Strategies for Identifying and Capturing Retirement Plan Business Opportunities
The Retirement Advisor University Primer:
Strategies for Identifying & Capturing Retirement Plan Business Opportunities

Prepared in conjunction with:
Fred Barstein
Founder & Executive Director of The Retirement Advisor University
(in Collaboration with UCLA Anderson Executive Education)
The Retirement Advisor University

Primer Series

Nuveen is proud to partner with The Retirement Advisor University in its mission to empower financial professionals focused on the defined contribution and 401(k) industry, with the qualifications and skill sets necessary to deliver on the promise of a secure retirement for plan sponsors and participants.

The following workshop topics are available through Nuveen Investments in conjunction with The Retirement Advisor University (TRAU):

1. Getting Started: *Trends & Opportunities in the Retirement Plan Market*
2. Building Your Retirement Plan Advisory Business
3. Strategies for Identifying & Capturing Retirement Plan Business Opportunities
4. Taking Your Retirement Plan Practice to the Next Level: *Managing a Practice*
5. Taking Your Retirement Plan Practice to the Next Level: *Leveraging Resources*
6. Elevating Above the Competition & Distinguishing Your Practice
Fred Barstein is Founder and Executive Director of The Retirement Advisor University (TRAU) a strategic partner with UCLA Anderson School of Management Executive Education. TRAU has quickly become the industry’s leading training and designation program for focused and dedicated Defined Contribution advisors. Leveraging the relationship with UCLA Anderson, TRAU is focused on helping DC advisors build a sound and sustainable practice while incorporating state of the art techniques like behavioral finance to improve plan outcomes.

Prior to founding TRAU, Barstein was President, Chief Executive Officer and Founder of 401kExchange. Founded in 1996, 401kExchange is a leading business development and market intelligence provider for the 401k and retirement industry. Previous experience includes Publisher of Bancroft-Whitney, California’s Official Legal Publisher a division of Thomson/West, and Barclays Law Publishers, where, as Editor-in-Chief, he helped the company to the Inc. Magazine 500 list of fastest growing private companies.

Barstein received his Bachelor of Arts Degree, cum laude, in History from Boston College and his Law Degree from Cardozo School of Law in New York. He holds Series 6, 26, 28 and 63 licenses and was named 32th "Most Influential Person in the 401(k) Industry" in 2011 by 401kWire. He is a regular speaker before various Retirement Industry and Conferences around the country and internationally.
### About TRAU and the C(k)P Certification Program

| TRAU Overview | The mission of The Retirement Advisor University (TRAU) is to empower financial professionals focused on the defined contribution and 401(k) industry, with the qualifications and skill sets necessary to deliver on the promise of a secure retirement for plan sponsors and participants. In collaboration with UCLA Anderson Executive Education and industry thought leaders, TRAU has become recognized as the Defined Contribution industry’s designation of choice by serious retirement advisors. |
| C(k)P Program | The C(k)P™ designation represents the pinnacle of achievement for the professional Retirement Plan Advisor, recognizing a combination of substantial practical retirement plan management experience, and the completion of a comprehensive and highly specialized educational program. To earn the right to use the C(k)P™ designation requires more than just academic aptitude. A financial professional must have demonstrated real world application of the core competencies taught in the classroom. |
| TRAU Website | www.TRAUniv.com |
Agenda

• Drivers, Market Size & Product Innovation
• DC Services & Service Models
• Key Players & How the Markets Work
• How the Markets & Advisors Differ
Drivers, Market Size & Product Innovation

DC Market Dramatic Growth

The DC market has grown immensely since 1980. In this module we will explore:

- Drivers for the dramatic growth of the DC & 401(k) industry
- Current market segments & attributes
- A brief look at the innovations of the 1980’s, 1990’s and 2000’s
Drivers, Market Size & Product Innovation
Drivers of Dramatic Growth of the Defined Contribution/401(k) Market

Participant Directed v. Paternalistic Retirement Plans

Baby boomers

• Transient workers
• Desire for more control
• 1990’s market boom
• Mutual fund industry marketing and sales efforts
• Emergence of retail financial advisors
Drivers, Market Size & Product Innovation
Drivers of Dramatic Growth of the Defined Contribution/401(k) Market

Participant Directed v. Paternalistic Retirement Plans

Corporate America

• Concern about defined benefit liability
• Tao of 401(k) – plan sponsors want nothing:
  o No cost
  o No liability
  o No work
Drivers, Market Size & Product Innovation

