

DC ADVISOR VIEWS

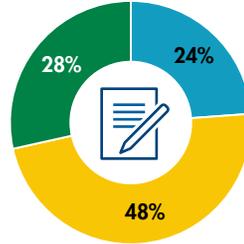
ESG in DC Plans: A Longer View



As Environmental, Social, and Governance (ESG) concerns have permeated the public consciousness increasingly over the past few years, they are also top-of-mind throughout the investment world.

With this backdrop in mind, Secure Retirement Institute® (SRI®) took a next step in examining the use of ESG investments in DC plans by surveying those advisors who serve as gatekeepers to plans and plan sponsors about how ESG investments fit into their own practices, value propositions, and philosophies. In December 2022, SRI contracted with NMG to field an online survey of 126 financial advisors who currently advise DC plans.

ADVISOR SEGMENTS



■ Occasional
■ Hybrid
■ Core

OCCASIONAL

- Wealth-focused
- <20% revenue from DC
- Smaller plans

HYBRID

- Building DC/benefits into wealth
- <50% income from DC
- Plans up to \$25M

CORE

- Fully committed to DC
- 50%+ income from DC/average 70%
- Average plan up to \$100M/larger in scope



The Bigger Picture: ESGs in DC Plans

Almost half (47%) of advisors agree that ESG investments in DC plans would have impact on environmental, social, and corporate governance on a macroeconomic level.

- Occasional advisors are more likely to feel that ESGs in DC will have a broader impact.
- Instead of creating risks for plan sponsors, ESG may help sponsors mitigate them.
- While this is encouraging for ESG proponents, many DC-focused advisors also have concerns. One third of Core and the same percentage of Hybrid advisors indicate that ESG investments create fiduciary risks for plan sponsors.

Offering ESG investments through DC plans will prompt changes in corporate governance as well as social and environmental factors due to the huge amounts of money at play

Plan sponsors can offer ESG funds, but participants will not invest in them

Applying ESG screens allows plan sponsors to mitigate risks in their DC plan investment lineups

Plan sponsors are taking a tremendous fiduciary risk by offering ESG funds in their DC plan lineups

All investments are ESG investments

