability insurance, group life, AD&D and dental insurance, retirement plans products and services, individual annuities and investment advice. For more information about StanCorp Financial Group, Inc., visit its Web site at [www.stancorpfinc.com](http://www.stancorpfinc.com).

The Standard has provided retirement plan services for more than 70 years. Full and recordkeeping-only services are available on a trust platform in all states and a group annuity platform in all states except New York.

For more information on The Standard's retirement services, visit **retirement.standard.com**. Or contact a Pension Consultant at **877-805-1127**.

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