Drivers of Dramatic Growth of the Defined Contribution/401(k) Market

Participant Directed v. Paternalistic Retirement Plans

Government

• Waking up to realities of DC
• Popular issue with voters esp. fee disclosure & transparency
• Definition of a fiduciary advisor
• Possible source of funding or drain on tax revenue
• Incorporate into Thrift Savings Plan?
Drivers, Market Size & Product Innovation

Summary of Drivers of Growth

• No new plan growth in DB market
• 401(K)’s are fastest growing plan type
• 403(b) non profit and 457 government plans shifting to DC
• Auto Plan – auto enrollment, deferral and investing
• Growth of asset allocation especially target date funds*
  o 13% of participants using in 2005
  o 25% in 2009

* Source: The Retirement Advisor University
Drivers, Market Size & Product Innovation
Sizing the Retirement and DC Market

$15.065 Trillion total retirement assets as of year end 2009, a 19% increase over 2008

The Retirement Market at a Glance

- DB: $5.295 Trillion (34%)
- IRA: $4.995 Trillion (34%)
- DC: $4.775 Trillion (32%)

Source: The Retirement Advisor University. Trillion’s expressed to the .001 rather than rounded to increase accuracy
Drivers, Market Size & Product Innovation

The 401(k) Market: Mega Market Segment Comparison

The Mega Market is made of plans with over $1 billion in assets:

- Almost twice as many participants
- Three times as much assets as any other market

<table>
<thead>
<tr>
<th>MARKET SEGMENT</th>
<th>PARTICIPANTS (millions)</th>
<th>ASSETS (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 million</td>
<td>8.2 million</td>
<td>$135 billion</td>
</tr>
<tr>
<td>$1 million - $10 million</td>
<td>12.3 million</td>
<td>$380 billion</td>
</tr>
<tr>
<td>$10 million - $50 million</td>
<td>10.8 million</td>
<td>$330 billion</td>
</tr>
<tr>
<td>$50 million - $250 million</td>
<td>11.5 million</td>
<td>$385 billion</td>
</tr>
<tr>
<td>$250 million - $1 billion</td>
<td>11.6 million</td>
<td>$480 billion</td>
</tr>
<tr>
<td>Over $1 billion</td>
<td>19.0 million</td>
<td>$1,140 billion</td>
</tr>
</tbody>
</table>

Source: The Retirement Advisor University
Most plans have less than $10 million in assets:
  • 86% of the entire market are plans with less than $10 million in assets

DC only plans are by far the most common:
  • 401(k) plans make up 89% of all DC plans

<table>
<thead>
<tr>
<th>PLAN SIZE (different market segment)</th>
<th>TOTAL RETIREMENT PLANS</th>
<th>PERCENTAGE DC ONLY</th>
<th>TOTAL DC PLANS</th>
<th>401(K) PLANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10 million</td>
<td>381,143</td>
<td>91%</td>
<td>347,828</td>
<td>262,000</td>
</tr>
<tr>
<td>$10 million - $100 million</td>
<td>44,224</td>
<td>71%</td>
<td>31,580</td>
<td>25,588</td>
</tr>
<tr>
<td>$10 million - $250 million</td>
<td>6,573</td>
<td>45%</td>
<td>2,957</td>
<td>2,285</td>
</tr>
<tr>
<td>$250 million - $1 billion</td>
<td>5,048</td>
<td>34%</td>
<td>1,703</td>
<td>1,364</td>
</tr>
<tr>
<td>Over $1 billion</td>
<td>1,965</td>
<td>23%</td>
<td>461</td>
<td>402</td>
</tr>
<tr>
<td>Totals</td>
<td>438,953</td>
<td></td>
<td>384,529</td>
<td>291,639</td>
</tr>
</tbody>
</table>

Source: The Retirement Advisor University
Drivers, Market Size & Product Innovation

Innovation in DC Market

Historical Progression: The 1980’s

• DB to DC in larger companies
• Balance forward/stable value/insurance companies & banks dominate
• Fee for service not asset based charges
Drivers, Market Size & Product Innovation

*Innovation in DC Market*

**Historical Progression: The 1990’s**

- Daily valuation
- Mutual funds companies start to take over
- Retail mutual funds found even in larger plans
- Proprietary fund platforms dominate
Drivers, Market Size & Product Innovation

Innovation in DC Market

**Historical Progression: The 2000’s**

- Leveraging internet access & technology
- Open architecture
- Insurance Companies re-emerge
- Target date funds
- Lost decade for investing
- Record keeper consolidation
- Emergence of:
  - Specialist DC advisors
  - TPA’s
  - DC investment only providers
Drivers, Market Size & Product Innovation

