Asset Retention: Keys to Success in the Rollover Market

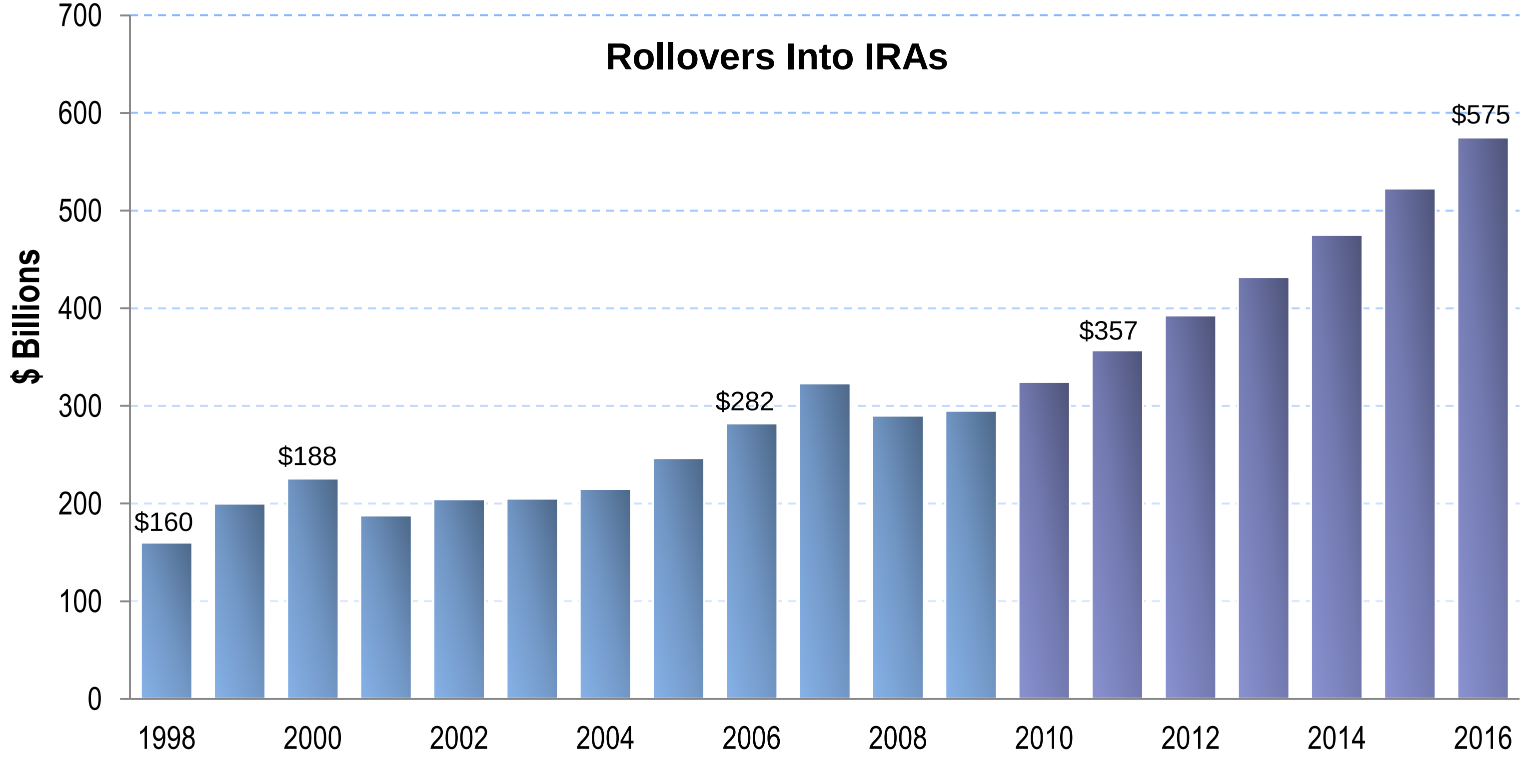
2012 Results

Matthew Drinkwater, Ph.D., FLMI, AFSI, PCS
Associate Managing Director, Retirement Research
(860) 285-7743
mdrinkwater@limra.com

Table of Contents

Background and Objectives

- The rollover market consists of money that becomes available for lump-sum distribution from employer-sponsored retirement plans due to retirement or termination of employment.
- The amount rolling into IRAs exceeded $350 billion per year as of 2011 – up 90 percent from 10 years earlier – and is projected to reach $575 billion by 2016.
- As Boomers move into retirement, growth in the rollover market is anticipated due to: a) increased plan participation; b) increased deferral amounts; and c) investment gains.



Note: Years 2008 through 2016 are estimates / projections.
Source: Investment Company Institute, *The IRA Investor Profile: Traditional IRA Investors' Rollover Activity, 2007 and 2008* (2010), and LIMRA analysis.

Background and Objectives

- Retirement plan service providers face a challenge: how to retain assets of plan participants when they terminate – particularly assets of retirees and those close to retirement, who are most likely to have the highest balances.
- This research builds on previous LIMRA research* and was designed to understand the factors – including participant and provider characteristics – that determine whether individuals will choose to keep their defined contribution (DC) plan money with the plan provider. Among the topics examined are:
  - What decisions retirees and pre-retirees make about their plan balances upon retiring or leaving their employers, and how quickly they make these decisions
  - Why participants choose to leave their money in the plan or roll it over to an IRA
  - Which companies tend to "capture" rollover assets
  - Retention rates, both within and outside of the DC plan, and how they relate to customer demographics and attitudes
  - Participant relationships with and attitudes toward DC plan providers
  - The effectiveness and timeliness of providers' marketing and communication programs
  - Sources of advice and information used by retirees and pre-retirees, including financial advisors and the provider's contact center representatives

**Asset Retention: Keys to Success in the Rollover Market*, LIMRA, 2011; *Opportunities in the Rollover Market: Employee Perspective*, LIMRA, 2009; *Opportunities in the Rollover Market: Employee Perspective*, LIMRA, 2006.

Methodology

- An online survey for data collection was fielded from August to September 2012.
  - Richard Day Research, an independent research firm, conducted the study in collaboration with LIMRA. The sample was provided by ResearchNow.
- Two groups of former or current defined contribution (DC) plan participants were surveyed:
  - **Recent retirees**: Had retired within the previous three years (i.e., since January 2009) and had been participating in a voluntary retirement savings plan at time of retirement
  - **Pre-retiree terms**: Had terminated employment (i.e., changed jobs or temporarily left the workforce) within the previous three years and had been participating in a voluntary retirement savings plan at time of job termination
- Qualified respondents were:
  - Involved in making financial decisions for the household
  - Aged 55-70 (as of year-end 2011)
  - Had at least $10,000 in their DC plan accounts as of the time of retirement/termination (for recent retirees and pre-retiree terms)
- A total of 2,131 usable surveys among qualified respondents (992 recent retirees and 992 pre-retiree terms) were completed.

Executive Summary – Retained Participants

Retained: Stayed or Committed to Stay in the Provider's Plan; Rolled to Retail (same provider)

Of the possible rollover actions to take upon employment termination, leaving money in the plan is as common a choice among recent retirees and pre-retiree terms as rolling to an IRA.

- Compared to LIMRA's rollover studies conducted before 2011, the proportion staying in the plan has increased. It is possible that the 2008-2009 market crash and uncertain economic conditions that followed led some individuals to defer taking action. A greater tendency to leave money in the plan implies that more assets will be available to providers deploying in-plan retention strategies.
- Lack of current need, inertia, and convenience drive the decision to leave money in the plan.

Nearly 40 percent of participants decide to stay with their current plan provider (either through a retail or institutional relationship).

- Among retirees and pre-retiree terms, only 12 percent were retained out of the plan, and 27 percent were retained in the plan and committed (i.e., had decided to keep their money in the plan). Another 20 percent left the money in the plan but had not made a final decision and thus were at risk of moving money out.
  - Looking at those who rolled to an IRA investment, only 27 percent kept their money with the plan provider – essentially unchanged since 2011.

Consolidation of assets drives the decision to roll to retail.

- Retained out-of-plan (rolled to retail) individuals are significantly more likely than others to have had existing IRA accounts, investment products, or brokerage accounts with the plan provider.
- In contrast, those retained in-plan were only slightly more likely than those who were not retained to have had IRAs or investment products with the plan provider.

Executive Summary – Retained Participants

Retention is linked to plan tenure, plan balances, and employer type.

- Retirees and pre-retirees who have contributed to their DC plans for 20 years or more are significantly more likely than others to leave the money in the plan and remain committed to doing so.
  - Excluding those with plan balances under $100,000, retention levels are not linked to the amount in the plan for retirees or pre-retiree terms. Longer tenures and more effective retention efforts appear to be partially offsetting the tendency of higher-balance participants to work with advisors and to have consulted with them as part of their decision – which generally leads to lower retention.
- Former employees of education, non-profit, and public-sector employers are significantly more likely than former employees of private-sector employers to leave their money in the plan.
  - Higher-balance participants are more inclined to keep their money with the plan provider, though the longer plan tenure among these participants may be the more important factor.
- Among former private-sector workers, in-plan retention improves with increased employer size. Larger employers have longer-tenured employees who may also have stronger relationships with employers and plan providers. However, there was no clear relationship between plan balance and retention.

Retained individuals, especially those who are retained out-of-plan, have strong relationships and satisfaction levels with the plan provider.

- More than half of those who are retained out of the plan or retained in the plan and committed have “very” or “somewhat” strong relationships with their plan providers at the time they left their former employers.
- Retention is strongly linked to overall satisfaction with the service received and to the willingness to recommend the provider to a family member or friend.
- Individuals who are retained out-of-plan have the highest net promoter scores*, followed by those who are retained in-plan and committed.
- Individuals who were retained out-of-plan rate providers highly on all five assessment categories: service, online access, brand, cost, and advice and education. Service and advice and education show the strongest association with retention.

*See page 42 for explanation of net promoter scores.

Executive Summary – Retained Participants

Personalized investment guidance can be a key differentiator.

- Offering personalized investment guidance about the plan can be highly effective in building trust and strengthening relationships with providers. Individuals who had strong relationships, who would be likely to recommend the provider, and who ultimately decided to keep their money with the provider were more likely than other groups to have been offered this service by their plan providers.
- Both retirees and pre-retiree terms were twice as likely to be retained out-of-plan, and significantly more likely to be retained in-plan and committed, if the plan provider offered them this service.

Proactive contact is also important.

- Retention rates are higher among retirees and pre-retirees who were contacted by their plan provider at the time they left their employers, regardless of whether they expected to be contacted or when they began to think about or make their decisions.
- Those who are retained out of the plan or in-plan and committed are slightly more likely than other groups to have been contacted by phone around the time that they left their former employers.
- In-plan retention appears to be related to seminars offered by the former employer or by the plan provider, though participants may not distinguish between employer-sponsored and provider-sponsored seminars.

Executive Summary – Not Retained or At-Risk Participants

Not Retained or At-Risk: Rolled to Another Company or Assets at Risk of Leaving

Participant assets left in the plan remain at risk.

- Although left in the plan and therefore still maintained by the plan provider, the money could be rolled out at any time. About half of stay-in-plan participants are not committed to remaining in the plan and over one fifth have not even considered alternatives yet.
  - Half of retirees and pre-retiree terms take action within two months of retirement/termination.
  - Almost half of plan assets are distributed within 12 months.

Among those who rolled, current plan providers have low out-of-plan retention rates.

- Only 26 percent of recent retirees and 24 percent of pre-retiree terms who cashed or rolled their money out of the plan invested the money with that same plan provider.
- Among those who invested with a different company, most selected brokerages/planning firms, mutual fund companies, or banks.
  - The top 12 IRA companies captured more than half (56 percent) of all rollovers.
  - Mutual funds are the most commonly-selected destination investments, especially among higher-balance ($500,000 or more) participants. Those with mid-range balances ($100,000 to $249,999) were the most likely to invest in deferred annuities.
  - Fifty-six percent of the money rolled out of the plan and invested in IRAs or retail products outside of IRAs flowed into mutual funds and managed accounts.

Proactive contact is often an oversight, if it occurs at all.

- Those who are not retained are nearly twice as likely as those who are retained out-of-plan to have had no contact with the plan provider (aside from statements).
- Both out-of-plan and “committed” in-plan retention are better when the participant has “active” contact (e.g., telephone) with the provider in the year preceding separation from their employers.

Executive Summary – Not Retained and At-Risk Participants

Consolidation is also major driver for deciding to roll to another company.

- As has been the case for the past LIMRA rollover studies, the “three Cs” of consolidation, control, and convenience are the top reasons for moving money away from the plan provider. In this year’s study, consolidation was the top reason, cited by more than half of all retirees and pre-retiree terms and an even higher proportion of individuals with at least $500,000 in total financial assets.
- Approximately 3 in 4 (75 percent of retirees and 70 percent of pre-retiree terms) respondents invested the money received in a place where they were already doing business or had an account.
- Offering more personalized investment advice or guidance can also lead to switching from the provider to a new financial services firm.
- For 1 in 4 recent retirees, a discussion of retirement income that occurs before retirement is a motivator to move their money to a new provider.

Satisfaction and loyalty levels are closely related to asset retention.

- Individuals who left money in the plan but are at risk, or have rolled their money out, had both lower satisfaction levels and net promoter scores with the plan provider than those who rolled to a retail IRA offered by the provider or are committed to remaining in the plan.
    - Among those who are retained in-plan but at risk, and those who are not retained, detractors significantly outnumber promoters.

Inferior services leads to low retention.

- Among those who rolled their money to a new company, ratings of the retail provider were significantly higher than ratings of the plan provider. The difference in ratings was most pronounced in the advice and education assessment category, followed by service and then cost.

Executive Summary – Not Retained and At-Risk Participants

Financial advisors influence decisions to switch companies.

- As expected from previous research, reliance on financial planner/advisors is associated with low retention rates. Among the 55 percent of retirees and pre-retiree terms whose financial planner/advisors have the most influence over their decisions, a majority (53 percent) rolled out their money and were not retained.
  - For 8 out of 10 individuals, the advisor was not affiliated with the plan provider.
  - However, when the advisor was affiliated with the plan provider, 7 in 10 kept their money with the plan provider. Financial professionals working for the provider are also much more likely to be very familiar with the specific features and benefits of their former employers' plans (as judged by the participants) and to have initiated contact with the participant.

Recommendations

Establish a positive relationship with participants that enhances their satisfaction and loyalty toward the brand.

- Assessment of the provider’s brand, costs, service, and advice and educational capabilities are all linked to retention: Those who were retained out of the plan are the most likely to have positive perceptions of these factors, followed by those retained in-plan and committed and those retained in-plan and at risk.
- Track participant loyalty and satisfaction with metrics closely linked to retention: service; investment guidance; and education. Satisfaction should be measured separately across these categories.

Offer personalized investment guidance and have early, frequent contact with participants to improve relationships.

- Individuals who have strong relationships and who ultimately decide to keep their money with the provider are more likely than other groups to report that their plan providers offered them personalized investment guidance about their plans. For retirees, this guidance includes discussion of post-retirement needs before the retirement event. Plan providers must focus on offering “best-in-class” planning and guidance along with superior service in order to compete with major retail providers.
- Seek to build multiple/deeper relationships by offering IRA accounts to plan participants.
- Identify or model those participants who are most important for asset retention as well as likely to keep their money in the “complex” (e.g., those with longer plan tenures). Then, proactively reach out to them through a variety of messaging (and in-person investment guidance) before the termination event occurs. It will often be too late if a provider waits until the actual termination event.

Recommendations

Tailor retention efforts to employer type.

- Private-sector employees have lower retention rates than nonprofit and public-sector employees, so plan providers within the private sector need to work much harder and be more creative to maintain positive participant relationships, especially among smaller employers.
- Service models common in the not-for-profit market, in which a dedicated representative is available for guidance, likely bestow providers with more opportunities for relationship-building than service models in for-profit markets, in which representatives typically make less frequent contact with participants and plan sales-focused representatives dominate.
- Among public sector employees, who tend to have been participating in the plan the longest, providers should increase contact with participants to further boost retention.

Method of contact matters.

- “Active” contact methods (e.g., telephone, in-person contact) that allow for personal two-way communication are likely to be more effective than “passive” methods such as postal mail or email. These findings suggest that adding call center staff, rather than expanding the retention program’s mailing budget, should be considered. Providers should also explore or expand social media and online chat communication methods between service personnel and plan participants.
- Focus on participants who have larger balances and/or multiple accounts with the provider, and longer plan tenure; websites and online tools that offer a complete view, for the participants, of their financial holdings with the provider should improve the chances of consolidation with that provider.

Recommendations

Focus on the decision influencers – financial advisors and call center representatives – as they can either undermine or improve retention.

- Also consistent with previous LIMRA research, when call center representatives have had the greatest influence, retention rates are higher than when others have the greatest influence. Ensure delivery of quality customer service through best-in-class recruitment and training of call center representatives.
- Provider-affiliated financial professionals are not commonly consulted but are very strongly linked to retention, possibly due to the advice and education they offer to participants. Promote opportunities for provider-affiliated financial professionals to interface with participants just prior to and at retirement.

Deploy information sources to plan sponsors and participants.

- Individuals who are retained in the plan were more likely to use materials provided by the employer. These materials are often branded and provided by plan providers, and can be one component of an in-plan retention strategy.
  - Materials should be concise, easy-to-understand, and have a clear call to action.
- Proactive marketing messages that emphasize the benefits of having a larger income in retirement may have appeal, along with excellent investment performance, selection, and customer service.
  - Capitalize on the three C’s in the messaging: consolidation, convenience, and control.

RECENT RETIREES AND PRE-RETIREE TERMS: DETAILED FINDINGS

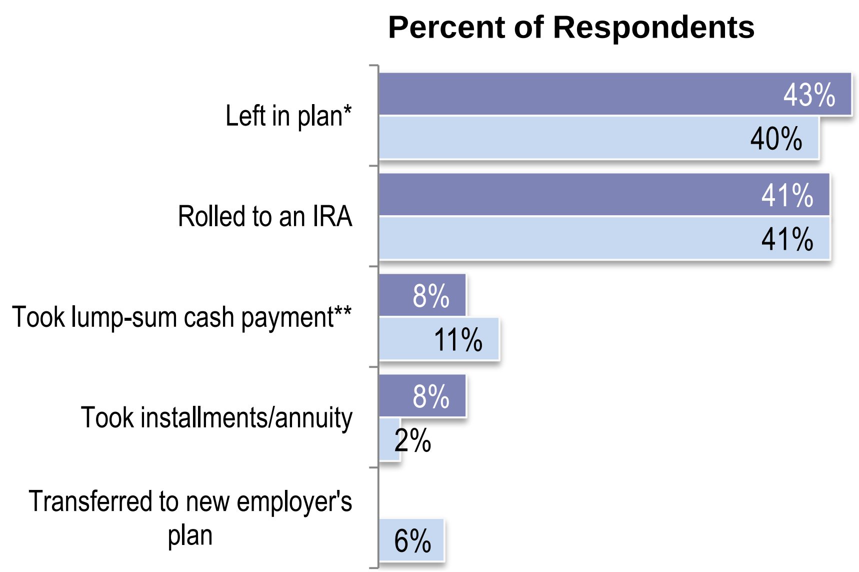
Actions Taken

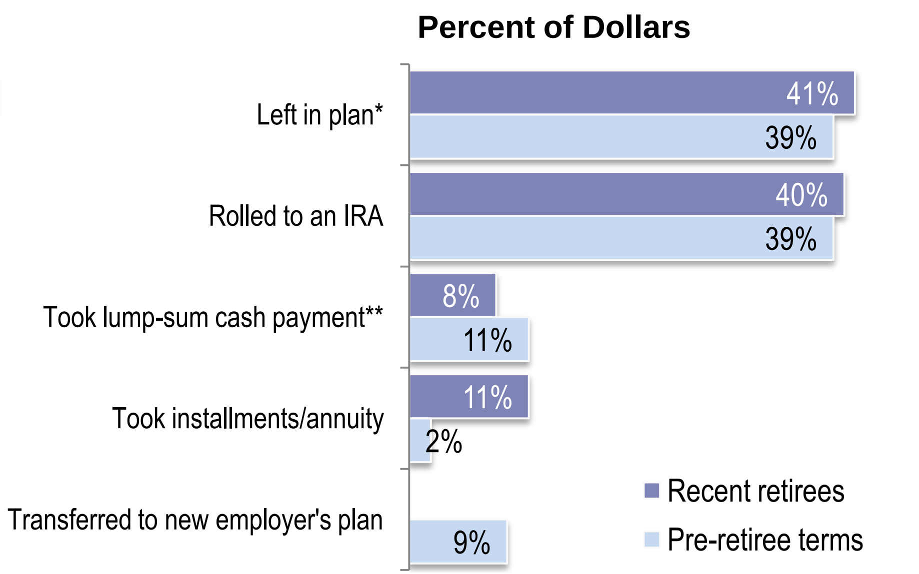
Leaving money in the plan and rolling to an IRA are the most common choices

Recent retirees and pre-retiree terms are remarkably similar in terms of their decisions, over 80 percent deciding either to leave the money in the plan or roll the balance into an IRA.

Compared to LIMRA's previous rollover study (2011), the proportion staying in the plan has decreased (from 47 percent to 42 percent), while the proportion of retirees rolling to an IRA increased (from 36 percent to 41 percent). Still, the proportion leaving money in the plan is higher than in LIMRA studies prior to 2011, suggesting that stay-in-plan retention strategies may have gained traction.

Most Recent Action Taken





More likely to have left the money in the plan:
- Age 55 to 59
- Does not work with financial professional to make HH decisions
- More recent retirement or job termination

More likely to have rolled over the money to an IRA:
- Age 65 to 70
- Higher levels of HH assets
- Work with financial professional to make HH decisions
- Less recent retirement or job termination

*Includes those who left some of the money in the plan and took some in one or more cash payments.
**Includes those who subsequently transferred some or all of the money in an IRA.
Note: "HH" = household. Excluding those respondents (about 12 percent of the sample) who indicated that they did not have a lump-sum cash settlement or rollover option available when they left their employers, 38 percent left the money in the plan.

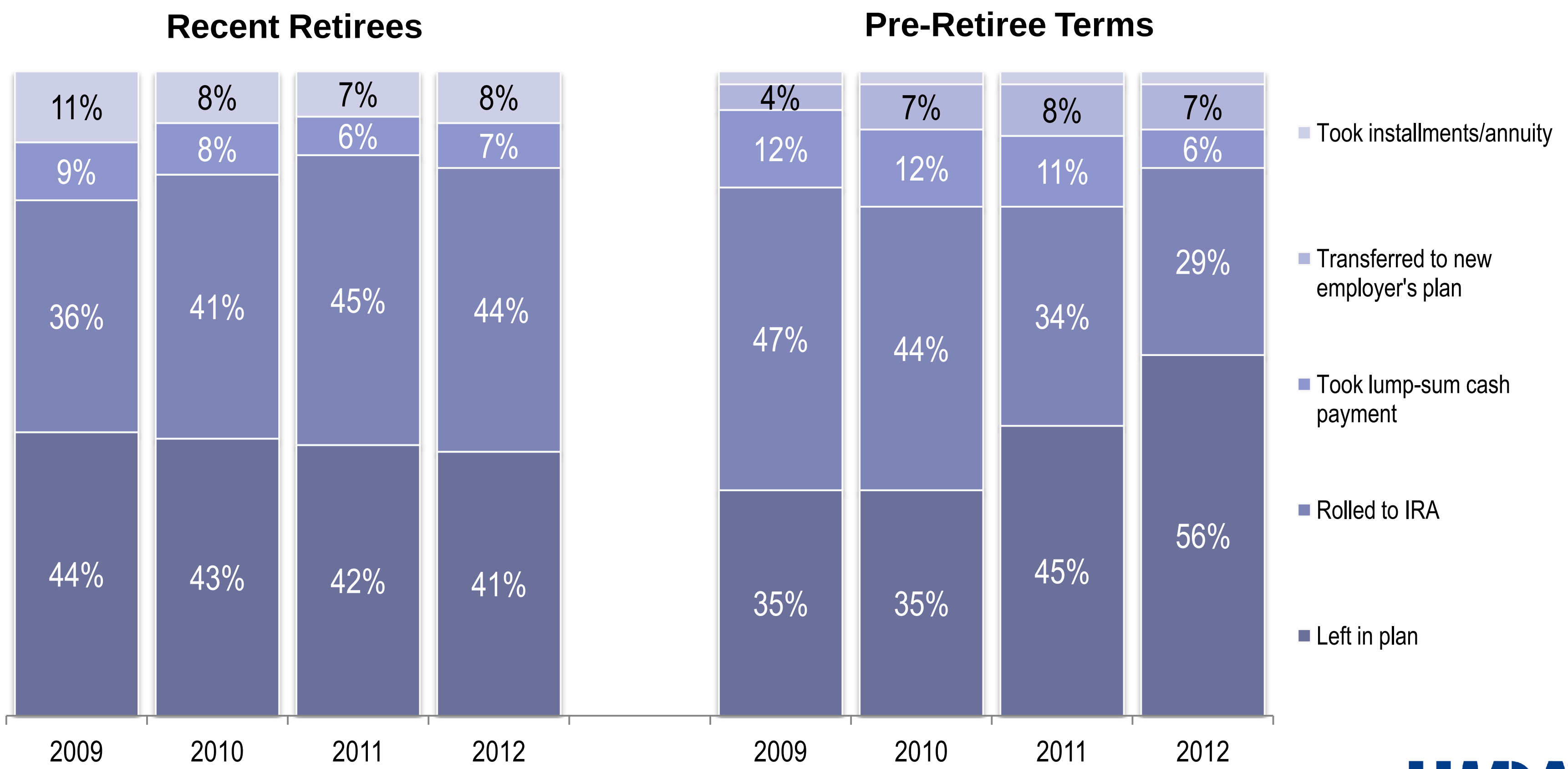
Retiree decisions consistent across years

Retirees were as likely to report that they had left the money in the plan (as of mid-2012) regardless of when they retired. They were slightly more likely to have rolled to an IRA if they retired in 2011 or later.

