

# What are You Missing?



## Missouri Association of Public Employee Retirement Systems

### Annual Conference



Tan-Tar-A Resort

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**Genelle Brakefield, QKA, TGPC, QPFC**

**July 11, 2013**



# Corporate America Disclosure

## 3 Pronged Regulatory Initiative



1. Form 5500 Schedule C
2. 408(b)(2) Fiduciary disclosures
3. Participant Directed disclosures

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# Why is Disclosure Important?

## *The New American Retirement*

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- Social Security's Bleak Future
- Decline in Savings Rate
- Shift from DB to DC Plans
- ➔ Decline in Employer Contributions
- ➔ Proliferation of Participant-Directed Individual Account Plans
  - 483,000 Plans
  - 72M Participants
  - \$3 Trillion

# Why is Disclosure Important?

## *Retirement Roadblocks*

### America's Lost Decade

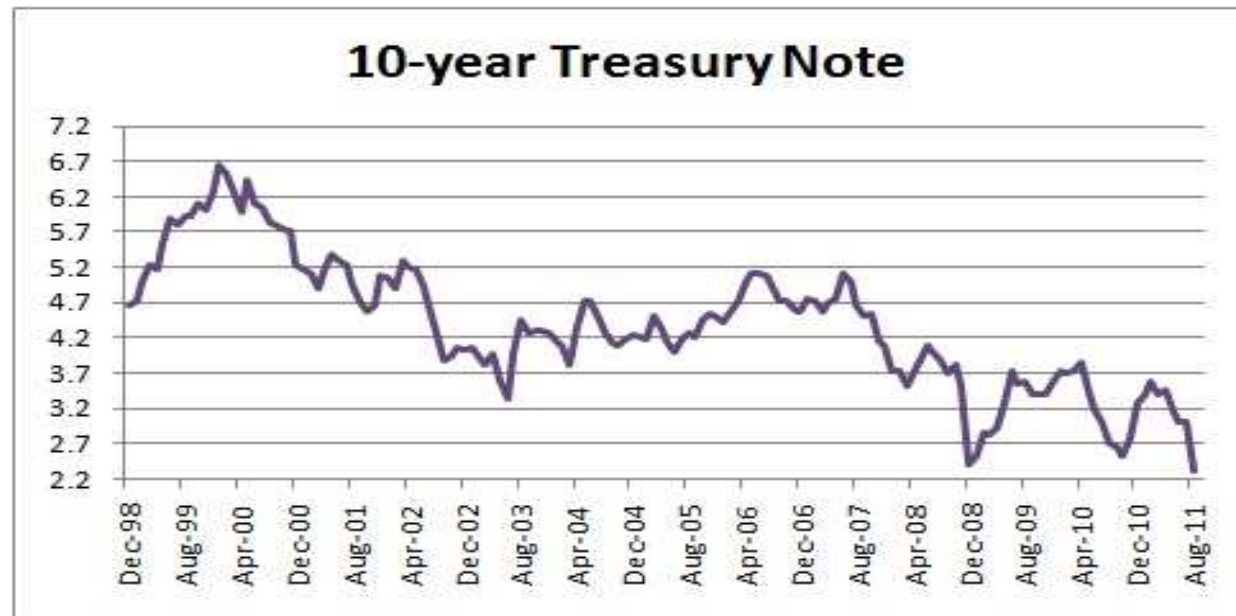


# Why is Disclosure Important?

## *Retirement Roadblocks*

America's Lost Decade

Interest Rate Decline – Cost of Lifetime Income



# DOL's Goals for Participant Disclosures

## *Performance Disclosures*

Facilitate  
Comparative Review  
of Alternatives

Increase Informed  
Decision-Making

**Improved  
Performance**

## *Fee Disclosures*

Strengthen  
Competition Between  
Investment Products

**Drive Down Fees**

# Where's the fee?

U.S. Rep. George Miller (D-CA), chairman of the House Education and Labor Committee authored the ***Fee Disclosure and Pension Funding*** provisions of HR 4213–



*“Workers should have the right to know how much Wall Street intermediaries siphon off from their savings. Just a 1-percentage-point in excessive fees can reduce a worker’s account balance by as much as 20 percent or more over a career”*



# Overall Plan Costs





# Mutual Fund “Hidden” Subsidies

## Share Classes

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Expense Ratio</u>
PIMCO Total Return A	5.83%	9.51%	7.90%	0.85%
PIMCO Total Return R	5.56%	9.24%	7.64%	1.10%
PIMCO Total Return Instl	6.25%	9.98%	8.38%	0.46%

Morningstar Annual Returns and Expense Ratios as of 2/29/2012

## Mutual Fund Subsidies

<u>Share Class</u>	<u>A</u>	<u>R</u>	<u>Institutional</u>
<b>Expense Ratio</b>	0.85%	1.10%	0.46%
12b-1	-0.25%	-0.50%	0.00%
Sub Transfer Agent	<u>-0.15%</u>	<u>-0.15%</u>	<u>0.00%</u>
<b>Mutual Fund Net</b>	<b>0.45%</b>	<b>0.45%</b>	<b>0.46%</b>

***Fees paid to Investment Manager are basically identical.  
Advisor and Admin subsidies vary and offset plan/participant fees.***

# Shifting Subsidies

*In preparation for the Quarterly Dollar Disclosure, many providers have altered their subsidy arrangements.*

## Prior Fee Arrangement

A Share Class

25 bps 12b-1

15 bps Sub-T/A

46 bps Mgmt Fee

+ 50 bps Contract Charge

1.36 Total Expense

## New Fee Arrangement

R Share Class

50 bps 12b-1

15 bps Sub-T/A

46 bps Mgmt Fee

+ 25 bps Contract Charge

1.36 Total Expense

# DOL's Goal for Participant Disclosures

## ***Performance Disclosures***

Facilitate  
Comparative Review  
of Alternatives

Increase Informed  
Decision-Making

**Improved  
Performance**

## ***Fee Disclosures***

Strengthen  
Competition Between  
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**Drive Down Fees**

# Considerations for Governmental Plans

## *What Should I Do Now?*

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- Get 408(b)(2) and 404(a)(5) Disclosures
- Determine if Fees are Reasonable
  - What Services are Provided?
  - How Much are You Paying?
- Evaluate Quality of Services
- Evaluate Quality of Fund Alternatives
- Conduct a Fiduciary Review
- **Find Out What You've Been Missing!**

# Participant Fee Disclosure

## *Questions?*

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**EkonBenefits**

*YOUR TRUSTED PARTNER*

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