Innovation in DC Market

Future Innovation

• Managed accounts/personal advice
• Use of social media
• Retirement income
• Behavioral finance
• Personal DB plans
• Increase of:
  o Record keeper consolidation
  o DC advisor specialists
Agenda

• Drivers, Market Size & Product Innovation

• DC Services & Service Models

• Key Players & How the Markets Work

• How the Markets & Advisors Differ
DC Services & Service Models

Overview

There are 3 basic services provided by the DC Industry:

• These services are provided to:
  o Plan Sponsors
  o Plan Participants

• These services are:
  o Plan Administration
  o Record Keeping
  o Investments
Plan Administration Services typically Include:

- compliance services such as compliance testing
- plan design and plan document work
- plan administration services customized to the needs of each individual plan
Record Keeping Services Include:

- Participant statements & reporting of transactions

- Tracking of:
  - Participant transactions, such as:
    - Deposits
    - Disbursement checks
    - Loans
  - Plan sponsor transactions

- Maintaining timeliness & accuracy of records
DC Services & Service Models

*Investment Services*

Investment (Clearing) Services Include:

- Fund services & investment offerings, including proprietary funds
- Clearing
- Trading
- Investment education, advice & guidance to plan participants
Service providers deliver services to plan sponsors & participants using one of three service models:

- Bundled
- Unbundled
- Open
DC Services & Service Models

Bundled Providers

Bundled Service Model

• Same service provider offers all three of the DC services:
  – Record keeping
  – Plan administration
  – Investment services

• Primary appeal:
  – Ease of use for plan sponsor & participants,
  – Plan is consolidated with only one point of contact for all services

• Primary caution:
  – Ease of use may not translate into the best service, lowest fees, or most customized model
  – Potential for limited investment flexibility especially for smaller plans

• Fidelity is best known as a bundled provider
Unbundled Service Model

- Record keeper and third party administrator (TPA) partner to perform plan administration. Investment services are offered by the record keeper in unbundled model

- Primary appeal:
  - Local pension professional who can customize the plan to the needs of the individual plan sponsor

- Primary cautions:
  - Fees can be higher
  - Not one party is responsible for all services
  - Investment choices may be limited

- John Hancock is best known as an unbundled provider
DC Services & Service Models
Open Architecture Providers

Open Architecture Service Model

• A TPA performs record keeping services using third party software & clears through a 3rd party. Commonly used for clearing in open service models such as
  o Schwab
  o Fidelity
  o TD Ameritrade
  o Matrix

• Common record keeping software includes:
  o Sungard/Relius
  o Schwab

• Primary appeal
  o Open service models allow an almost unlimited fund lineup & lower costs

• Primary caution
  o Without the support of a good financial advisor unbundled service models can be confusing for plan sponsors
  o Technology may be limited
## DC Services & Service Models

### At A Glance

<table>
<thead>
<tr>
<th>Service Models</th>
<th>Plan Admin</th>
<th>Record Keeping</th>
<th>Investments (Clearing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bundled</td>
<td>Record Keeper</td>
<td>Record Keeper</td>
<td>Record Keeper</td>
</tr>
<tr>
<td>Unbundled</td>
<td>TPA</td>
<td>Record Keeper</td>
<td>Record Keeper</td>
</tr>
<tr>
<td>Open</td>
<td>TPA</td>
<td>TPA</td>
<td>3rd Party</td>
</tr>
</tbody>
</table>
Agenda

• Drivers, Market Size & Product Innovation

• DC Services & Service Models

• Key Players & How the Markets Work

• How the Markets & Advisors Differ
Key Players and How the Markets Work

Overview

There are Three Key Players in the DC Market:

1. Record keepers & TPA’s
   - Provide record keeping & administrative services

2. DCIO’s (defined contribution investment only providers)
   - Provide investments only

3. Distributors (broker dealers and advisors)
   - Provide the connection from service providers to plan sponsors
Key Players and How the Markets Work

Success

Advisors/Distributors
Power/Highly Fragmented

Record Keepers
Power/Low Margins

DC Investment Only
No Power/High Margins

DC MARKET DYNAMICS
How the Less Than $250 Million DC Markets Works

Consumers of Service
- Plan Sponsors
- Participants

Intermediaries
- Direct Sold Model
- Advisors

Providers of Service
- Record Keepers & TPA’s
- Asset Managers
Agenda

• Drivers, Market Size & Product Innovation
• DC Services & Service Models
• Key Players & How the Markets Work
• How the Markets & Advisors Differ
# How the Markets & Advisors Differ