Conceivably, retirees were reluctant to “lock in” the losses incurred during the severe market downturn in 2008-2009 by rolling out the money into a new investment line-up.

In contrast, pre-retiree terms were much more likely to leave money in the plan if they had recently terminated employment, most likely because they have not yet decided what to do with the money.

Most Recent Action Taken By Year



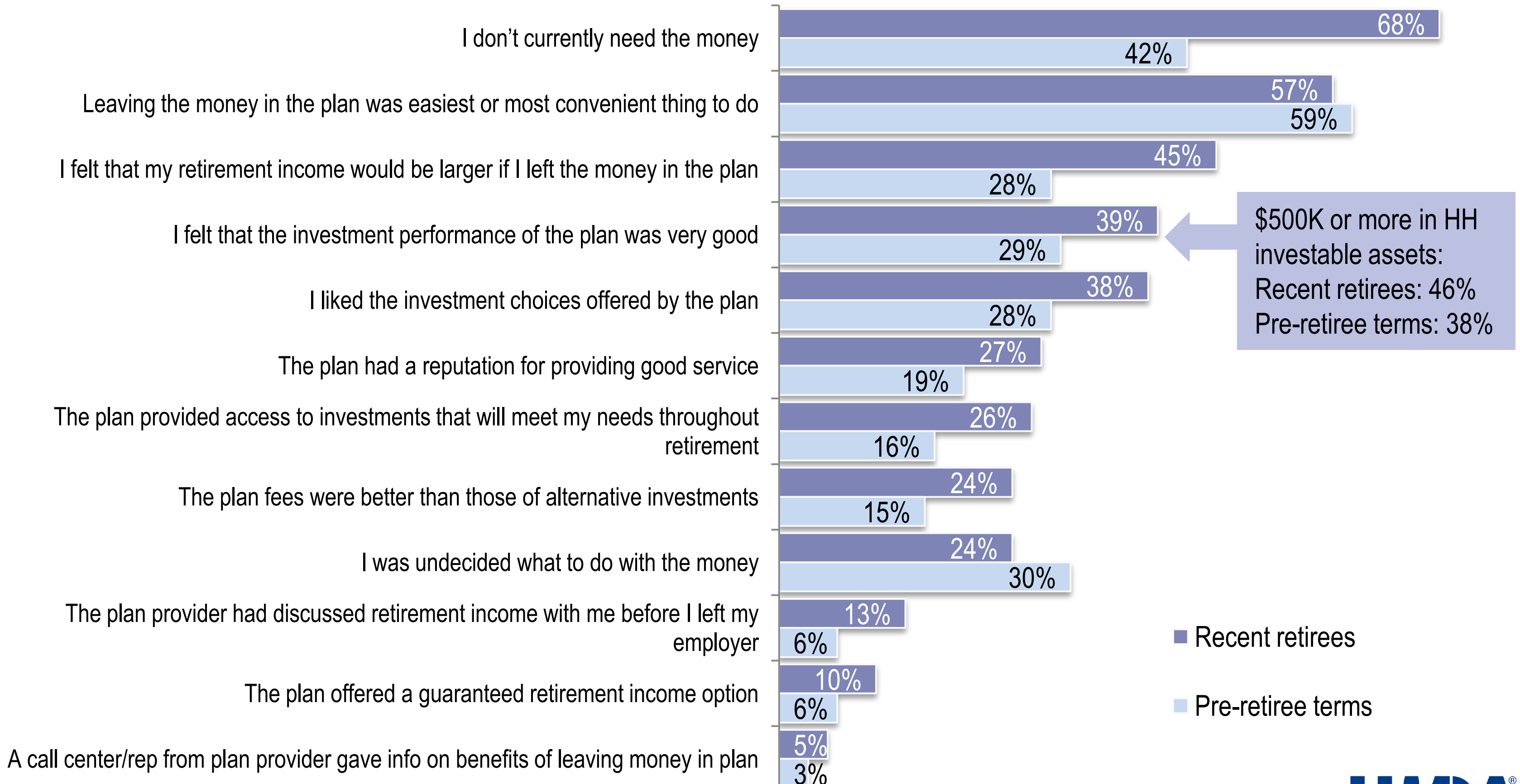
Note: “Installments/annuity” category not shown for pre-retiree terms (2 percent for all years).

Lack of current need, inertia, and convenience drive the decision to leave money in the plan

Keeping the money in the plan is the “default” choice and involves no action on the part of the retiree or pre-retiree term. Accordingly, many who stay in the plan place a priority on convenience. They may also have made no decision yet, which suggests that their assets are still “in play.”

For in-plan retention strategies, marketing messages that emphasize the benefits of having a larger income in retirement (by not accessing the funds before that time) may have appeal, along with excellent investment performance, selection, and customer service.

Impacted Decision to Leave Money in the Plan



Note: Multiple responses allowed.

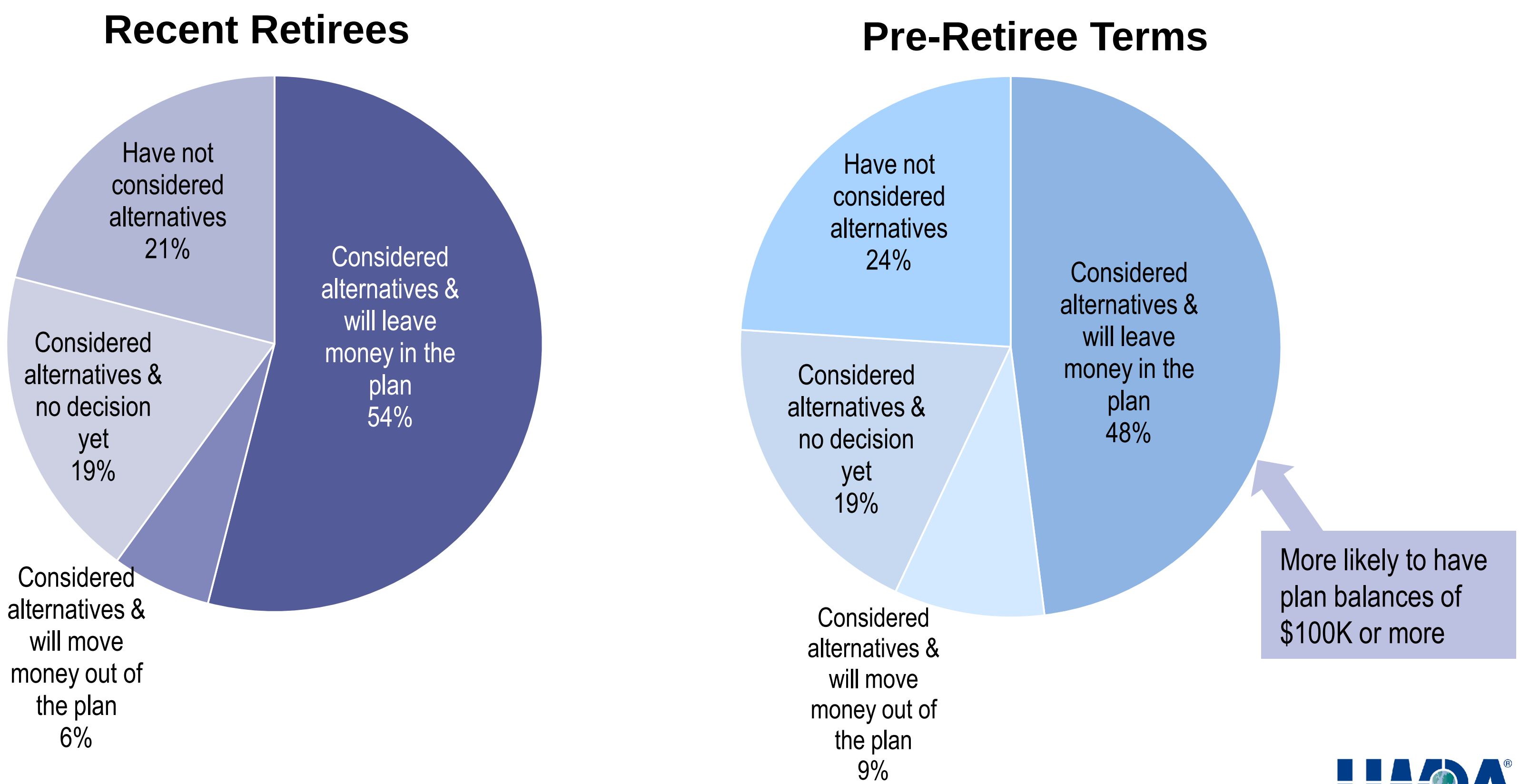
Left money in plan: Assets are still at risk

Although left in the plan and therefore still maintained by the plan provider, the money could be rolled out at any time. About half of stay-in-plan participants are not committed to remaining in the plan and about one fifth have not even considered alternatives yet.

Even among individuals who left their former employers three years ago, 35 percent still have not made a decision regarding their plan money.

Thirty percent of retirees and 34 percent of pre-retiree terms say they are very or somewhat likely to roll their money to an IRA within the next 12 months – further evidence that the assets remain at risk.

Status of Decision to Leave Money in the Plan

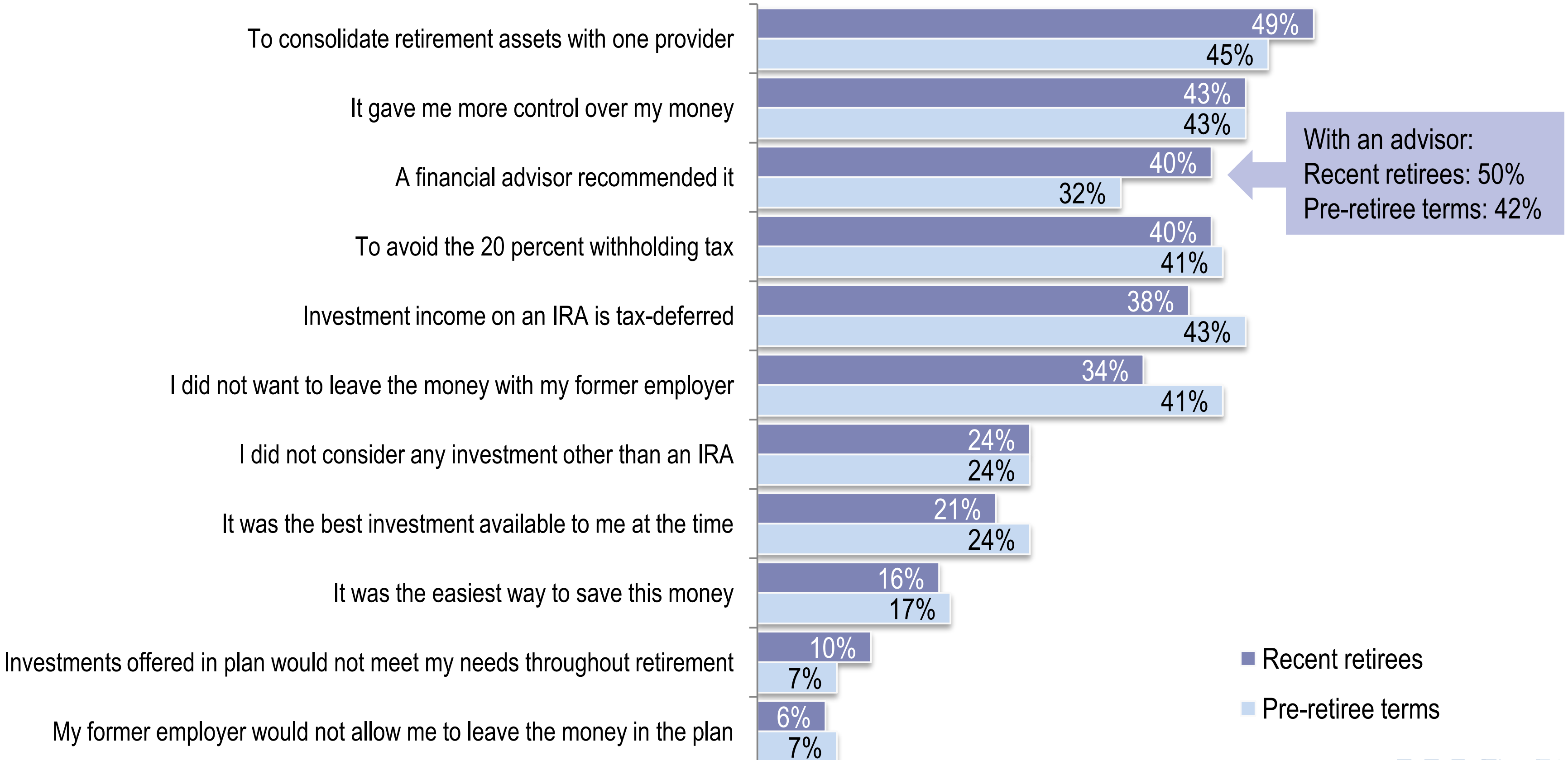


Consolidation and control surpass convenience as reasons for rolling to IRAs

Unlike the decision to stay in the plan, convenience is not paramount for those moving the money out of the plan. Consolidation, control, financial advisor recommendations, and tax deferral are all top reasons. Consolidation is particularly important for wealthier retirees and pre-retiree terms (60 percent and 57 percent, respectively).

This year's study also revealed that a discussion of retirement income that occurs before retirement is a motivator for 1 in 4 recent retirees. Offering personalized investment advice or guidance can also lead to switching from the provider to a new financial services firm.

Reasons for Investing in an IRA



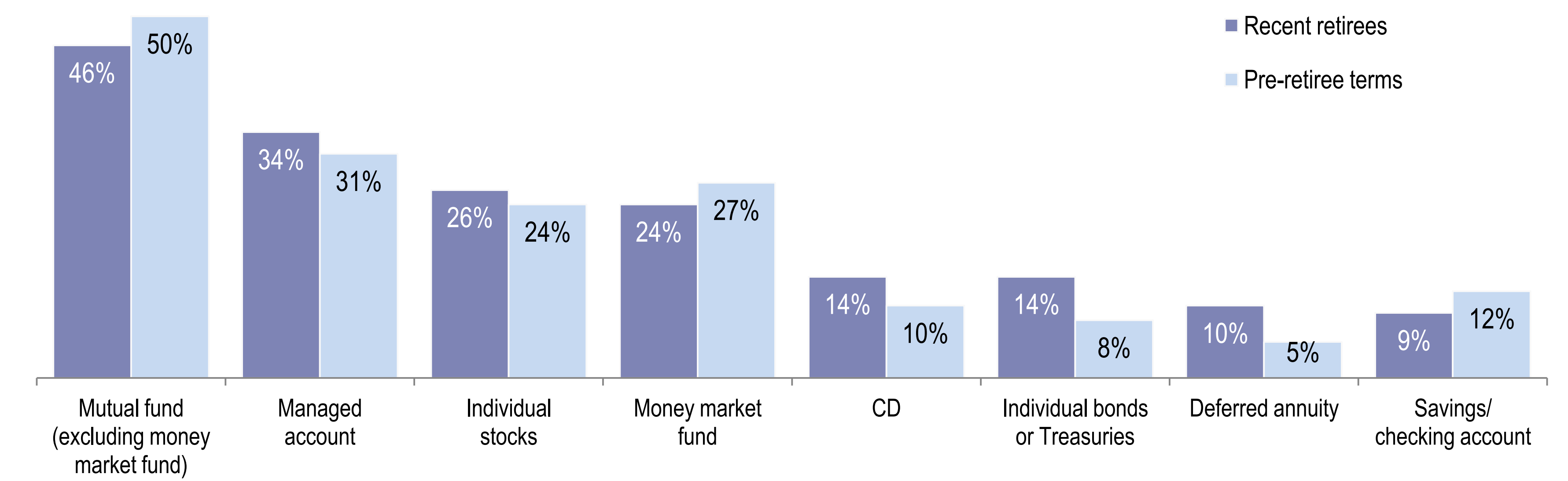
Note: Multiple responses allowed. Not shown: "A call center/representative from the firm that handles my former employer's retirement plan recommended it" and "Other reasons."

Mutual funds most common investment type selected

Mutual funds continue to be popular investments for rollovers, and are significantly more common than CDs, annuities, or other alternatives. They are more popular among higher-balance participants: 56 percent of individuals with plan balances of $500,000 or more invested in a mutual fund, compared to 40 percent of individuals with plan balances of $10,000 to $49,999.

Higher-balance participants are also more likely to select managed accounts, individual stocks, money market funds, individual bonds, and exchange-traded funds (ETFs). However, those with mid-range balances ($100,000 to $249,999) were the most likely to invest in deferred annuities.

Ways Initially Saved or Invested the Money Received From Retirement Plan



11% of mutual funds were target-date funds

	Recent Retirees	Pre-Retiree Terms
Exchange-traded fund (ETF)	8%	9%
Real estate investment trust (REIT)	7%	6%
Payout annuity	6%	2%
Other	6%	4%

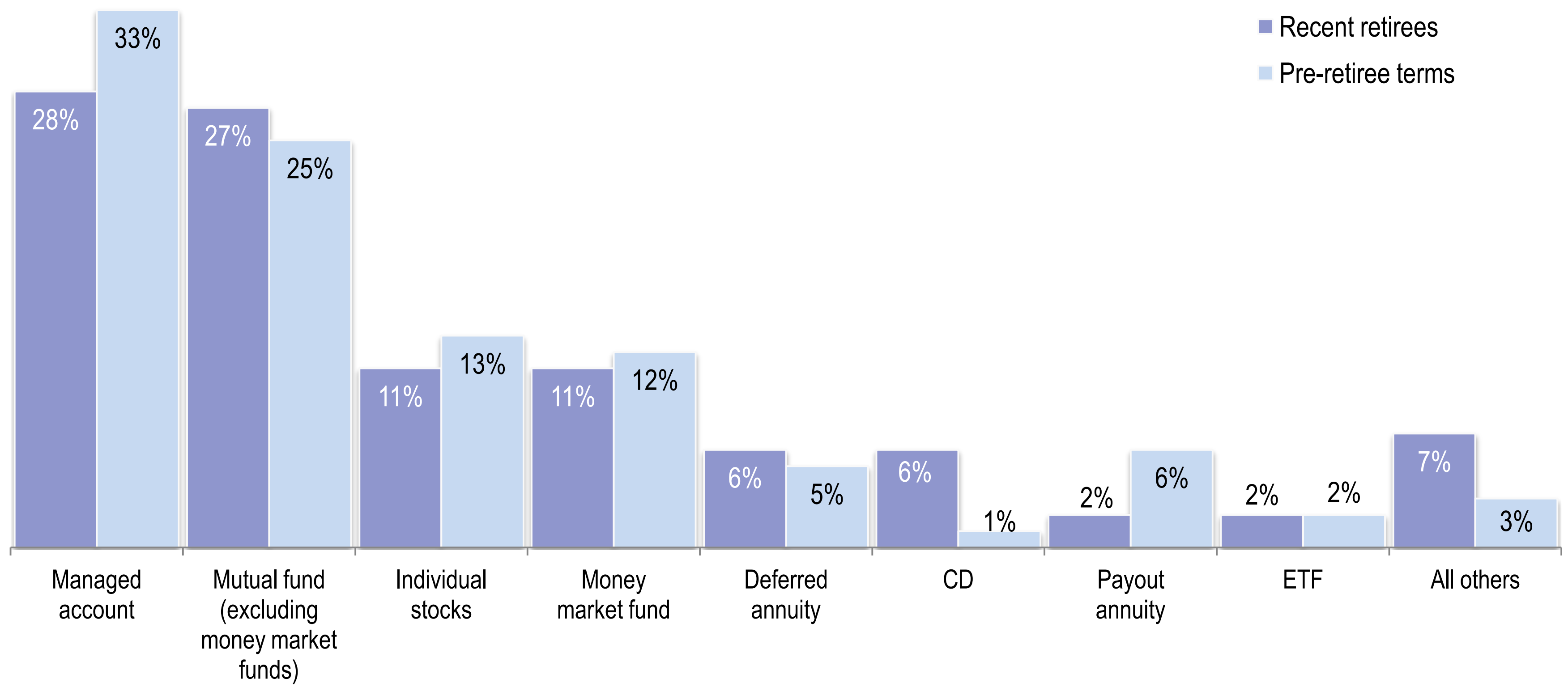
Note: Based on respondents who rolled to an IRA directly from the plan, or who took lump-sum cash payment(s) and invested some or all of the money. Multiple responses allowed.

Most money is invested in managed accounts or mutual funds

Fifty-six percent of the money rolled out of the plan and invested in IRAs or retail products outside of IRAs flowed into managed accounts and mutual funds. While money market funds tend to be selected more often, their flows tend to be disproportionately low compared with alternative investments.

Deferred annuities continue to be a relatively uncommon destination for rollover dollars, with only 6 percent of retirees and 5 percent of pre-retiree terms investing most of the money in them.

Where Most of the Money Was Saved or Invested (Percent of Dollars)



Note: Based on respondents who rolled to an IRA directly from the plan, or who took lump-sum cash payment(s) and invested some or all of the money. “All others” includes savings/checking accounts, real estate investment trusts (REITs), individual bonds or Treasuries, cash value life insurance, and other investments.

When assets roll to a company other than the plan provider, brokerages, planning firms, mutual funds, and banks dominate

Company	Percent of Respondents 2012	2011
1. Fidelity Investments	8%	7%
2. Ameriprise Financial	7%	7%
3. Charles Schwab	6%	7%
4. Wells Fargo/Wachovia	5%	4%
5. Edward Jones	5%	7%
6. Vanguard	5%	6%
7. Merrill Lynch/Bank of America	5%	5%
8. Morgan Stanley Smith Barney	4%	5%
9. American Funds	3%	1%
10. AmeriTrade/TD Ameritrade	3%	2%
11. UBS Financial Services	3%	2%
12. JP Morgan Chase	2%	2%
All others*	44%	45%

Only 26 percent of recent retirees and 24 percent of pre-retiree terms invested the money received from the plan with that plan provider.

Among those who invested with a different company, most selected brokerages/planning firms, mutual fund companies, or banks.

The top 12 IRA companies captured more than half (56 percent) of all rollovers associated with recent retirees and pre-retiree terms. These same companies captured almost the same share (55 percent) in 2011. However, no single company dominates the market.

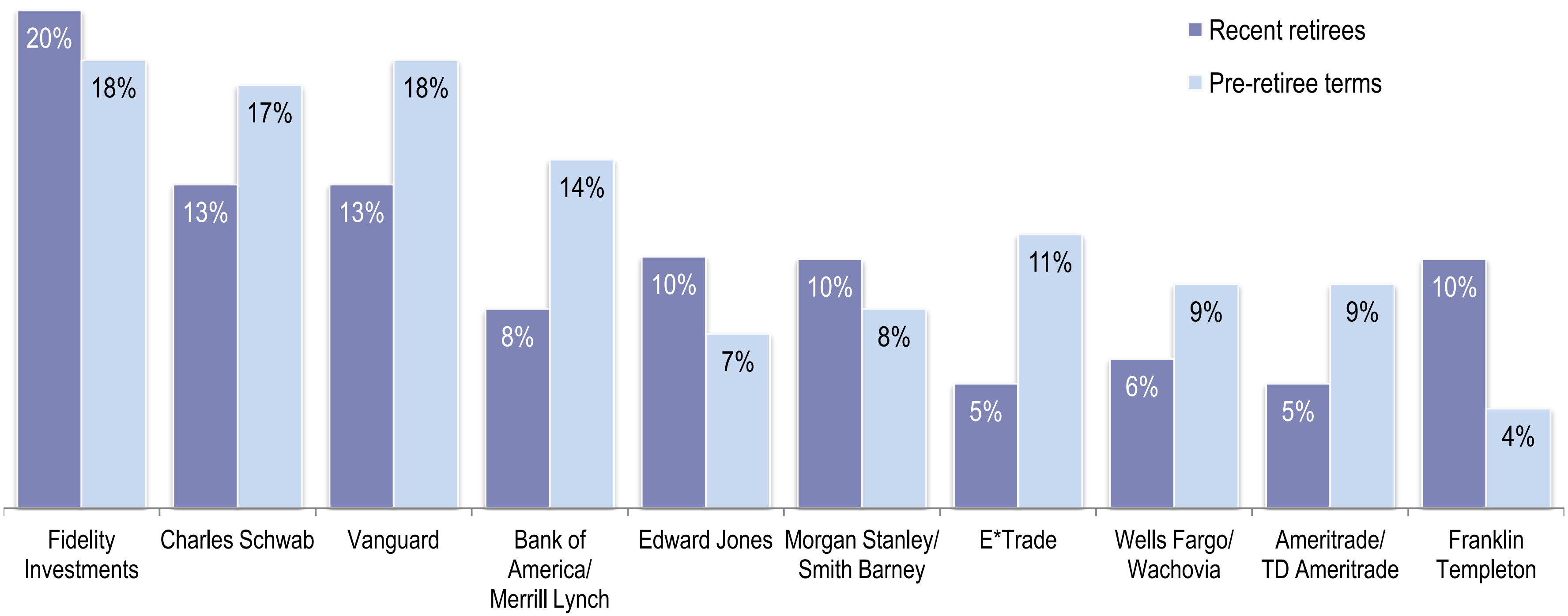
* All other companies had less than 2 percent of respondents identify them as the plan provider in 2012.
Note: Based on respondents who rolled to an IRA directly from the plan, or who took lump-sum cash payment(s) and invested some or all of the money with a company other than the plan provider.

The “short list” includes many of the top rollover capturers

About 1 in 3 recent retirees and pre-retiree terms considered investing money with a company other than the one eventually selected. The companies that were top asset capturers were also among the most likely to be mentioned as possible candidates, and tend to be large mutual fund companies (79 percent of participants considered any mutual fund company) as well as brokerages, planning firms, and banks.

Insurers are not commonly mentioned (36 percent of respondents considered any insurer), in part because some may not know about their investment/asset management capabilities.

Other Companies Considered But Not Selected



Note: Based on respondents who rolled to an IRA directly from the plan, or who took lump-sum cash payment(s) and invested some or all of the money, and who considered investing with companies other than the company they rolled to. Multiple responses allowed.

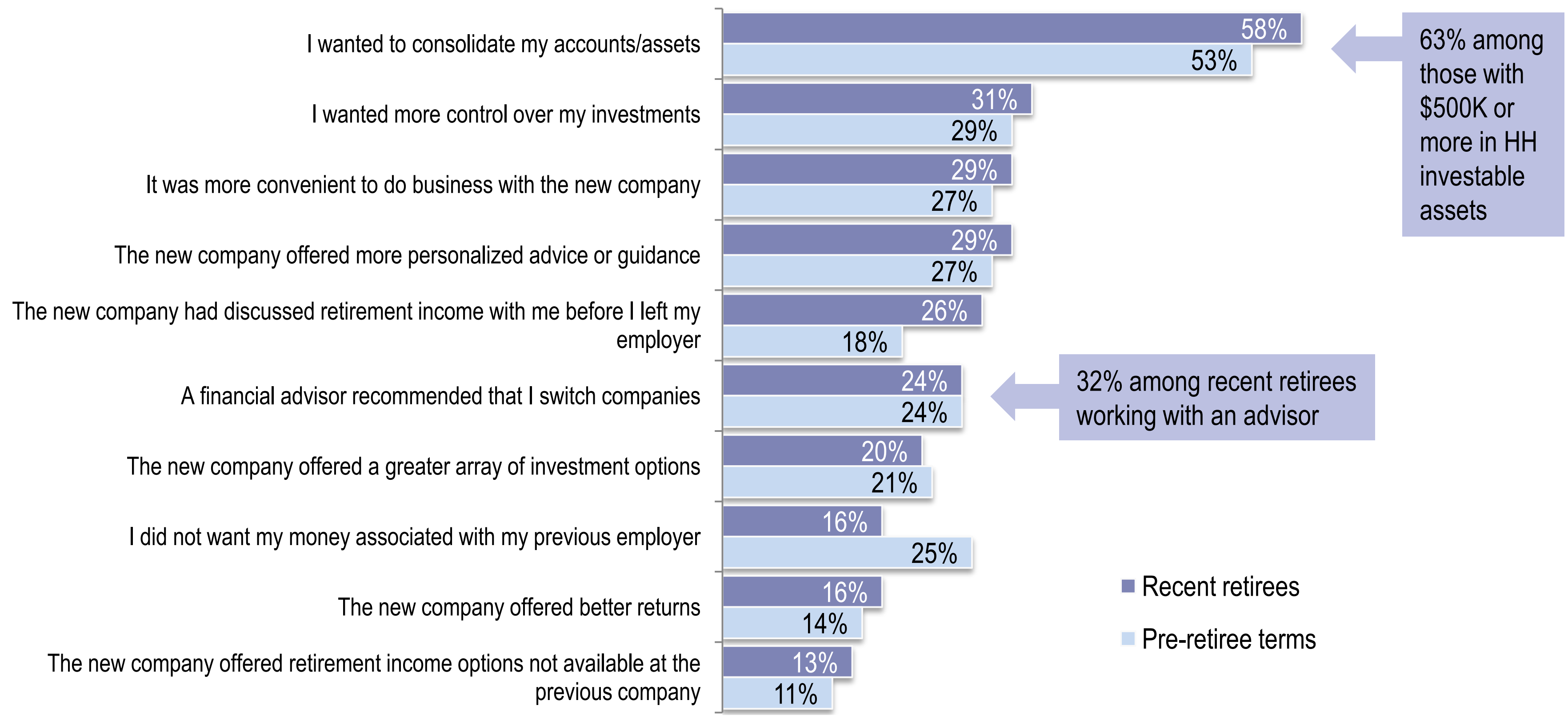
LIMRA

Consolidation, control, and convenience remain top reasons for switching companies

As has been the case for the past LIMRA rollover studies, the "three Cs" of consolidation, control, and convenience are the top reasons for switching firms. In this year's study, a majority of retirees and pre-retirees indicated consolidation was a reason; approximately 3 in 4 (75 percent of retirees and 70 percent of pre-retiree terms) respondents invested the money where they were already doing business or had an account.

This year's study also revealed that a discussion of retirement income that occurs before retirement is a motivator for 1 in 4 recent retirees. Offering personalized investment advice or guidance can also lead to switching companies.

Reasons for Switching Companies



Note: Based on respondents who rolled to an IRA directly from the plan, or who took lump-sum cash payment(s) and invested some or all of the money with a company other than the plan provider. Multiple responses allowed.

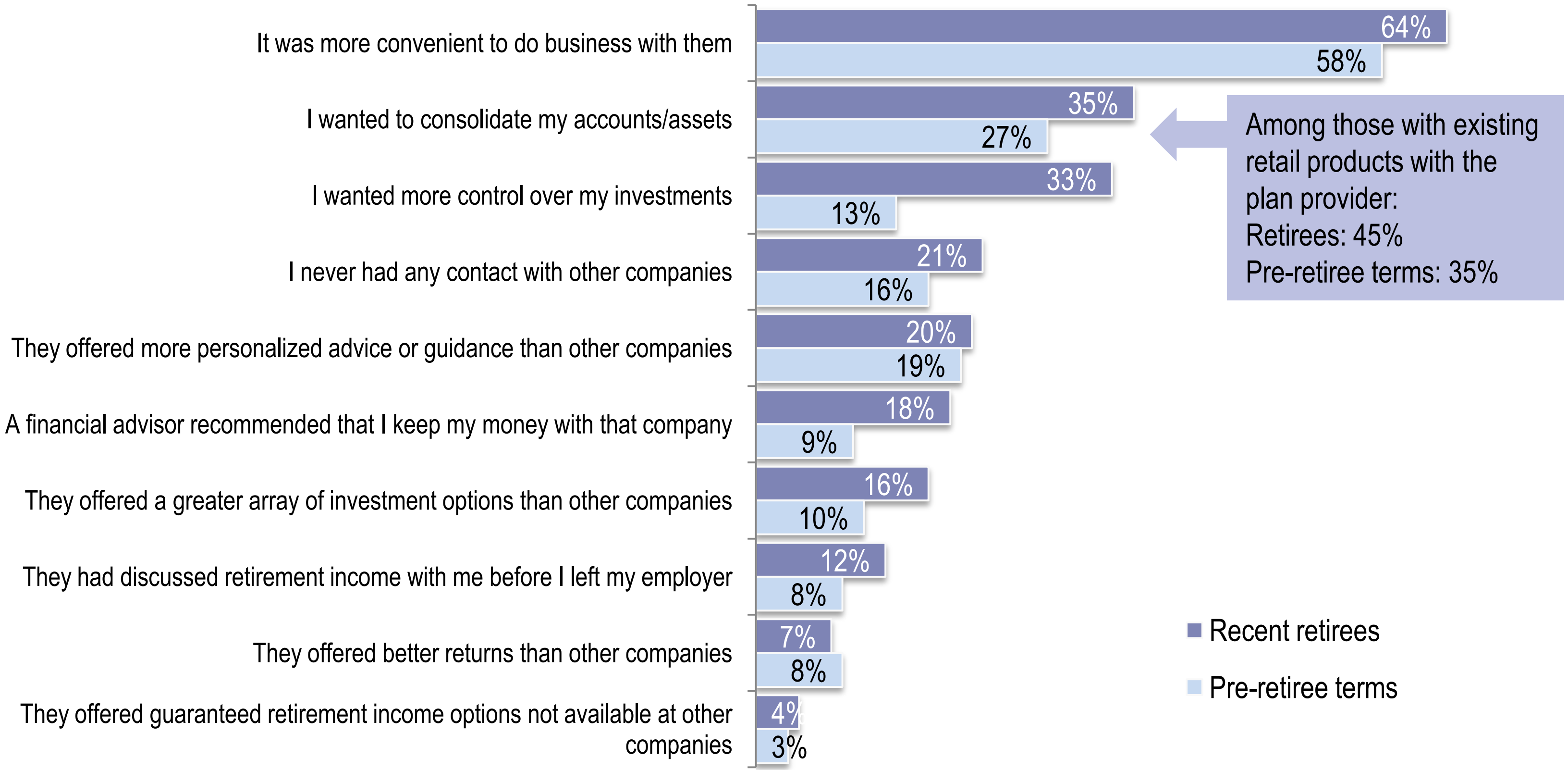
Convenience drives decision to keep money with plan provider

By far, convenience is the most commonly cited reason leading retirees and pre-retiree terms to roll their money to retail products offered by the plan provider firm. Although rollovers are a less passive choice than leaving the money in the plan, successful plan providers are making this process as easy and seamless as possible.

Other important reasons included consolidation and control, which are also reasons for switching providers.

Retirement income discussions and offerings do not appear to be major factors for out-of-plan retention.

Reasons for Rolling to Plan Provider



Note: Based on respondents who rolled to an IRA directly from the plan, or who took lump-sum cash payment(s) and invested some or all of the money with the plan provider. Multiple responses allowed.

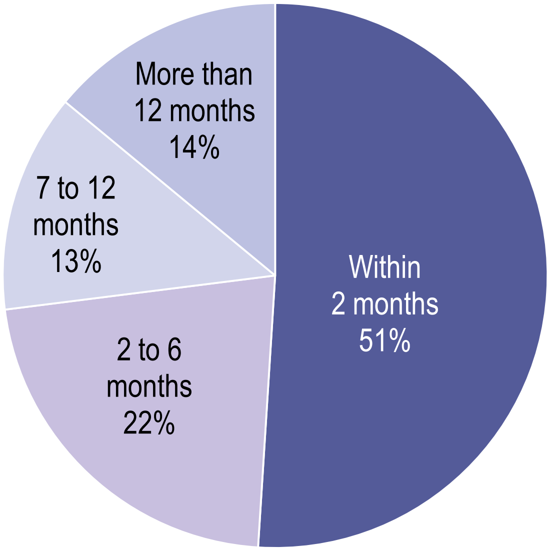
Most take action within six months

There is a very short window between leaving the employer and taking action. Half of retirees and pre-retiree terms take action within two months, and 49 percent of these individuals (65 percent of retirees and 31 percent of pre-retiree terms) started thinking about what to do with the money more than 90 days in advance. Among those who began thinking about their decision after leaving their employers, only 36 percent took action within two months.

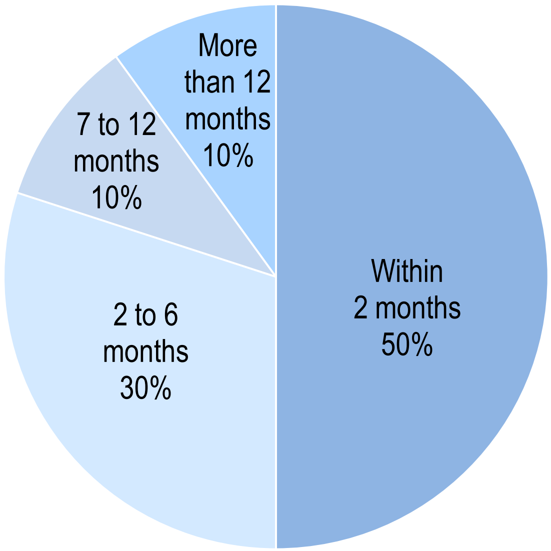
The use of a financial advisor was linked to quicker action among retirees (55 percent taking action within two months).

How Long After Leaving Former Employer Action Was Taken

Recent Retirees



Pre-Retiree Terms



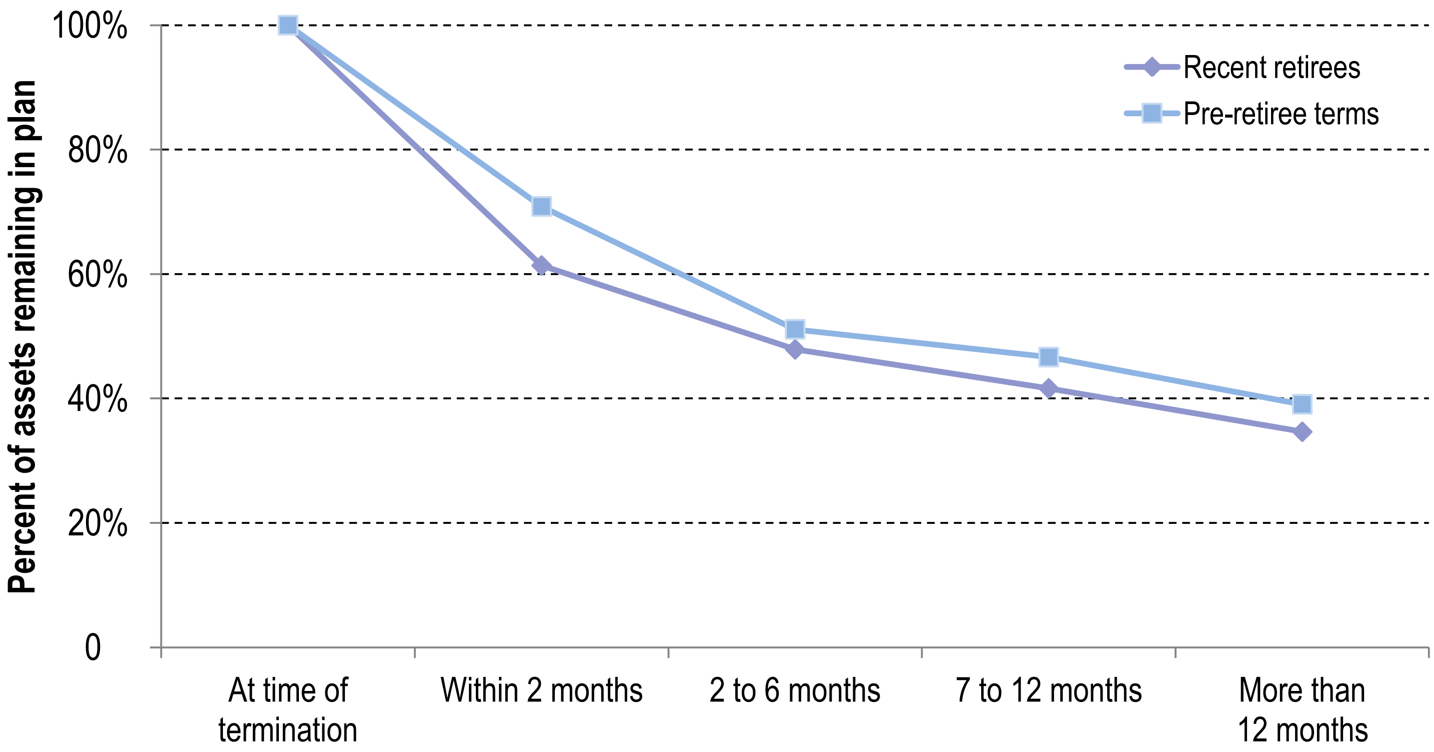
Note: Excludes respondents who left all of the money in the plan.

Survival of assets in plans: Half of assets are distributed within 12 months

Assets within plans are often depleted rapidly. Excluding those who took installments or annuity payouts, about half of all assets were distributed within six months. Among those who took action (i.e., did not leave the money in the plan), 80 percent of the assets were moved out within six months.

The findings underscore the need for swift deployment of asset retention efforts when individuals retire or terminate employment, and for building relationships with participants prior to that event.

Survival of Assets



Note: Analysis excludes assets that were distributed as installment or annuity payments and assumes no change in plan balances due to investment performance between time of termination and time of distribution (or time of survey completion for those who left the money in the plan).

RECENT RETIREES AND PRE-RETIREE TERMS: DETAILED FINDINGS

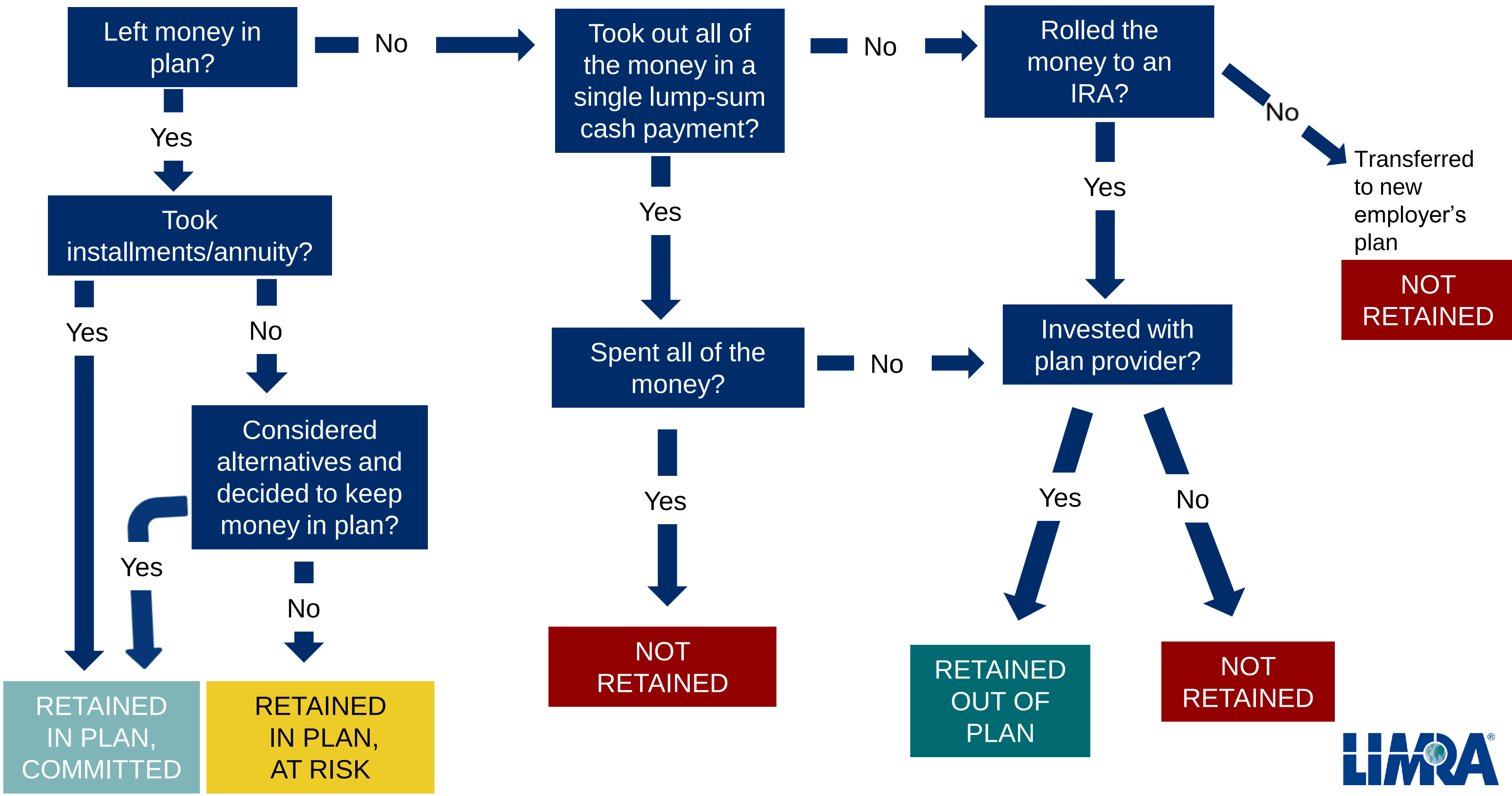
Retention

Definition of retention

Plan providers retain assets in two basic ways: (1) individuals roll their money out of the plan and into a retail product (usually an IRA) offered by the provider; or (2) individuals keep their money in the plan (and either take no further action or commence installment or annuity payments).

Stay-in-plan participants can be further differentiated into those who are committed to staying, and those who are at risk of moving their money elsewhere.

Non-retained assets include those that are cashed and spent, rolled to a different company's retail product, or transferred to a new employer's retirement plan.



Most are retained in plan, but many are at risk

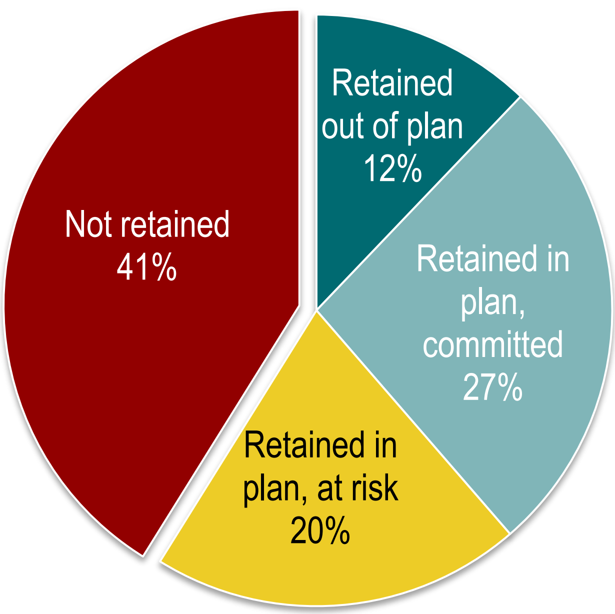
Retirees and pre-retiree terms have similar retention patterns, though recent retirees were more likely than pre-retiree terms (44 percent vs. 33 percent, respectively) to have been retained in-plan and committed, or retained out of plan. Many of those who left money in the plan had not yet made a decision to keep the money in the plan, which drove up the proportion of pre-retiree terms who were considered not retained or committed in the plan.