*How Market Differs by Size - Fees in 401(K) Plans*

<table>
<thead>
<tr>
<th>Record Keeping &amp; Admin (Receives)</th>
<th>&lt;$1 MILLION</th>
<th>$1-$10 MILLION</th>
<th>$10-$100 MILLION</th>
<th>$100-$250 MILLION</th>
<th>+$250 MILLION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>75-150*</td>
<td>50-125*</td>
<td>25-75*</td>
<td>25-50*</td>
<td>20-30*</td>
</tr>
</tbody>
</table>

| Advisor (Receives)               | 50-100*     | 25-50*         | 10-20*            | 5-10*             |
|-----------------------------------|-------------|----------------|-------------------|-------------------|--------------|

<table>
<thead>
<tr>
<th>Investment Manager (Receives)</th>
<th>25-75*</th>
<th>25-75*</th>
<th>25-60*</th>
<th>20-50*</th>
<th>20-50*</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Participant (Pays)</th>
<th>150-325*</th>
<th>100-250*</th>
<th>60-155*</th>
<th>50-110*</th>
<th>40-80*</th>
</tr>
</thead>
</table>

*Expressed in Basis Points (Participants pay a majority if not all of the fees)*

Source: The Retirement Advisor University
## How the Markets & Advisors Differ
### How Market Differs by Size - Service Models

<table>
<thead>
<tr>
<th></th>
<th>MICRO ($&lt;1MM)</th>
<th>SMALL ($1-$10MM)</th>
<th>MID ($10-$100MM)</th>
<th>LARGE &amp; MEGA</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUNDLED</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNBUNDLED (INDEPENDENT TPA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPEN</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Most popular**
- **2nd most popular**
- **Least popular**
How the Markets & Advisors Differ

*How Markets Differ – Investments*

**<$10 million**
- Group annuities
- Mutual funds
- Collective trusts
- More actively managed

**+$250 million**
- Mutual funds
- SMA’s
- Collective trusts
- Move to passive – ETFs

**$10-$250 million**
- Mutual funds
- Collective trusts
- SMA’s
- Group annuities
- Move to passive – ETFs
How the Markets & Advisors Differ

How Advisor Differ—Advisors v. Brokers v. Consultants

300,000 Financial Advisors actively serving investors (10% pure RIA)

- 150,000 have at least 1 DC plan (50%)
- 75,000 have at least 3 DC plans (25%)
- 15,000 have at least 5 DC plans (5%)
- “Elite 5,000” (<2%) have
  - 10 plans
  - $30m in AUM
  - 3 years experience

The Elite 5000 Financial Advisors

- 35% from wire houses and regionals
- 50% from independents and specialty broker dealers
- 15% insurance BD’s and benefit shops
- Expected to grow to 10,000 in 5 years

Source: The Retirement Advisor University
## Key Drivers & Issues in <$250m DC Market

<table>
<thead>
<tr>
<th>Record Keepers</th>
<th>Defined Contribution Investment Only (DCIO)</th>
<th>Advisors</th>
<th>Distributors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Low Plan Turnover</td>
<td>2. Target date funds</td>
<td>2. Fiduciary</td>
<td>2. Fiduciary Status</td>
</tr>
<tr>
<td>8. Capturing rollovers</td>
<td></td>
<td>8. Capturing rollovers</td>
<td></td>
</tr>
</tbody>
</table>
Next Steps

• Visit **The Retirement Advisor University** website:  
  [www.TRAUniv.com](http://www.TRAUniv.com)

• Consider the market segment you wish to work with and how you will deliver services to them

• Call your Nuveen Retirement Plan Consultant or visit [www.nuveen.com](http://www.nuveen.com) for resources to help you manage and grow your retirement plan business
  - Business Plan Template
  - Marketing Message
  - Customizable Short Form Retirement Pitchbook Template
Disclosures

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Certain information was obtained from third party sources, which we believe to be reliable but no guaranteed.
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Questions?

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Plan sponsors and participants should carefully consider the investment objectives, risks, charges and expenses of the investment options offered under the retirement plan before investing. The prospectuses for the individual mutual funds and each available investment option in the group annuity contain this and other important information. Prospectuses may be obtained by calling 877.805.1127. Please read the prospectus carefully before investing. Investments are subject to market risk and fluctuate in value.

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