Among those who rolled to an IRA, only 27 percent kept their money with the plan provider.

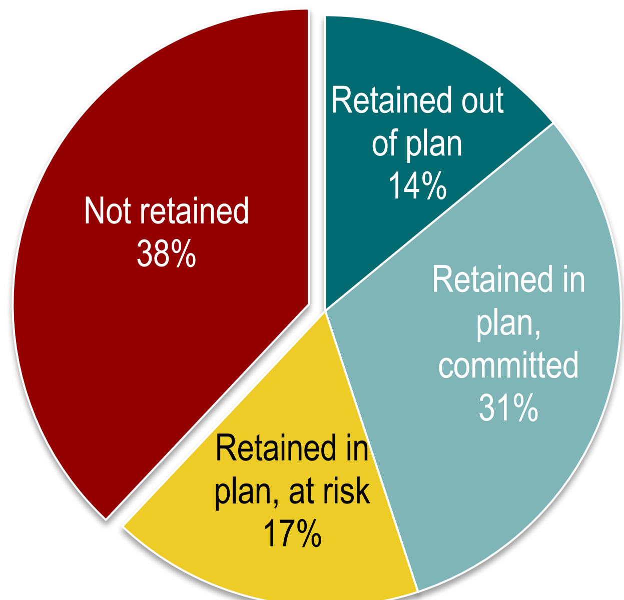
Overall, the proportion of individuals not retained increased slightly from 2011 levels (from 37 percent to 41 percent) while the proportion of dollars retained was essentially unchanged (from 39 percent in 2011 to 38 percent in 2012).

Retention by Percent of Individuals and Percent of Dollars

Percent of Individuals



Percent of Dollars



Note: Excluding those respondents (about 12 percent of the sample) who indicated that they did not have a lump-sum cash settlement or rollover option available when they left their employers, 13 percent were retained out of plan, 25 percent were retained in plan and committed, 18 percent were retained in plan and at risk, and 44 percent were not retained.

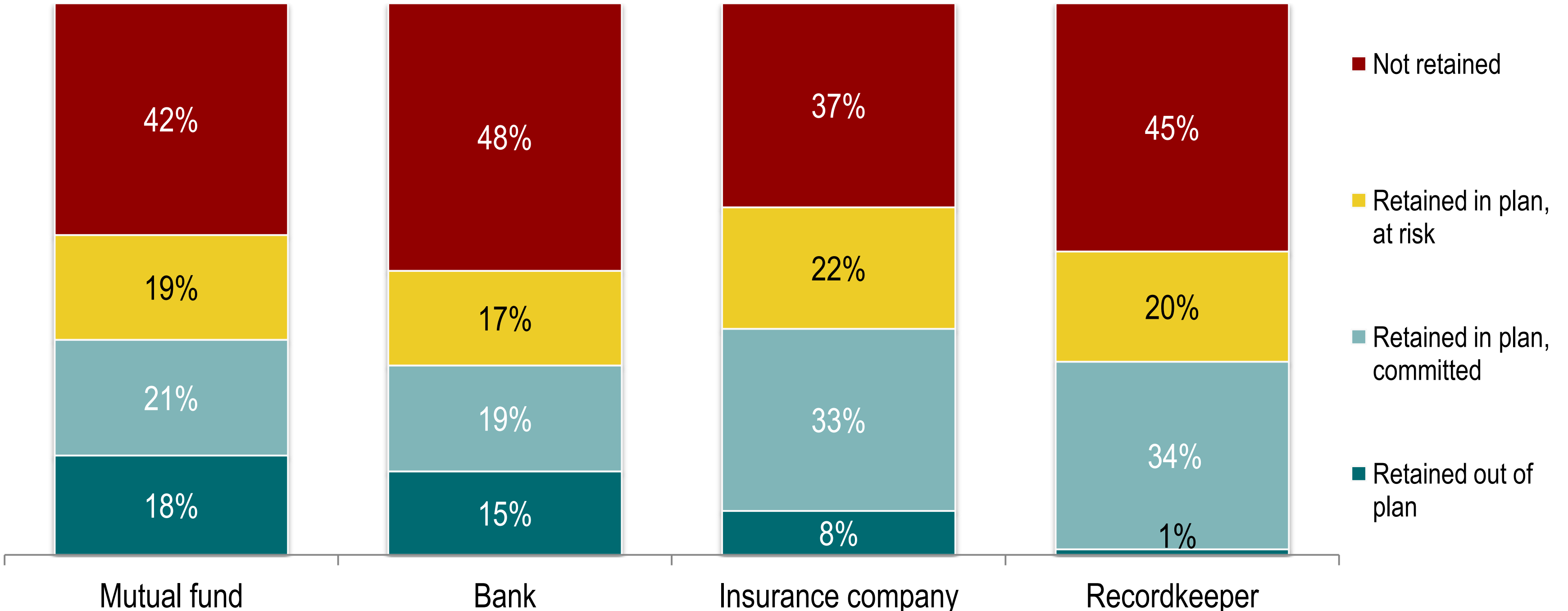
Out-of-plan retention highest among mutual fund providers, in-plan retention highest among insurers

Their reputation as investment and asset managers puts mutual fund companies at a distinct advantage for retention of rollovers. Among both retirees and pre-retirees, the out-of-plan retention rate for mutual funds is twice that of insurance companies, even when retention is based solely on rollovers (i.e., in-plan retention is not included in the calculation).

Insurers (and recordkeepers) have high in-plan retention rates. Some of insurers' success may reflect the nature of the distribution options available in plans they administer: Some individuals may face surrender charges if they withdraw their money, and others may opt for annuitization of the balance.

Banks have out-of-plan retention rates that approach those of mutual fund companies; however, when expressed in terms of dollars retained, banks' retention rates fall, suggesting that they are less likely to retain larger-balance rollovers.

Retention by Type of Plan Provider



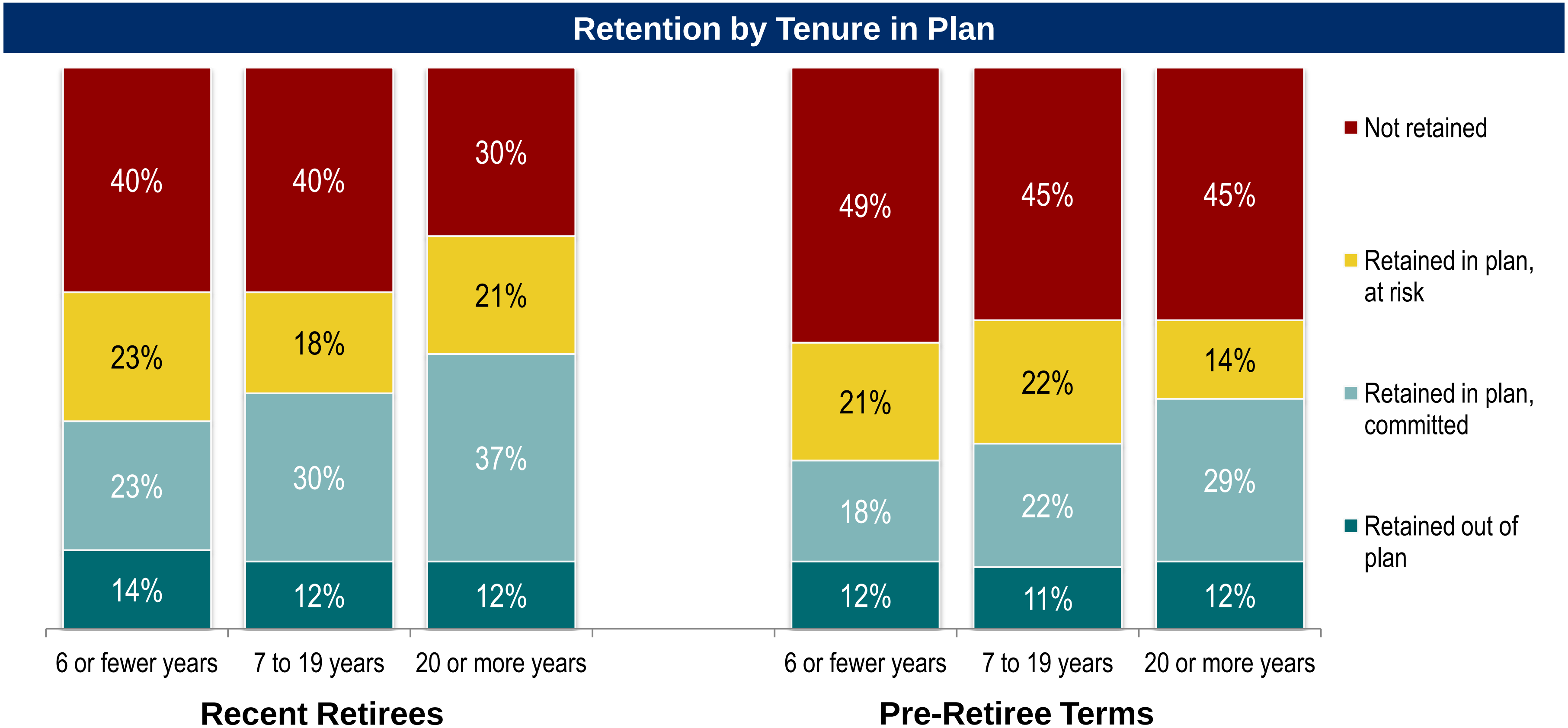
	Mutual fund	Bank	Insurance company	Recordkeeper
Percent of plan providers	42%	9%	32%	8%

Note: Not shown: "Other" providers (9 percent of providers).

Long-tenured participants most likely to remain in plan

Retirees and pre-retirees who have contributed to their DC plans for 20 years or more are significantly more likely than others to leave the money in the plan and remain committed to doing so. Such long-tenured participants are highly attractive retention targets because they tend to have higher balances (nearly 60 percent have at least $250,000) and because providers have a greater window of opportunity to build relationships with them over time.

In contrast, short-tenure individuals pose a greater challenge and may require more “reactive” retention strategies.

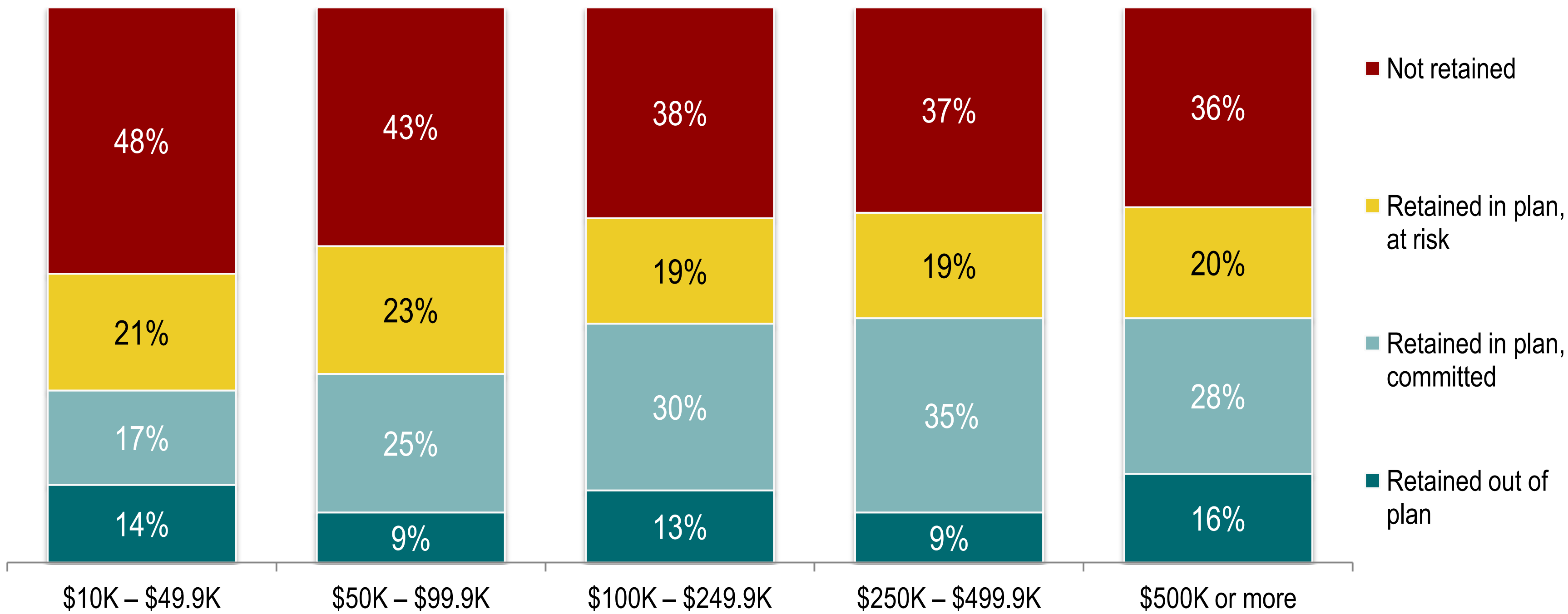


Lowest plan balances are least likely to be retained

Individuals with relatively small plan balances ($10,000 to $49,999) are slightly more likely than those with higher balances to take cash. Individuals with smaller balances tend to have shorter tenures in the plan and thus may be less committed to the employer or plan provider. Depending on their financial circumstances, they may also need to use the money in the plan to make ends meet.

Excluding those with plan balances under $100,000, retention levels are not linked to the amount in the plan for retirees or pre-retiree terms. Longer tenures and more effective retention efforts appear to be partially offsetting the tendency of higher-balance participants to work with advisors and to have consulted with them as part of their decision – which generally leads to lower retention.

Retention by Amount in Plan



	$10K – $49.9K	$50K – $99.9K	$100K – $249.9K	$250K – $499.9K	$500K or more
Percent who had contributed to plan for 20 or more years	6%	14%	27%	46%	66%

Educational, non-profit, public-sector, and large private-sector plans have highest retention rates

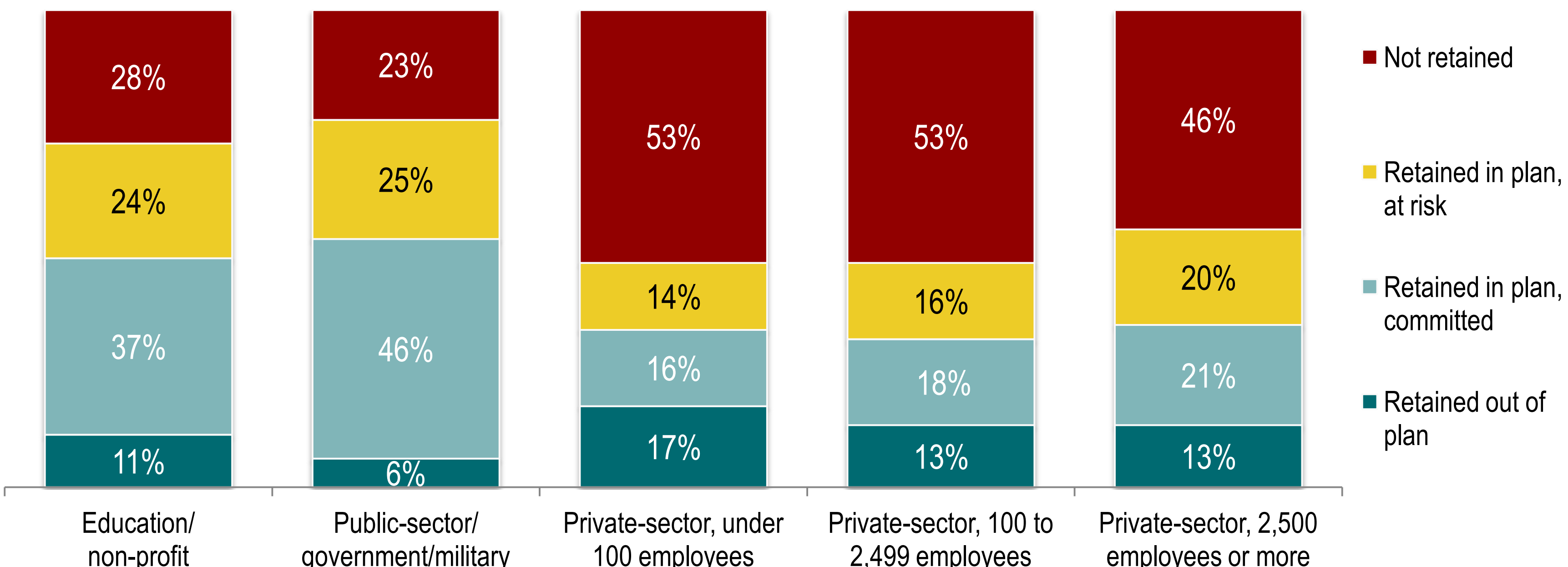
Former employees of education, non-profit, and public-sector employers are significantly more likely than former employees of private-sector employers to leave their money in the plan. Six in 10 individuals who worked for education/non-profit organizations have a 403(b) or 457 plan, which are often funded by annuities. Larger-balance participants were more likely to keep their money with the provider.

Among former private-sector workers, in-plan retention (both committed and at risk) improves with increasing employer size, but was not clearly linked to plan balance.

Plan tenure is strongly linked to employer type and may in part explain the high proportions remaining in the plan.

Other demographic factors, such as age, gender, or household income or assets appear to have no relationship with retention.

Retention by Type of Former Employer



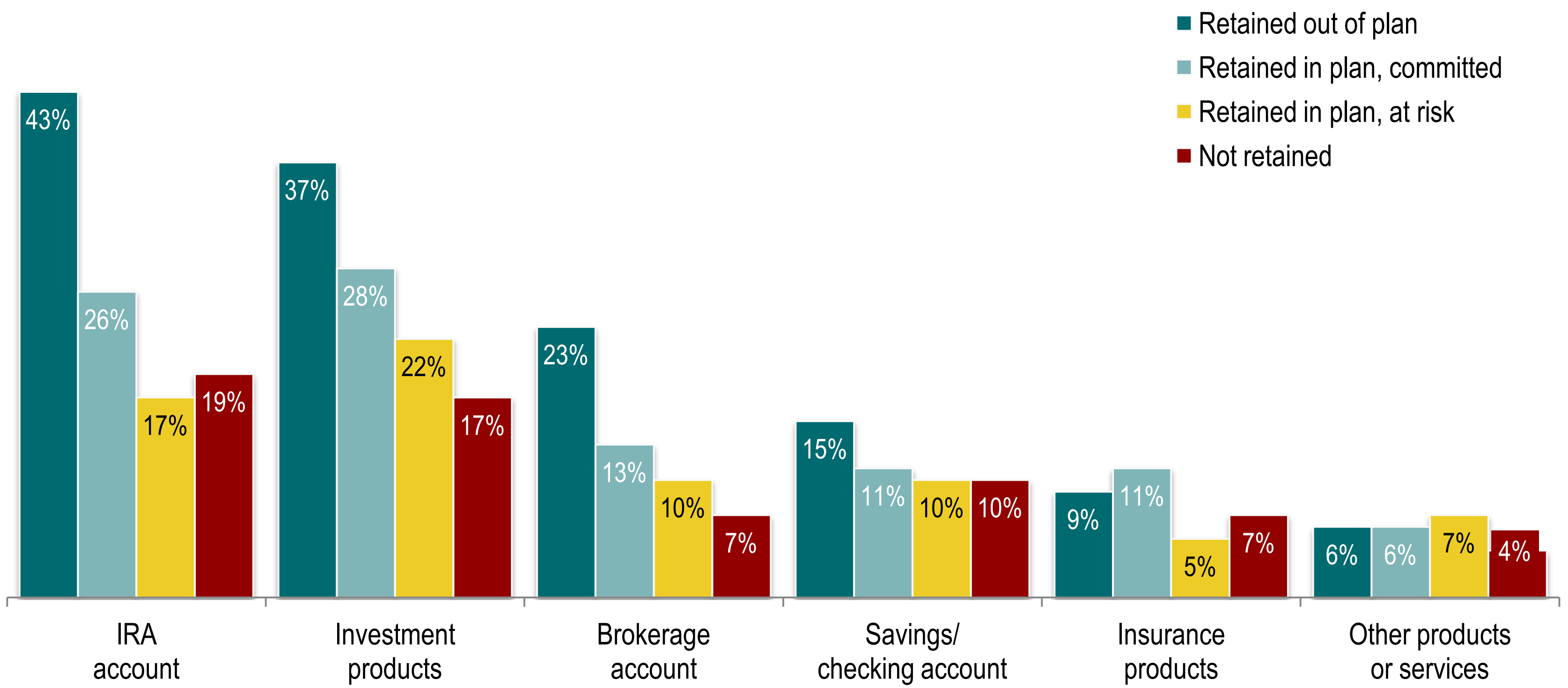
	Education/ non-profit	Public-sector/ government/military	Private-sector, under 100 employees	Private-sector, 100 to 2,499 employees	Private-sector, 2,500 employees or more
Percent who had contributed to plan for 20 or more years	28%	41%	8%	13%	35%

Retail relationship with plan provider boosts out-of-plan retention

Those who were retained out-of-plan were significantly more likely than others to have had existing IRA accounts, investment products, or brokerage accounts with the plan provider. Current customers are thus the “low-hanging fruit” of the rollover market.

In contrast, those retained in-plan were only slightly more likely than those who were not retained to have had IRAs or investment products with the plan provider. Those who decide to stay in the plan are generally not motivated to do so because of a pre-existing retail relationship.

Percent That Had Other Products and Services With Plan Provider

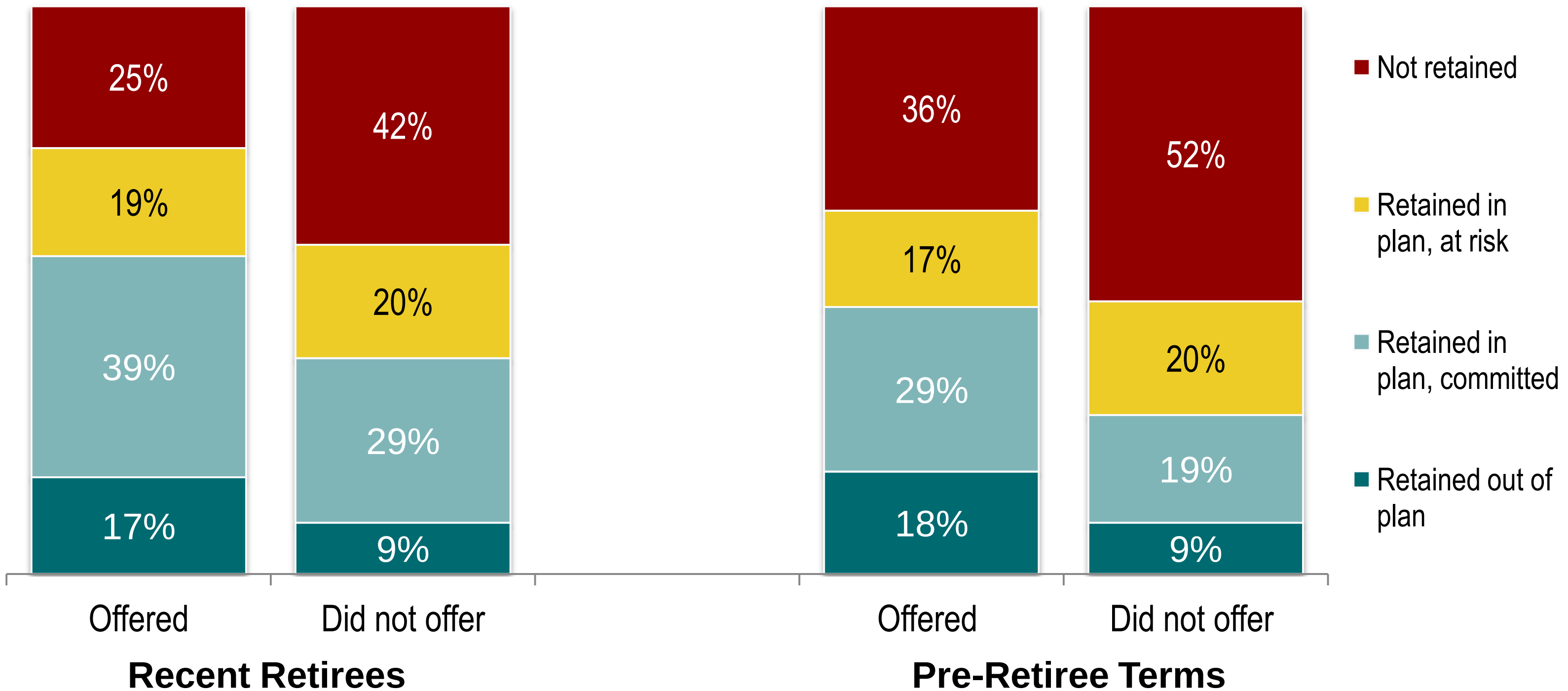


Providers can improve relationships and retention by offering personalized investment guidance

Offering personalized investment guidance about the plan can be highly effective in building and strengthening relationships. Individuals who had strong relationships, who would be likely to recommend their provider to others, and who ultimately decided to keep their money with the provider were more likely than other groups to have been offered this service by their plan providers. Both retirees and pre-retiree terms were twice as likely to be retained out-of-plan, and significantly more likely to be retained in-plan and committed, if the provider offered them this service.

Individuals who indicated that their former employer provided them with access to a financial advisor or firm they could contact for advice and guidance on the plan were no more likely to be retained than others.

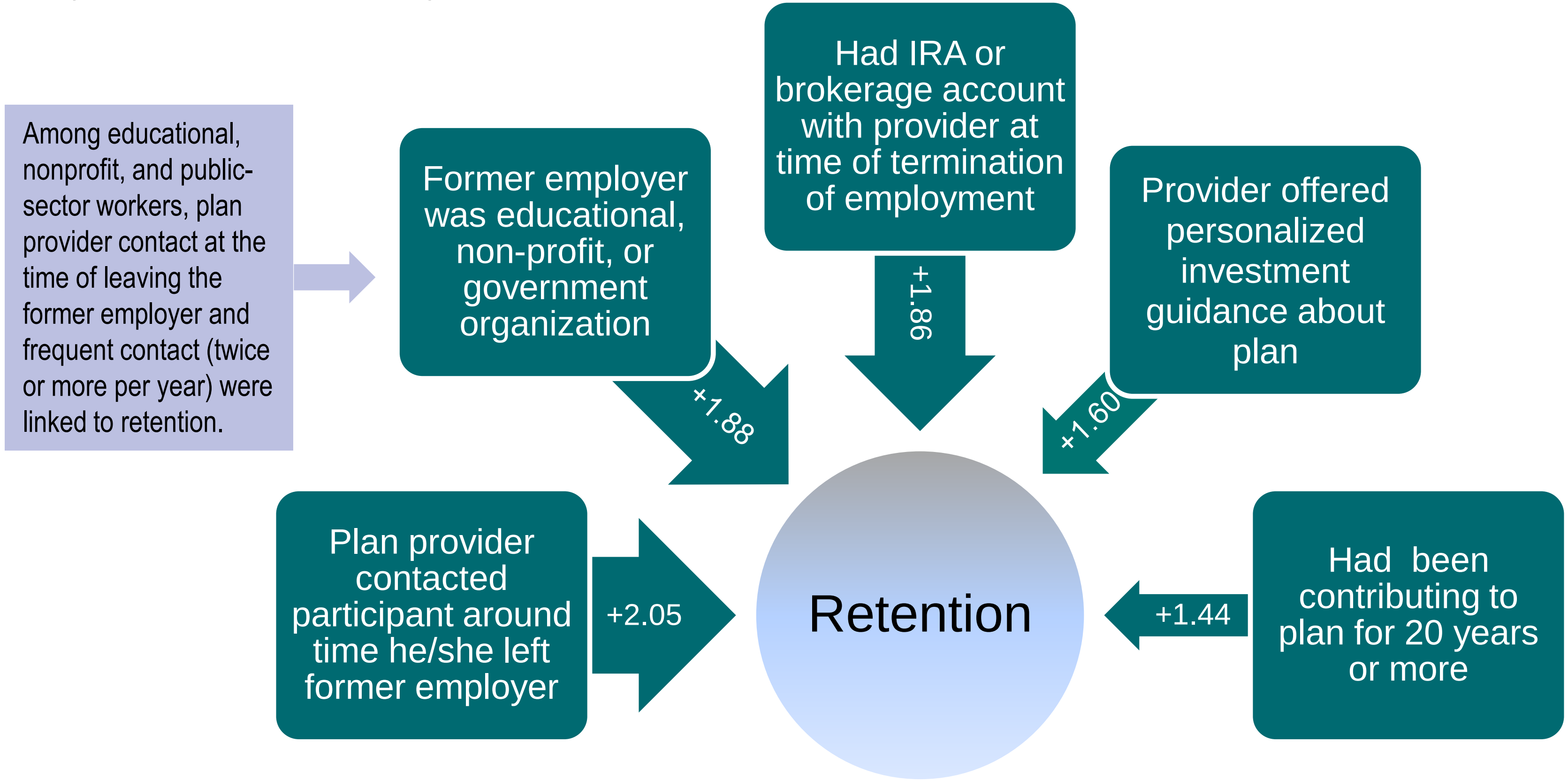
Retention By Plan Provider Ever Provided Any Personalized Investment Guidance About Plan



Key drivers of retention: Contact with participant, employer type, retail relationships, and personalized guidance

Information that is available to plan providers, such as employer type, plan tenure, amount of contact with the participant, and whether the participant has other products and services with the provider, can be useful in predicting the likelihood of a participant keeping his or her money with the provider.

Providers can improve their retention opportunity by contacting participants, especially around the time that they leave their employers, by offering personalized investment guidance, and by focusing on long-tenure participants who already have products or services with the provider.



Note: Results based on logistic regression analysis. Positive odds ratios indicate that the driver is associated with retention by the plan provider firm (either out-of-plan, or in-plan and committed), controlling for other factors. All factors displayed in the table were significant ($p < .01$) predictors, based on Wald chi-squares, which denote the statistical significance of each logistic regression coefficient used to compute each odds ratio. The c statistic, which measures the discriminatory power of logistic models and ranges from 0.5 (no discriminatory power) to 1.0 (perfect discrimination), was .69.

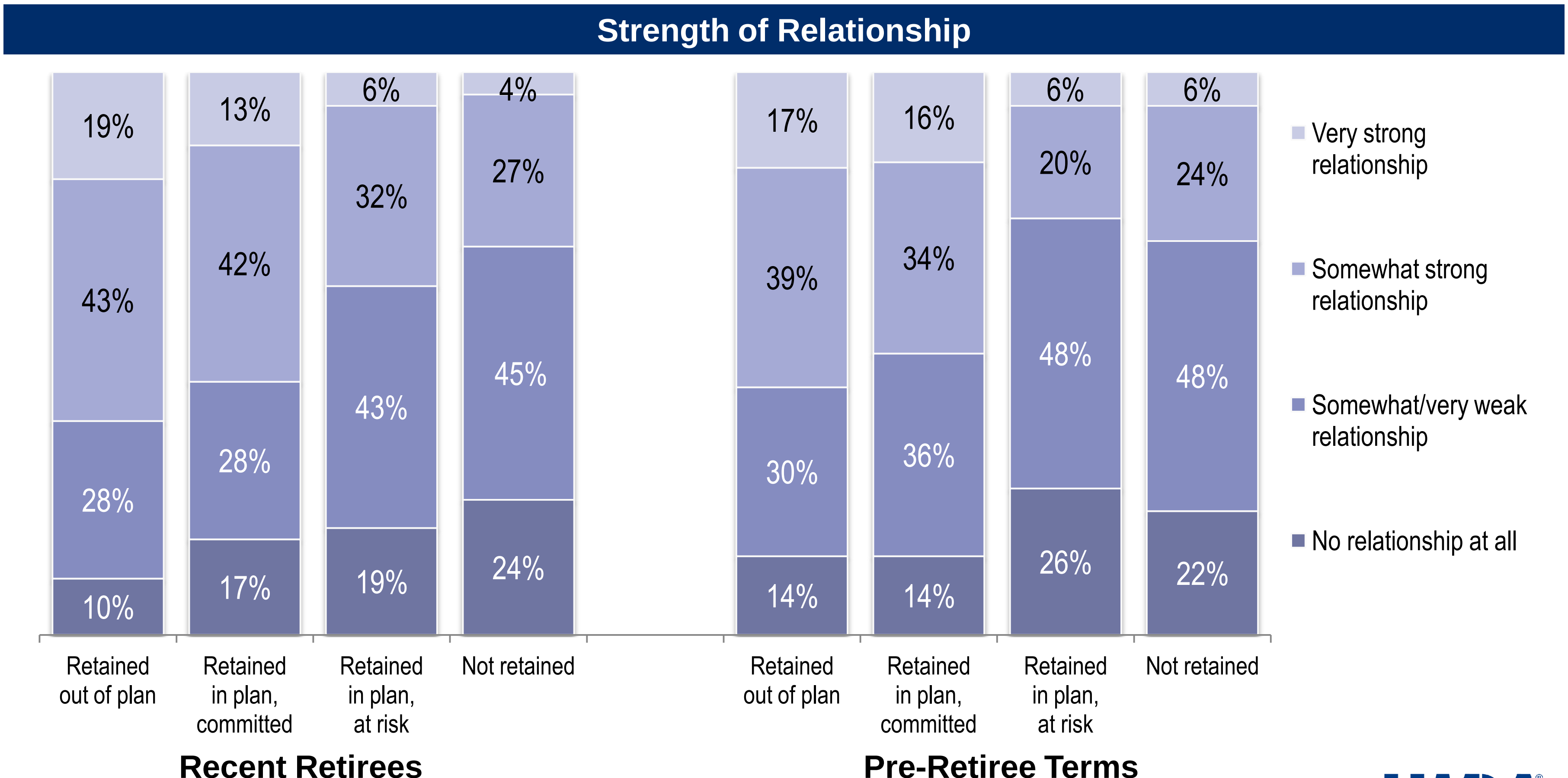
RECENT RETIREES AND PRE-RETIREE TERMS: DETAILED FINDINGS

Relationship With Plan Provider

Strong relationships are the key to high retention rates

Both out-of-plan and in-plan retention rates are powerfully linked to the relationship with the plan provider, for both retirees and pre-retirees. More than half of those who were retained out of the plan or retained in the plan and committed had “very” or “somewhat” strong relationships with their plan providers at the time they left their former employers.

More than two thirds of those who were not retained reported having weak or no relationships with their plan providers, suggesting that even a modest increase in relationship-building efforts can positively impact retention.

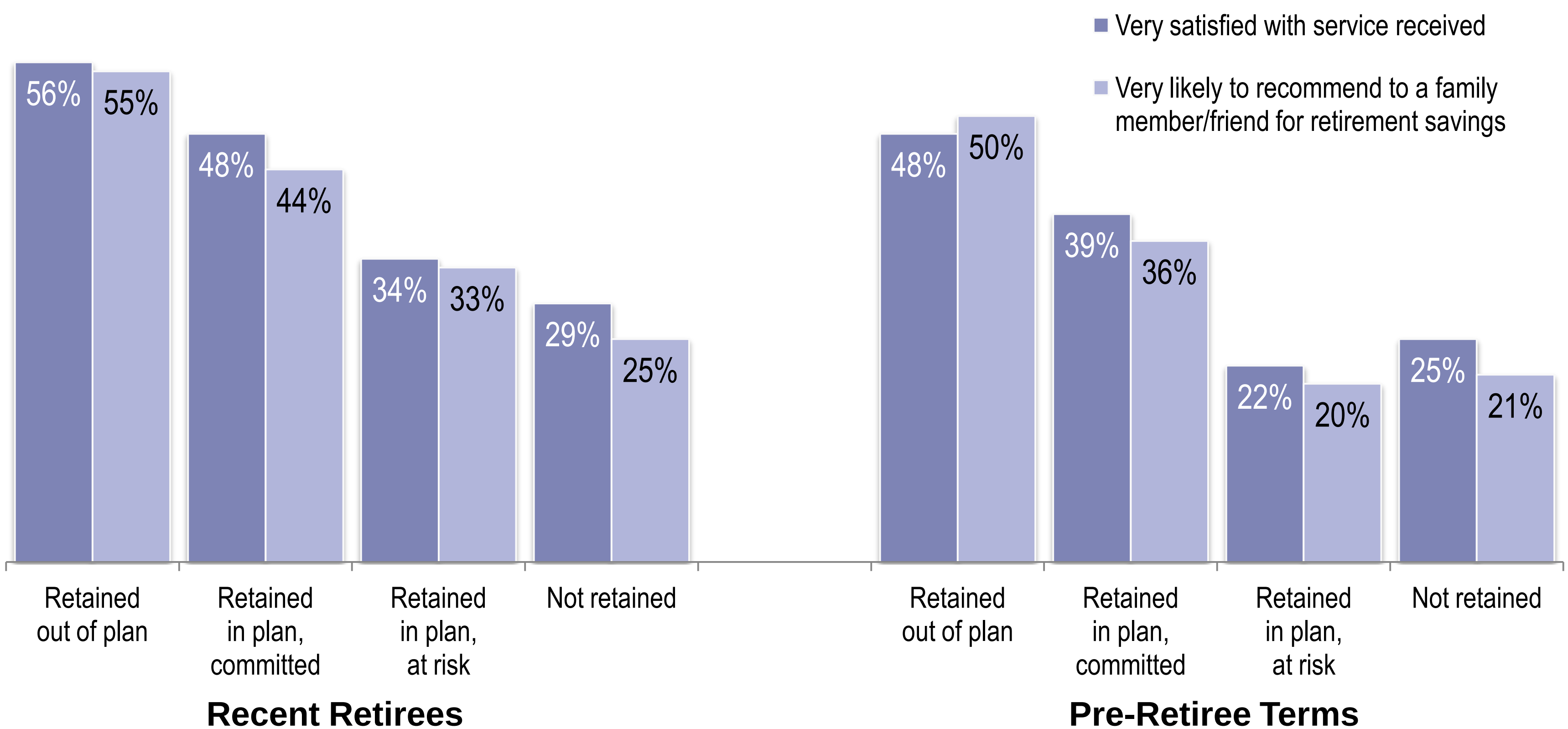


Overall satisfaction and willingness to recommend plan provider linked to retention

There is a clear relationship between retention and overall satisfaction with the plan provider's services. Individuals who kept their money with the plan provider, inside or outside of the plan, were much more likely than those who moved their money to a different company to express satisfaction and to recommend the provider to a family member or friend.

Among those who were retained in the plan, "committed" participants who had considered alternatives and had decided to remain in the plan were more likely to be very satisfied than those who had not made the decision.

Satisfaction and Willingness to Recommend Provider



Note: Percentages represent proportion of respondents who selected 9 or 10 on 0 to 10 scale. For "very satisfied with service received" endpoints of scale were "0 – completely unsatisfied" to "10 – completely satisfied"; for "very likely to recommend" endpoints of scale were "0 – definitely would NOT recommend" to "10 – definitely WOULD recommend."

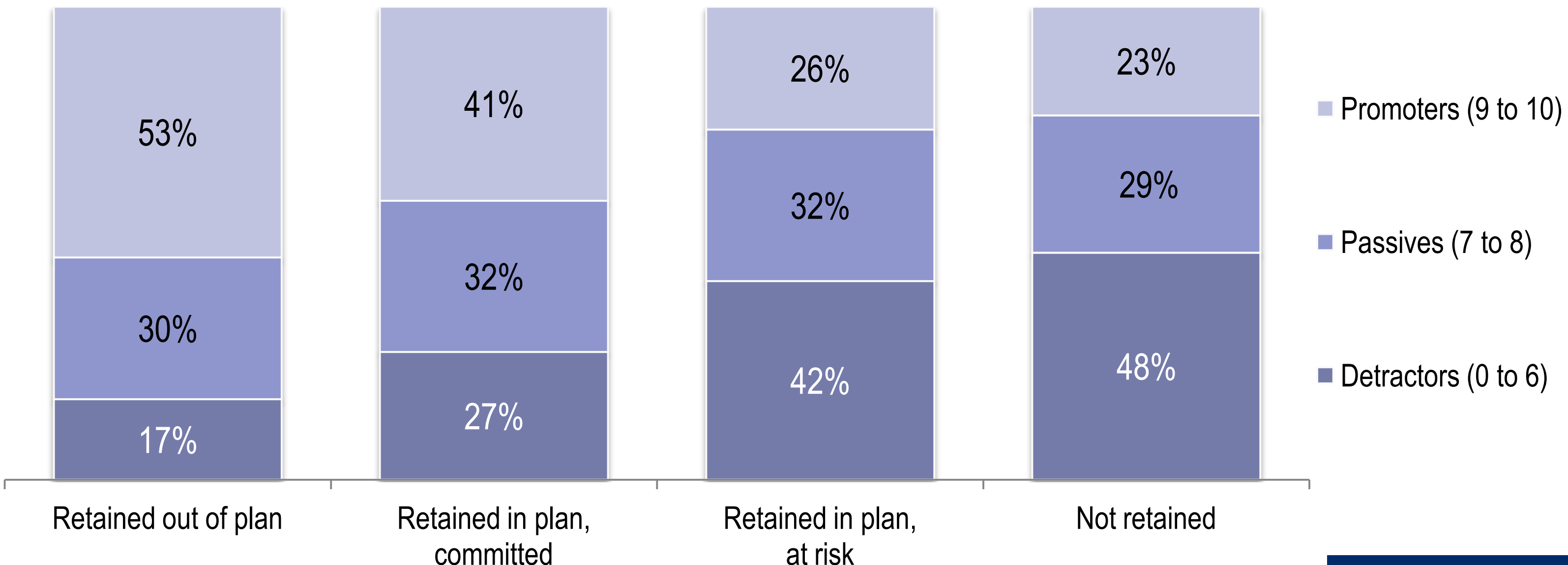
Strong link between net promoter scores and retention

The net promoter score (NPS) is a measure of customer loyalty in which survey respondents are asked how likely they would be to recommend a company to family members, friends, or colleagues. The percentage who are "detractors" (i.e., who answer 0 to 6 on a 0 to 10 point scale) is subtracted from the percentage who are "promoters" (i.e., who answer 9 or 10).*

Individuals who were retained out-of-plan had the highest net promoter scores, followed by those who were retained in-plan and committed. Among those who were retained in-plan but at risk and those who were not retained, detractors significantly outnumbered promoters.

Scores were slightly higher for retirees than for pre-retiree terms but showed an identical association with retention.

Likelihood of Recommending Plan Provider to Family Member or Friend for Retirement Savings



Retained out of plan	Retained in plan, committed	Retained in plan, at risk	Not retained	
36%	14%	-16%	-25%	NET PROMOTER SCORE Promoters – Detractors

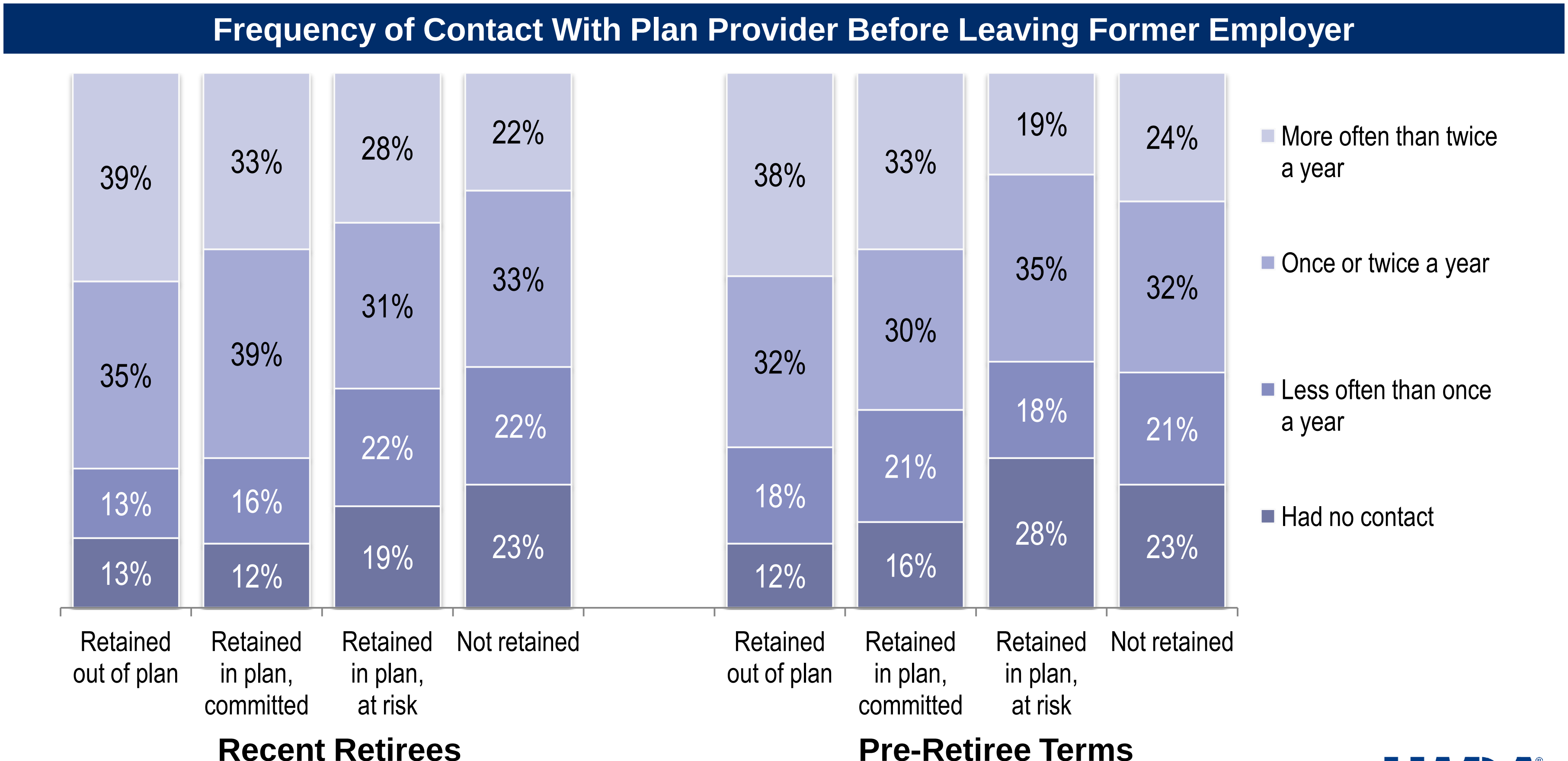
*See Reichheld, Frederick F., "The One Number You Need to Grow," *Harvard Business Review*, December 2003.

Note: For "likely to recommend" endpoints of scale were "0 – definitely would NOT recommend" to "10 – definitely WOULD recommend."

Higher frequency of contact with plan provider leads to higher retention rates

There is a clear relationship between higher frequency of contact with the plan provider – including in-person meetings, the receipt of educational materials, and phone calls – and higher retention.

Those who were not retained were nearly twice as likely as those who were retained out-of-plan to have had no contact at all with the plan provider.



Note: “Contact” excluded receipt of statements.

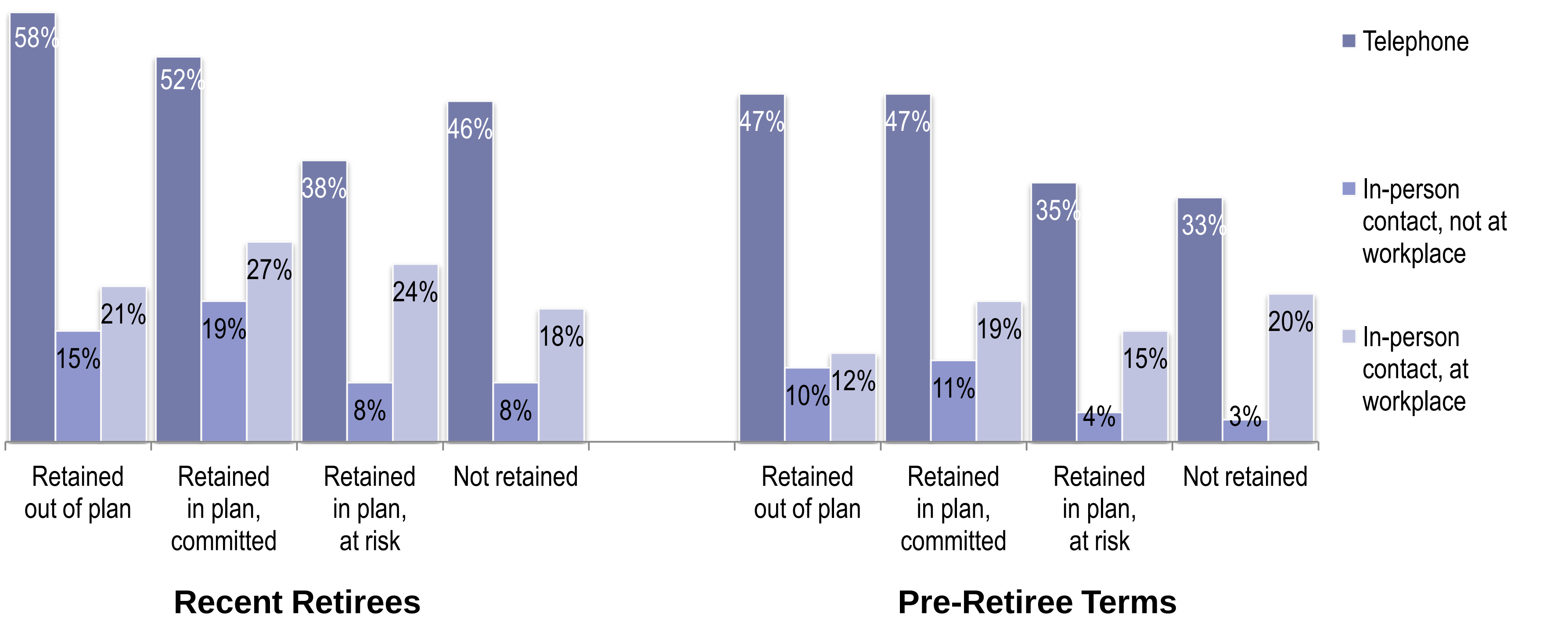
Telephone contact year before retirement or termination is linked to retention

Both out-of-plan and “committed” in-plan retention are better when the participant has telephone contact with the provider in the year preceding separation from their employers.

In-person contact with a representative from the plan provider, though uncommon, strongly relates to retention when these meetings occur outside of the workplace. In contrast, retention was not strongly related to workplace meetings with plan provider representatives.

Other types of contact, such as email, postal mail, and websites were not significantly associated with higher levels of retention. In short, contact modality is less important than contact frequency for these less “active” types of contacts.

Percent That Had In-Person Contact With Plan Provider Within 12-month Period Before Leaving Former Employer

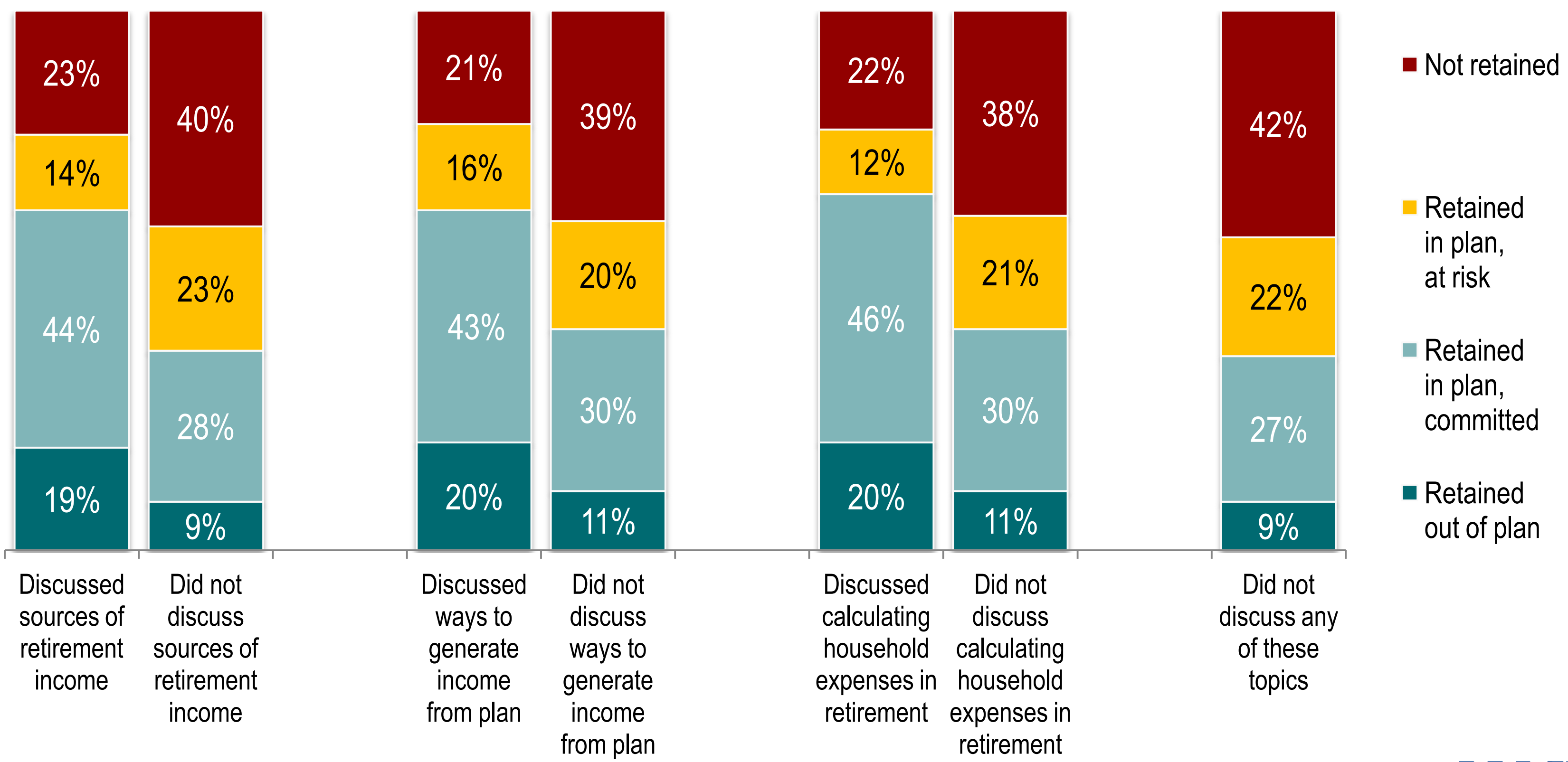


Discussion of retirement topics linked to better retention of retirees

There are benefits to discussing post-retirement needs with plan participants in the years leading up to retirement. Forty-four percent of retirees reported having had discussions about retirement income or expenses with a representative from the plan provider before the retirement event. These individuals were significantly more likely to have kept their money with the provider; out-of-plan retention was twice as likely as when these discussions did not occur.

Plan providers who can offer comprehensive retirement planning services prior to retirement are thus likely to have improved retention.

Retention by Whether Representative from Plan Provider Had Discussion With Retiree In Years Prior to Retirement

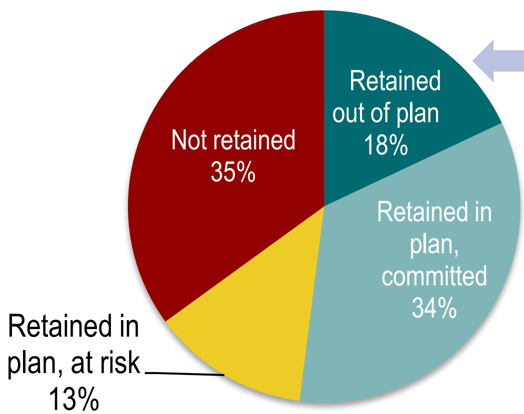


Note: Based on retirees who had contact with the plan provider (other than statements) before leaving their employers.

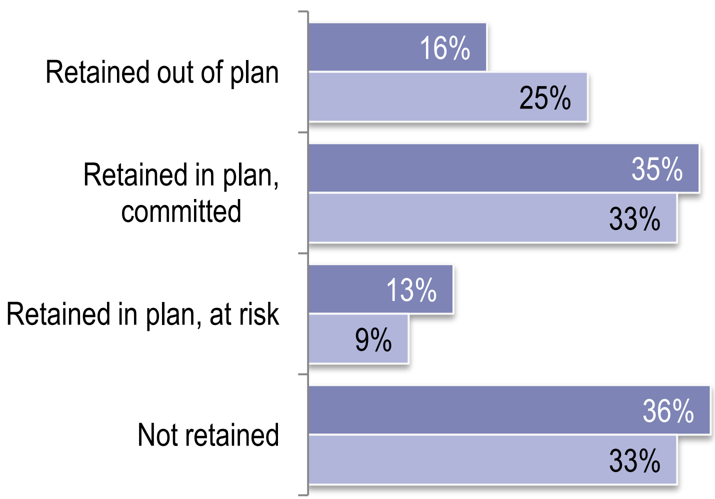
Timing of contact matters

Half of retirees and pre-retiree terms expected to be contacted by their plan provider when they left their former employers. The 46 percent who were contacted at that time had higher retention rates, while those who were not contacted had lower retention rates, regardless of whether they expected contact.

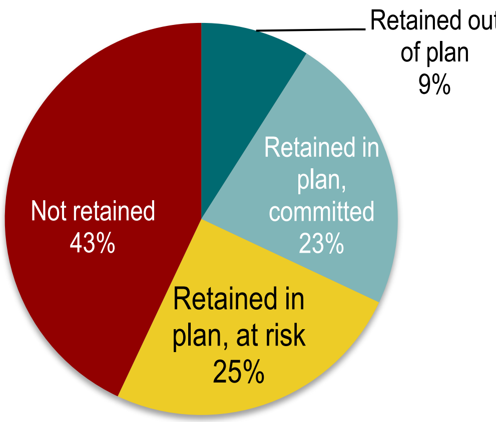
Provider Contacted Individual When He/She Left Employer (46%)

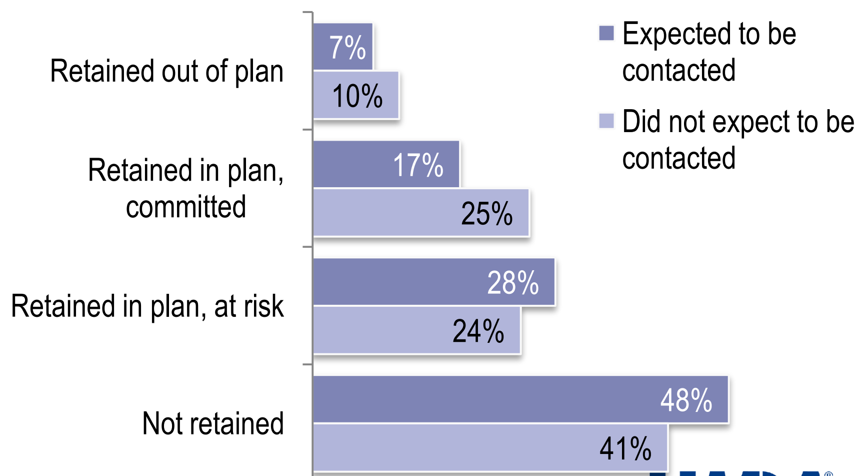


Out-of-plan retention was 25% among those who rated this contact as “very helpful,” versus 13% among other respondents.



Provider Did Not Contact Individual When He/She Left Employer (54%)



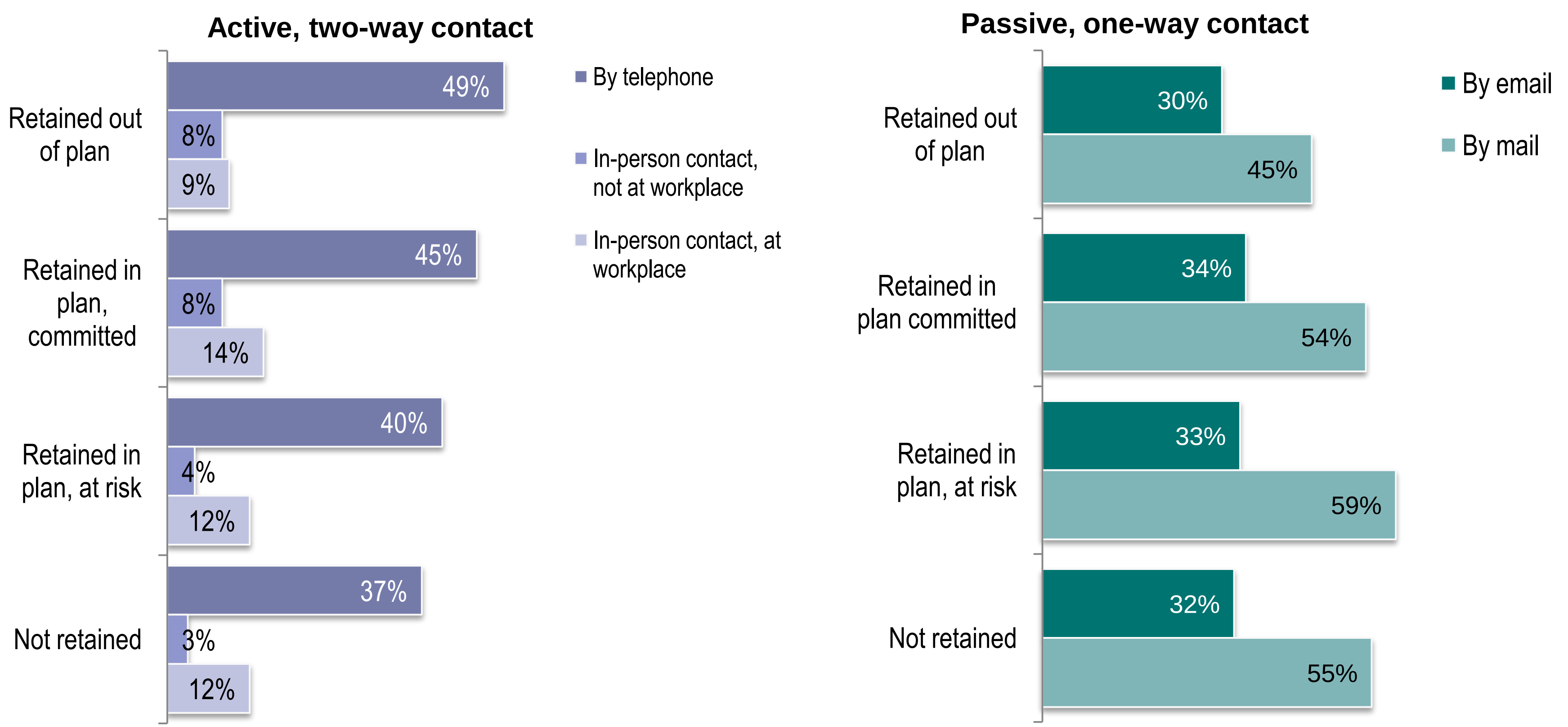


Active contact methods are more effective than passive methods

Those who were retained out-of-plan or in-plan and committed were slightly more likely than other groups to have been contacted by telephone around the time that they left their former employers. Also, in-person contact that took place outside of the workplace, though not common, occurred more often among those who were retained in-plan or out-of-plan.

"Active" outreach methods that allow for immediate two-way communication may be more effective than "passive" methods such as postal mail or email. In fact, those who were retained out-of-plan were slightly *less* likely to have been contacted by mail.

Percent of Individuals Whose Provider Contacted Them Around Time Left Former Employer

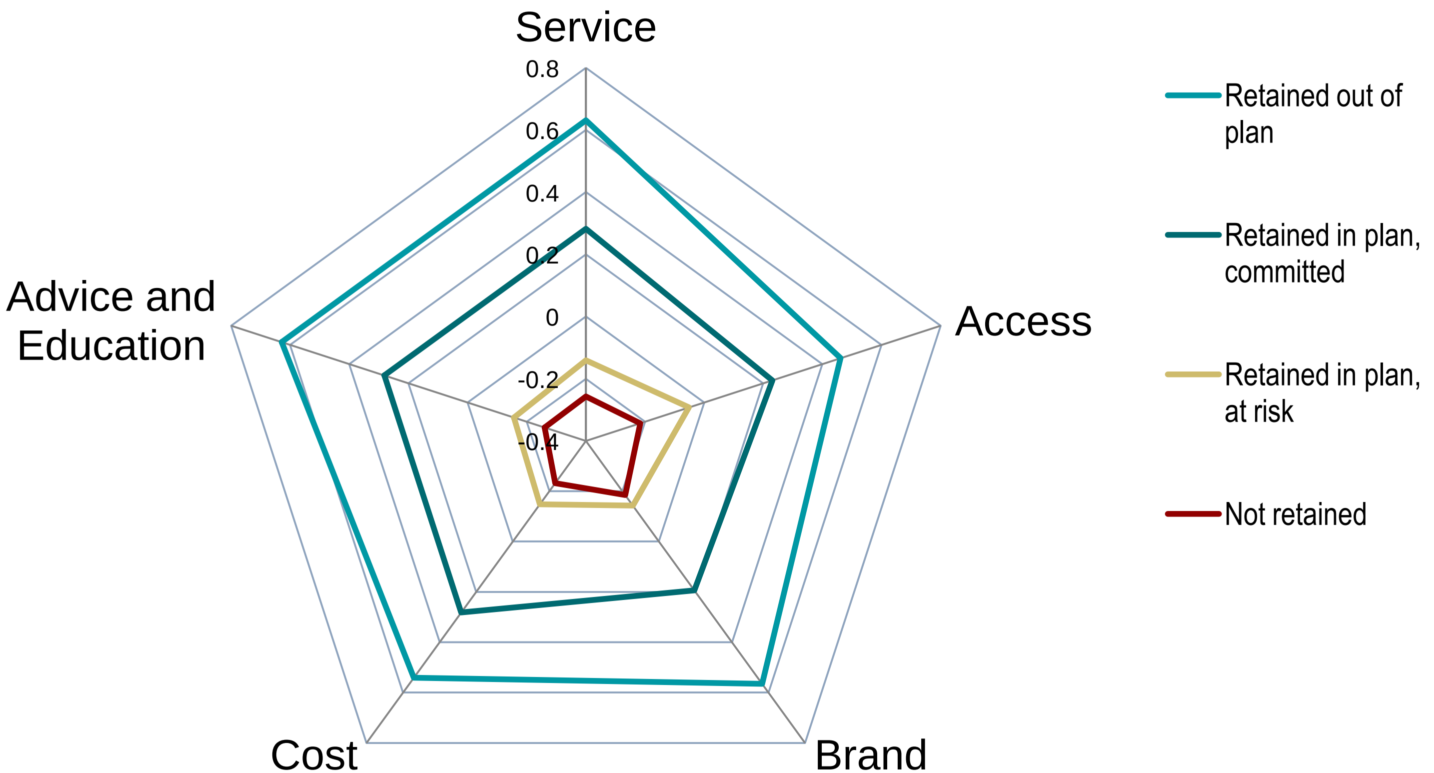


Note: Based on those whose plan provider contacted them around the time they left their former employers.

Retained individuals give providers high marks across all assessment categories

Individuals who were retained out-of-plan rate providers highly on all five assessment categories: service, online access, brand, cost, and advice and education. Those retained in-plan and committed have lower average ratings but relatively high service, advice and education, and cost ratings.

Retained in-plan at risk and not retained retirees and pre-retiree terms have similar ratings patterns, with low scores on all categories. The fact that the “at risk” group has ratings more like those who have rolled to a different company underscores the importance of provider perceptions in driving the rollover decision.

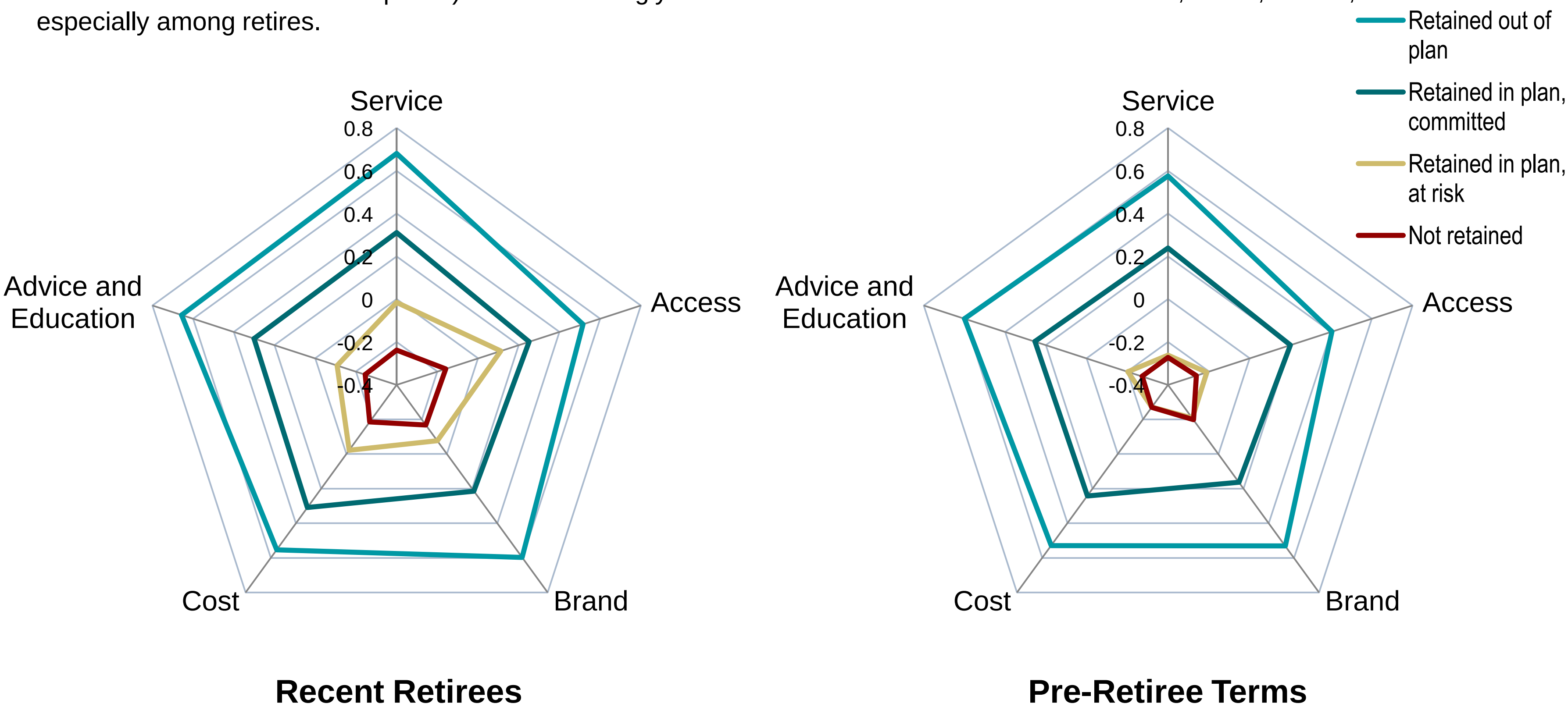


Note: Values (i.e., distances from center of pentagon) represent standardized average ratings within each assessment category. Higher values are associated with higher (more positive) ratings of the plan provider. See Appendix for specific responses within each assessment category.

Provider service, education and advice show strongest link to retention

For both retirees and pre-retiree terms, provider ratings clearly reflect retention, with retained out-of-plan respondents giving the provider the highest ratings and retained respondents giving the provider the lowest ratings. Among pre-retiree terms, there is almost no difference in ratings between those who kept their money in the plan but have not committed to keeping it there and those who moved their money to a new provider.

Service (e.g., flexibility, responsiveness, convenience, knowledgeable customer service representatives) and advice and education (i.e., good advice and guidance on managing retirement savings, trustworthy retirement planning, education on lifetime income options) are more strongly associated with retention than online access, brand, or cost, especially among retires.

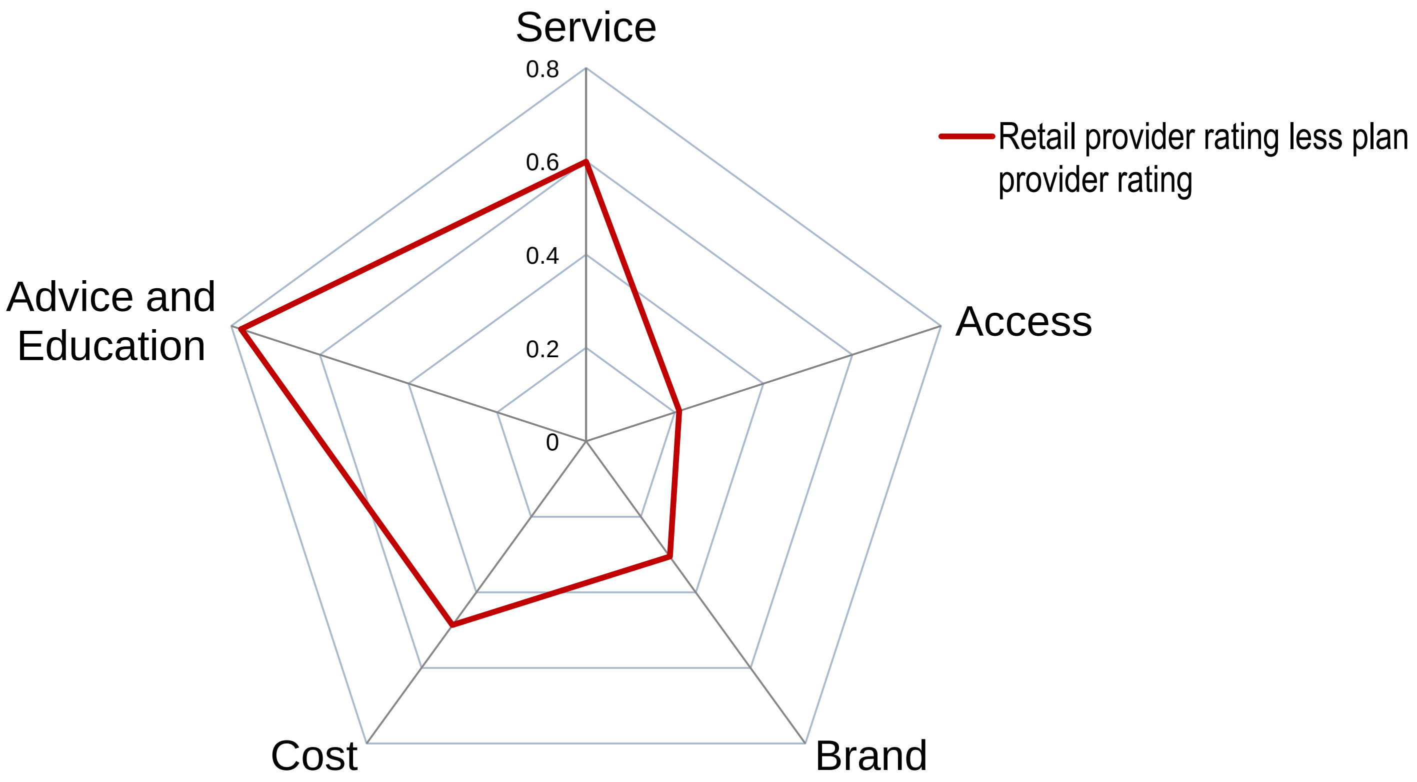


Note: Values (i.e., distances from center of pentagon) represent standardized average ratings within each assessment category. Higher values are associated with higher (more positive) ratings of the plan provider. See Appendix for specific responses within each assessment category.

Retail asset capturers offer better advice and education than plan providers

Among those who rolled their money to a new company, ratings of the retail provider were significantly higher than ratings of the plan provider. The difference in ratings was most pronounced in the advice and education assessment category, followed by service and then cost. These findings were consistent across provider type (insurer, bank, mutual fund).

Plan providers must focus on offering "best-in-class" planning and guidance along with superior service in order to compete with major retail providers.



Note: Values (i.e., distances from center of pentagon) represent average difference scores (retail provider rating less plan provider rating) within each assessment category. Higher values are associated with higher (more positive) ratings of the retail provider.

RECENT RETIREES AND PRE-RETIREE TERMS: DETAILED FINDINGS

Timing of Decision and Sources of Advice and Information

Contacting individuals around time of termination improves retention regardless of when decision making commences

Retirees usually begin thinking about their decisions before leaving their employers (69 percent); pre-retiree terms are less likely to do so (50 percent). Earlier decision making is associated with better retention.

Plan providers cannot directly control the timing of individual decision making, but they can improve their chances of retaining business by contacting retirees and pre-retirees around the time that they leave their employers.

Individuals who began to think about the decision regarding the money in their retirement plans before leaving their employers, and who were contacted by the plan provider around the time they left their employers, are one and a half times as likely as those who were *not* contacted to be retained (out-of-plan, in-plan and committed). Encouragingly, this same pattern occurs among those who began thinking about their decision after leaving their former employers. In both cases, participants are more likely to be retained if contacted by their plan providers.

Percent Retained Out-of-Plan or In-Plan, Committed

	Provider contacted around time left former employer	Provider did not contact around time left former employer	All
Started thinking about decision before leaving employer	55%	36%	46%
Started thinking about decision after leaving employer	46%	28%	35%
All*	52%	32%	39%

*Includes respondents who were not sure when they began thinking about their decision.

Greatest retention opportunity among individuals who contact plan providers early, before making decisions

Individuals are especially likely to be retained if they begin the decision-making process before leaving their employers and also contact the plan provider before making their decisions. They are probably the most “influence-able,” and therefore stand the best chance of being retained.

Among those who begin thinking about the decision *after* leaving their employers, their initiating contact with the plan provider had a weaker relationship with retention rates.

Percent Retained Out-of-Plan or In-Plan, Committed

	Contacted plan provider before making decision	Contacted plan provider after making decision	Did not contact provider	All
Started thinking about decision before leaving employer	66%	29%	43%	46%
Started thinking about decision after leaving employer	51%	29%	25%	35%
All*	62%	29%	35%	39%

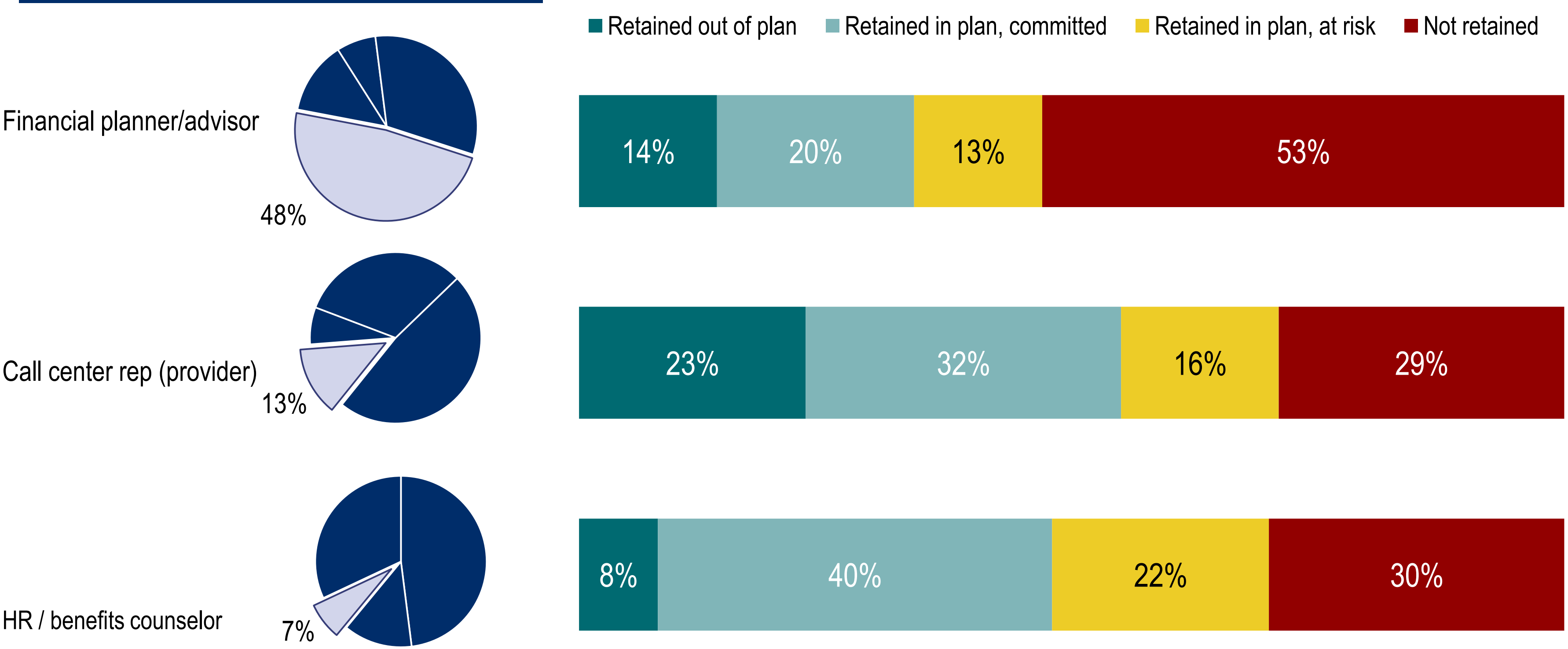
*Includes respondents who were not sure when they began thinking about their decision.

Decision influencers can undermine or boost retention

As expected from previous research, reliance on financial planner/advisors is associated with low retention rates. Among those whose financial planner/advisors had the most influence over their decisions, a majority (53 percent) rolled out their money and were not retained.

Also consistent with previous research, when call center representatives have the greatest influence, retention rates are higher than when others have the greatest influence.

Individual That Had the Greatest Influence on Decision



Note: Excludes respondents who did not discuss their decision with anyone. Retention rates for all other individuals (representing 32 percent of respondents): 12 percent retained out of plan; 28 percent retained in plan and committed; 18 percent retained in plan and at risk; and 42 percent not retained.

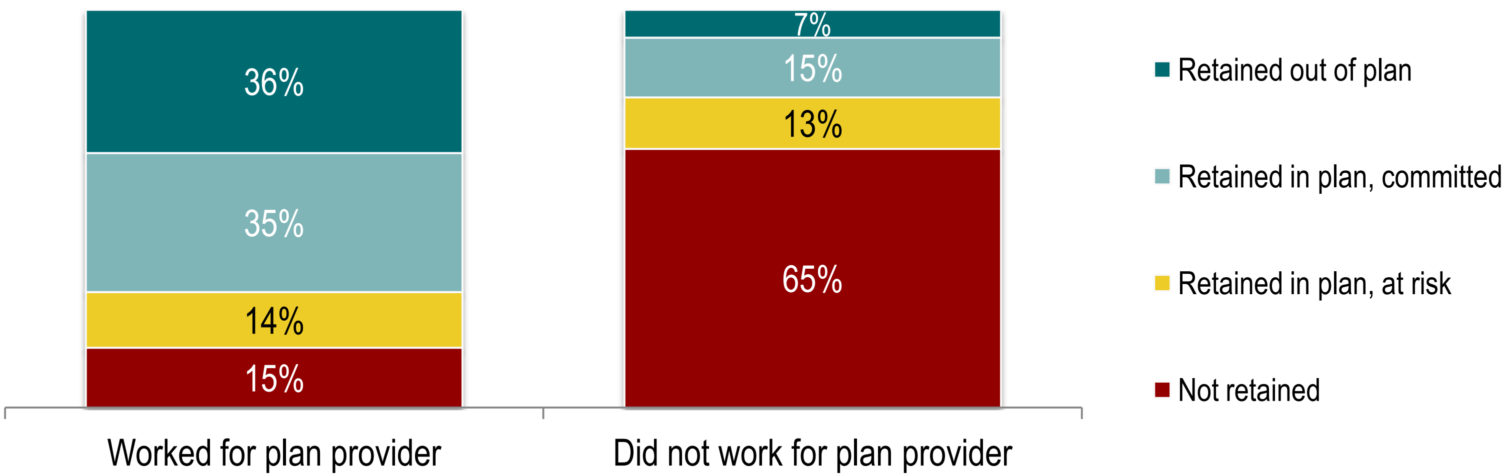
Provider-affiliated financial professionals are not commonly consulted but are strongly linked to retention

About half (55 percent) of retirees and pre-retiree terms reported that a banker, financial planner/advisor, insurance agent, stockbroker, or mutual fund representative had the greatest influence on their decision. Most often (79 percent of the time), this financial professional did *not* work for the plan provider.

As expected, when the decision influencer worked for the plan provider, participants are significantly more likely to be retained than when the decision influencer did not work for the provider. Financial professionals working for the provider are also much more likely to be very familiar with the specific features and benefits of their former employers' plans (as judged by the participants) and to have initiated contact with the participant.

Usually (62 percent) of retirees and pre-retiree terms had a relationship with the decision influencer for at least one year before leaving their former employer. Those who were retained out of the plan were more likely than others to have had their first discussion with this individual *after* leaving their former employers.

Retention By Whether Financial Professional is Provider-Affiliated



	Worked for plan provider	Did not work for plan provider
Very familiar with specific features and benefits of plan	**78%**	**52%**
Financial professional initiated contact with participant	**33%**	**13%**

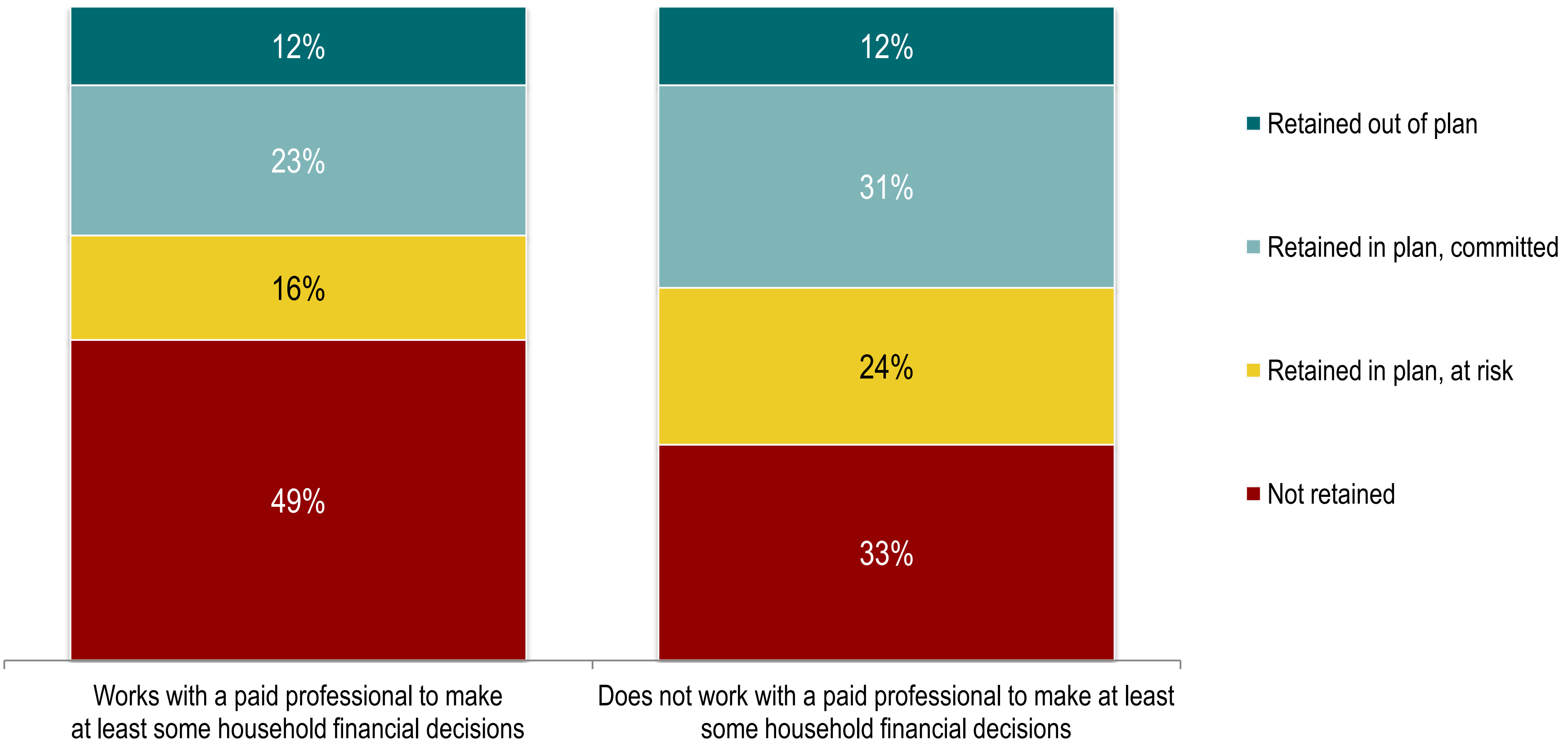
Note: Based on respondents who indicated that a banker, financial planner/advisor, insurance agent, stockbroker, or mutual fund representative had the greatest influence on the decision.

Personal financial advisors associated with lower retention rates

Individuals who typically work with a paid professional to make at least some of their household investment decisions are likely to involve these professionals in their decisions regarding their plan money. Nearly half (49 percent) of recent retirees and pre-retiree terms worked with a paid financial advisor.

As in past studies, the use of financial advisors is strongly associated with lower retention rates.

Retention By Whether Works with Paid Professional

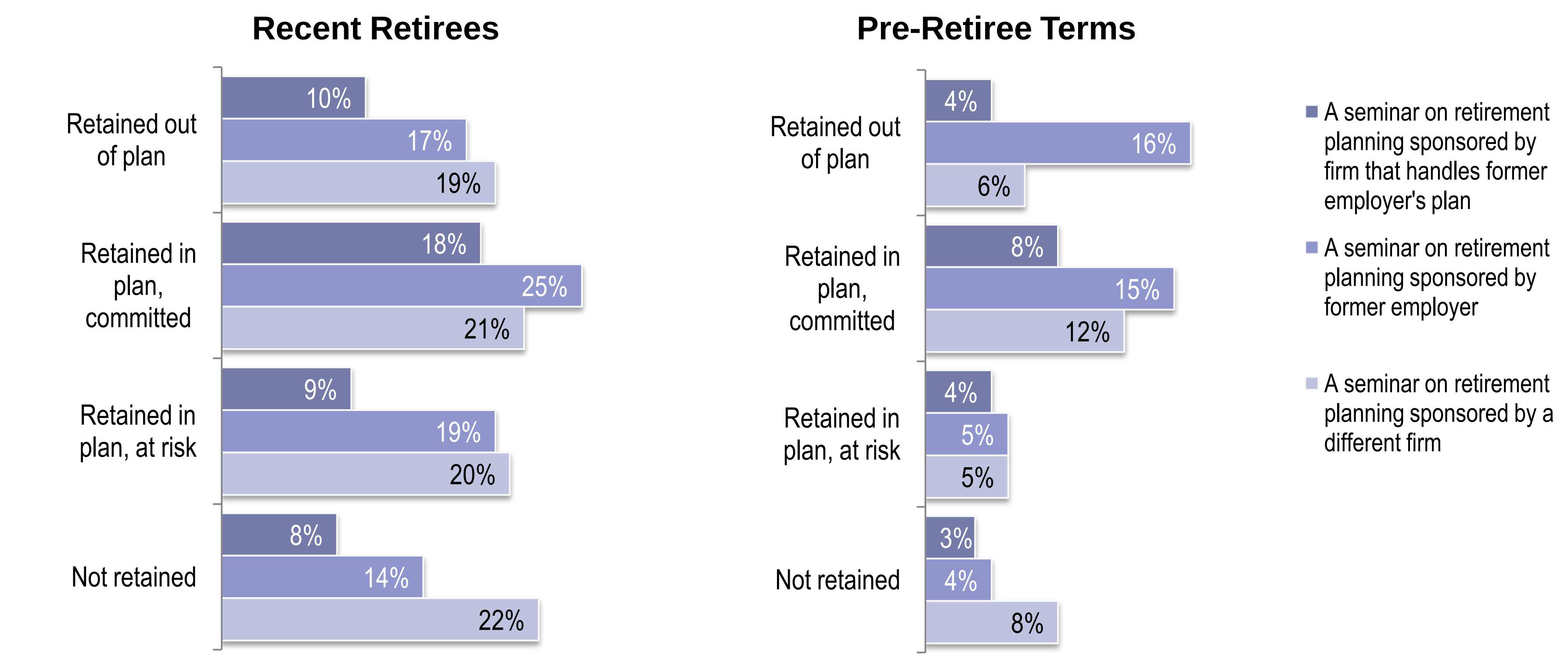


Seminars not often used for making decisions, but are linked to higher retention

Overall, seminars – whether offered by the employer, the plan provider, or some other company – were not commonly mentioned as information sources, especially among pre-retiree terms.

In-plan retention appears to be related to seminars offered by the former employer, though participants may not have been able to distinguish between employer-sponsored and plan provider-sponsored seminars. Seminars sponsored by companies other than the plan provider are somewhat more likely to have been attended by individuals who were not retained.

Percent That Used Information Source in Making Their Decision



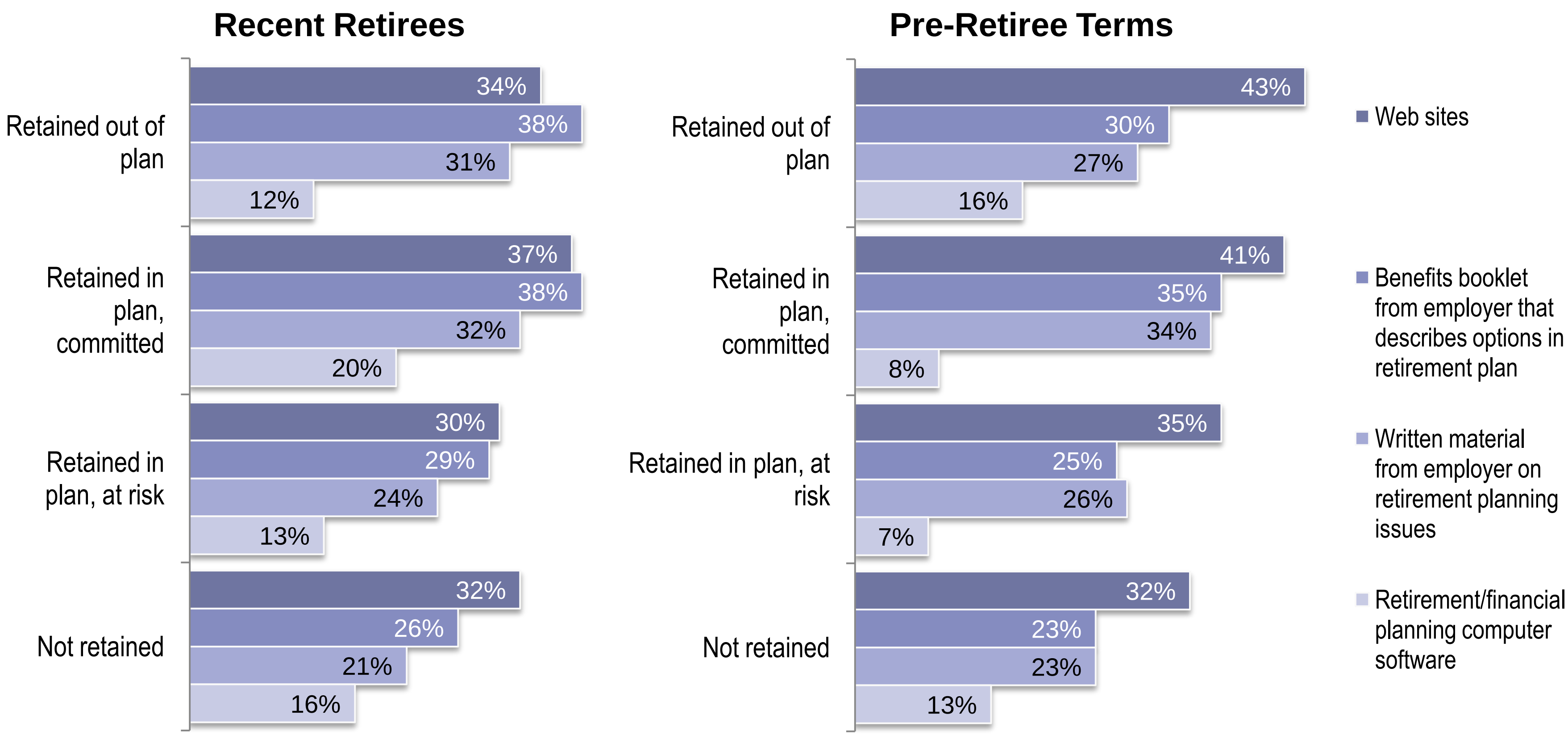
Booklets and written materials can boost retention

Websites are commonly used, but are only modestly related to asset retention among pre-retiree terms.

Written materials provided by the employer, such as benefit booklets, are more likely to be used by individuals who were retained in the plan. These materials are often provided by plan providers and can be one component of an in-plan retention strategy.

The use of financial planning software has no clear relationship with retention.

Percent That Used Information Source in Making Their Decision



Retained out-of-plan individuals more likely to have had previous rollover experience

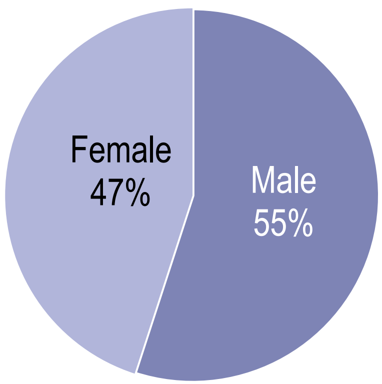
Most retirees and pre-retiree terms did not have previous experience with IRA rollovers. However, individuals who decided to roll their money out of the plan (either to the same provider or a different provider) were more likely to have done so previously. These individuals probably had a positive experience when doing so.

Rollover Experience

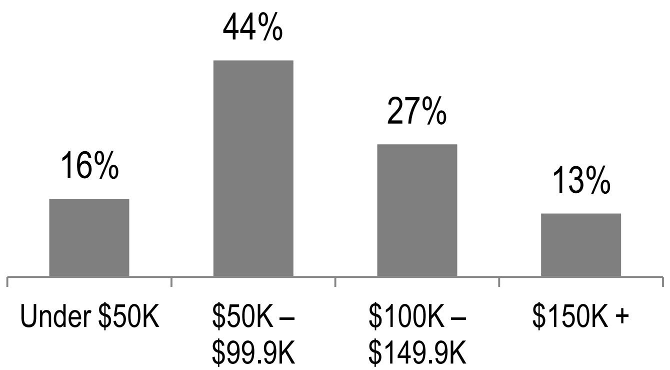
APPENDICES

Participant profiles: Recent retirees

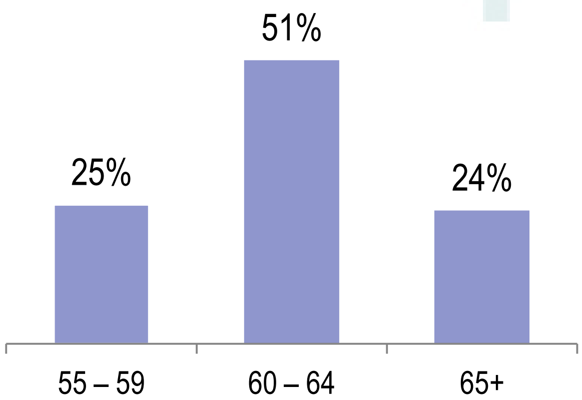
Gender



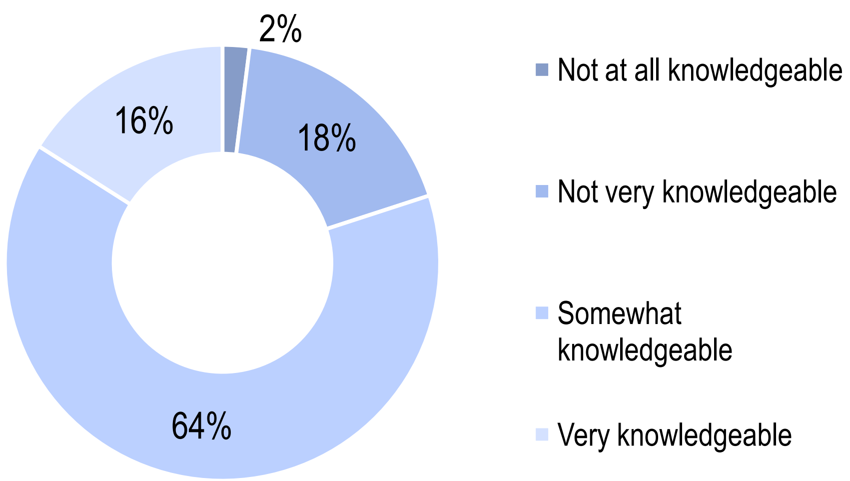
Household Income



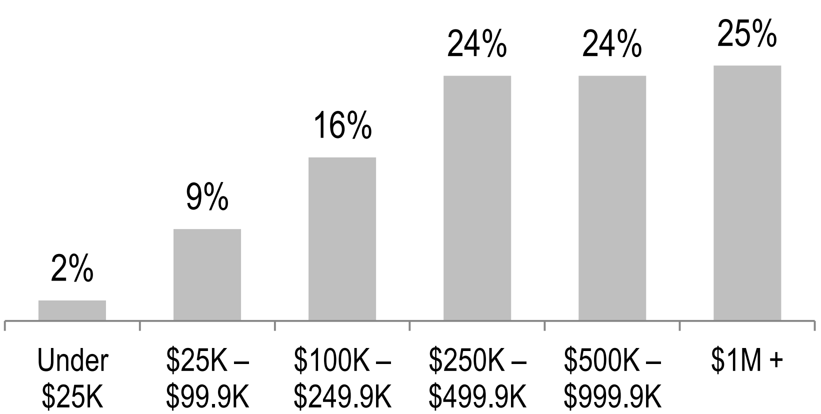
Age



Investment knowledge

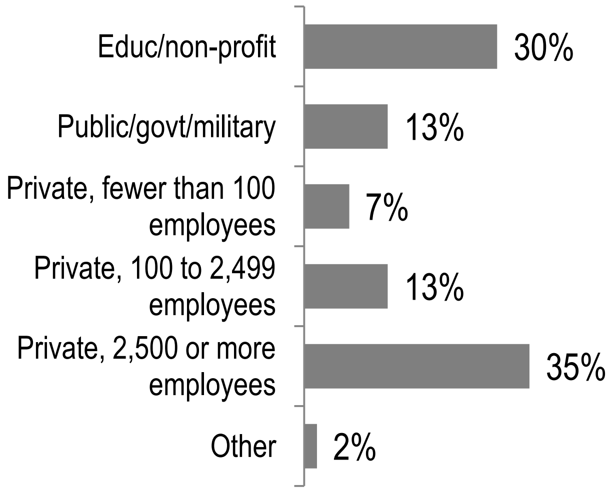


Household Assets

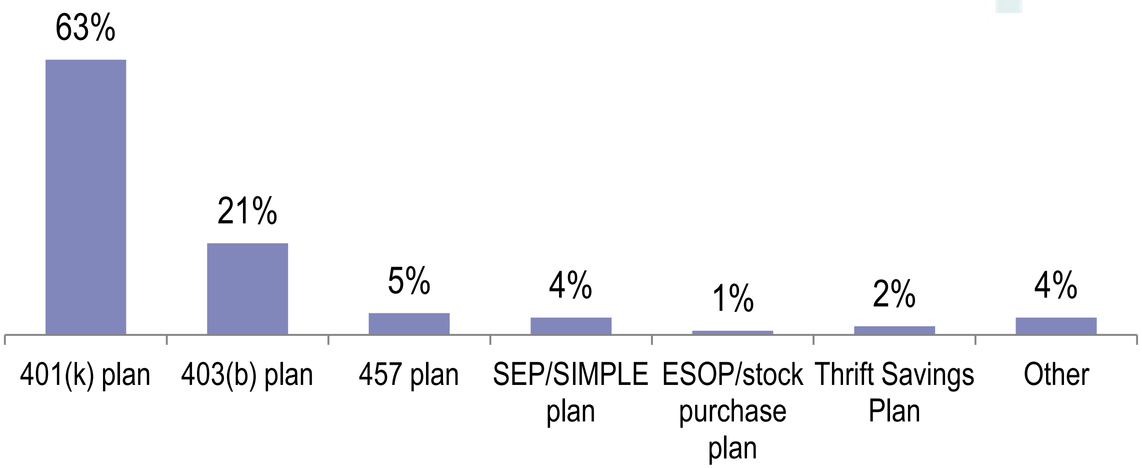


Participant profiles: Recent retirees

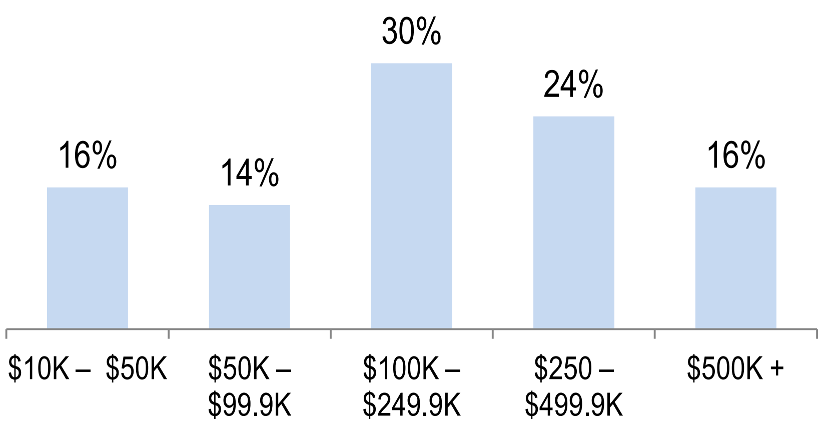
Employer Type



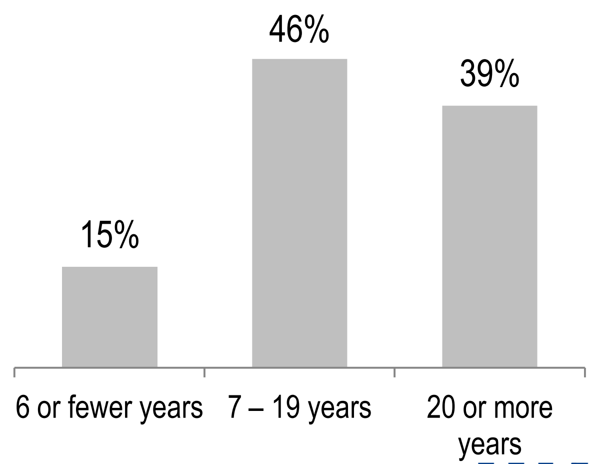
Plan Type



Amount in Plan



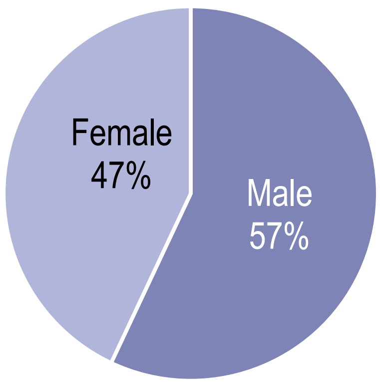
Plan Tenure



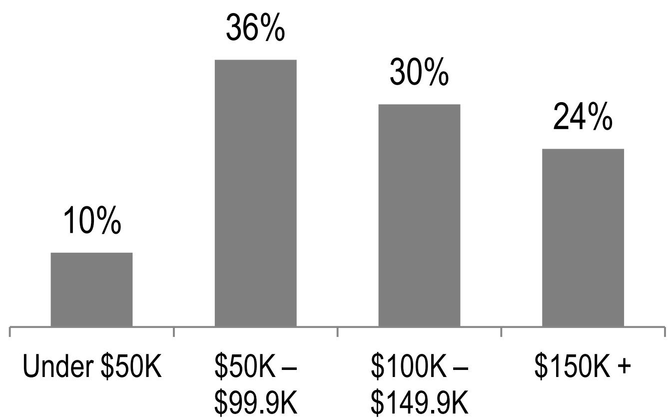
LIMRA

Participant profiles: Pre-retiree terms

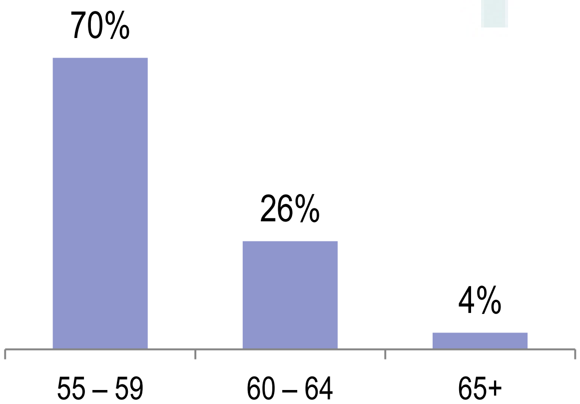
Gender



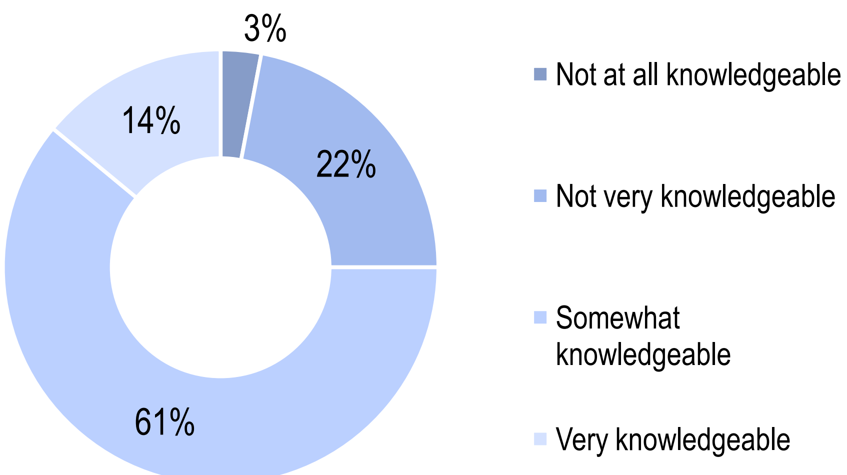
Household Income



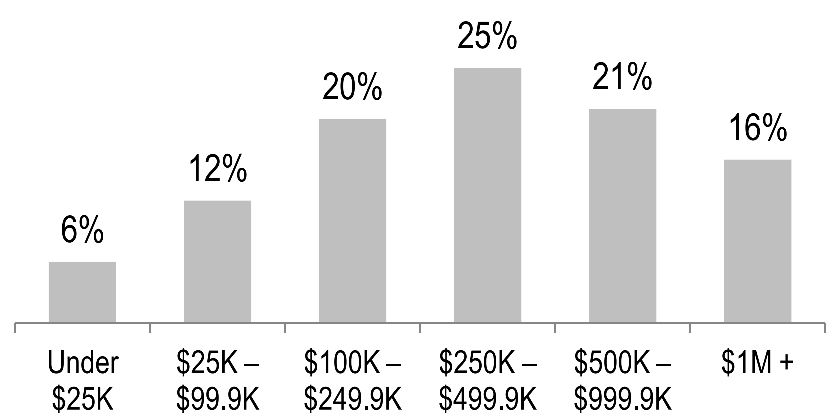
Age



Investment knowledge

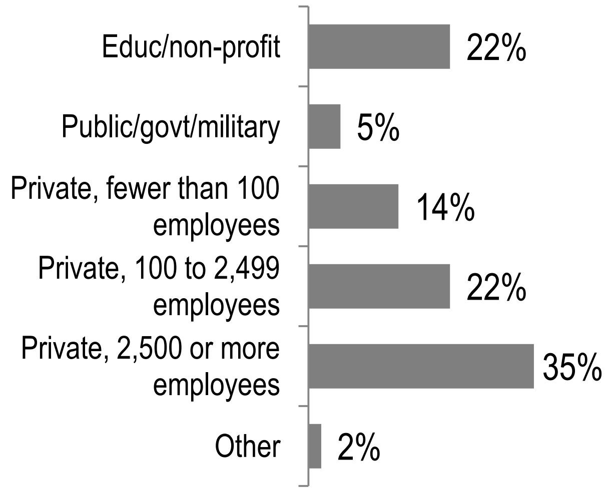


Household Assets

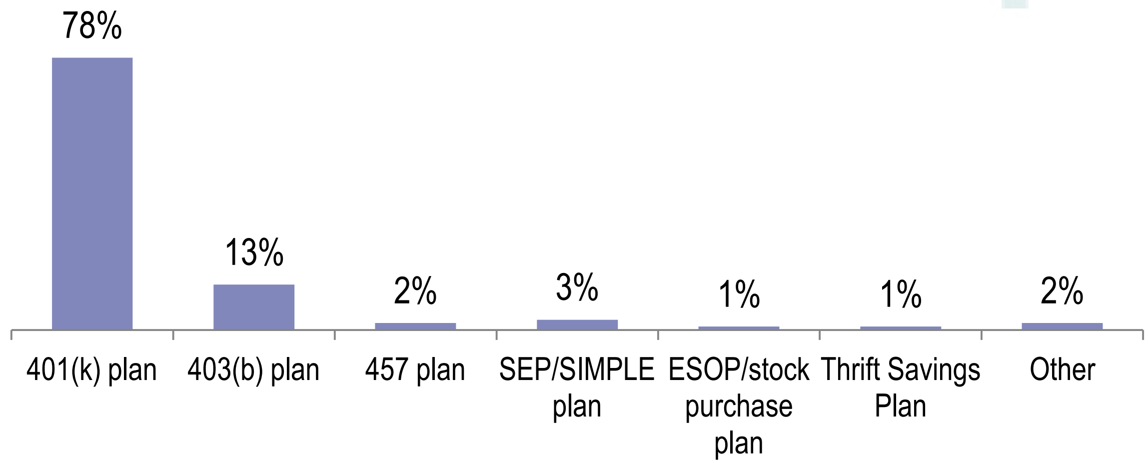


Participant profiles: Pre-retiree terms

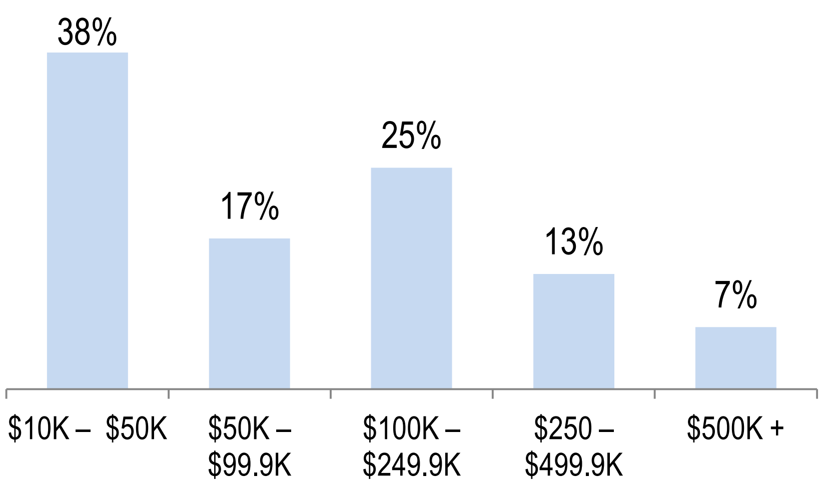
Employer Type



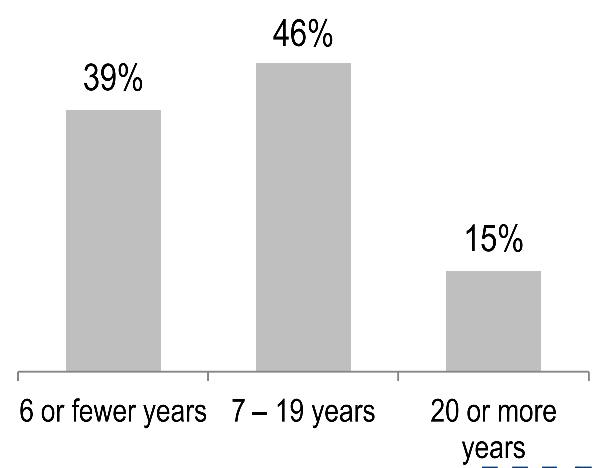
Plan Type



Amount in Plan



Plan Tenure



Assessment of plan provider: Brand and costs

Percent "strongly agree" with statement

Recent Retirees	Retained out of plan	Retained in plan, committed	Retained in plan, at risk	Not retained
Brand				
I recognize plan provider's brand image	54%	40%	29%	26%
Plan provider is a market leader in helping investors save for retirement	36	27	14	9
Plan provider is a leader in offering retirement income guidance and solutions	36	24	10	8
Costs				
Plan provider provides good value for the cost	40	33	19	12
Plan provider's products are competitively priced	35	26	16	11

Pre-Retiree Terms	Retained out of plan	Retained in plan, committed	Retained in plan, at risk	Not retained
Brand				
I recognize plan provider's brand image	53%	39%	27%	28%
Plan provider is a market leader in helping investors save for retirement	31	24	12	12
Plan provider is a leader in offering retirement income guidance and solutions	27	22	7	11
Costs				
Plan provider provides good value for the cost	37	23	10	13
Plan provider's products are competitively priced	31	21	9	10

Assessment of plan provider: Service

Percent "strongly agree" with statement

Recent Retirees	Retained out of plan	Retained in plan, committed	Retained in plan, at risk	Not retained
Service				
Plan provider provides reliable service	50%	39%	23%	18%
Plan provider has knowledgeable customer service representatives	46	32	19	15
Plan provider is an easy company to do business with	53	36	20	14
Plan provider offers the right products and services to manage my financial assets	42	27	20	9
Plan provider is flexible in meeting my needs	40	26	14	9
Plan provider is responsive to my needs	44	32	14	17

Pre-Retiree Terms	Retained out of plan	Retained in plan, committed	Retained in plan, at risk	Not retained
Service				
Plan provider provides reliable service	46%	33%	14%	19%
Plan provider has knowledgeable customer service representatives	49	25	12	16
Plan provider is an easy company to do business with	43	31	12	16
Plan provider offers the right products and services to manage my financial assets	32	23	7	11
Plan provider is flexible in meeting my needs	35	21	10	11
Plan provider is responsive to my needs	38	25	10	13

Assessment of plan provider: Access and Advice and Education

Percent "strongly agree" with statement

Recent Retirees	Retained out of plan	Retained in plan, committed	Retained in plan, at risk	Not retained
Access				
I can access plan provider using the method I prefer (e.g., phone, online, in-person)	67%	57%	47%	33%
Plan provider provides helpful online tools and materials to help make financial decisions	39	32	18	13
Advice and Education				
Plan provider has educated me on lifetime income options	26	17	6	6
Plan provider offers retirement planning guidance that I trust	41	25	11	17
Plan provider offers good advice or guidance on managing my retirement savings	32	23	12	9

Pre-Retiree Terms	Retained out of plan	Retained in plan, committed	Retained in plan, at risk	Not retained
Access				
I can access plan provider using the method I prefer (e.g., phone, online, in-person)	53%	52%	33%	29%
Plan provider provides helpful online tools and materials to help make financial decisions	34	23	11	16
Advice and Education				
Plan provider has educated me on lifetime income options	24	13	4	7
Plan provider offers retirement planning guidance that I trust	33	22	11	11
Plan provider offers good advice or guidance on managing my retirement savings	32	19	7	10

Call... LIMRA*first*

Research • Assessment & Development • Consulting • Compliance

LIMRA®

HARTFORD • ATLANTA • TORONTO • LONDON • KUALA LUMPUR • SHANGHAI • TAIPEI • HONG KONG

300 Day Hill Road, Windsor, CT 06095-4761, U.S.A.
Phone: 860-688-3358 • Fax: 860-298-9555 • Web: www.limra.com