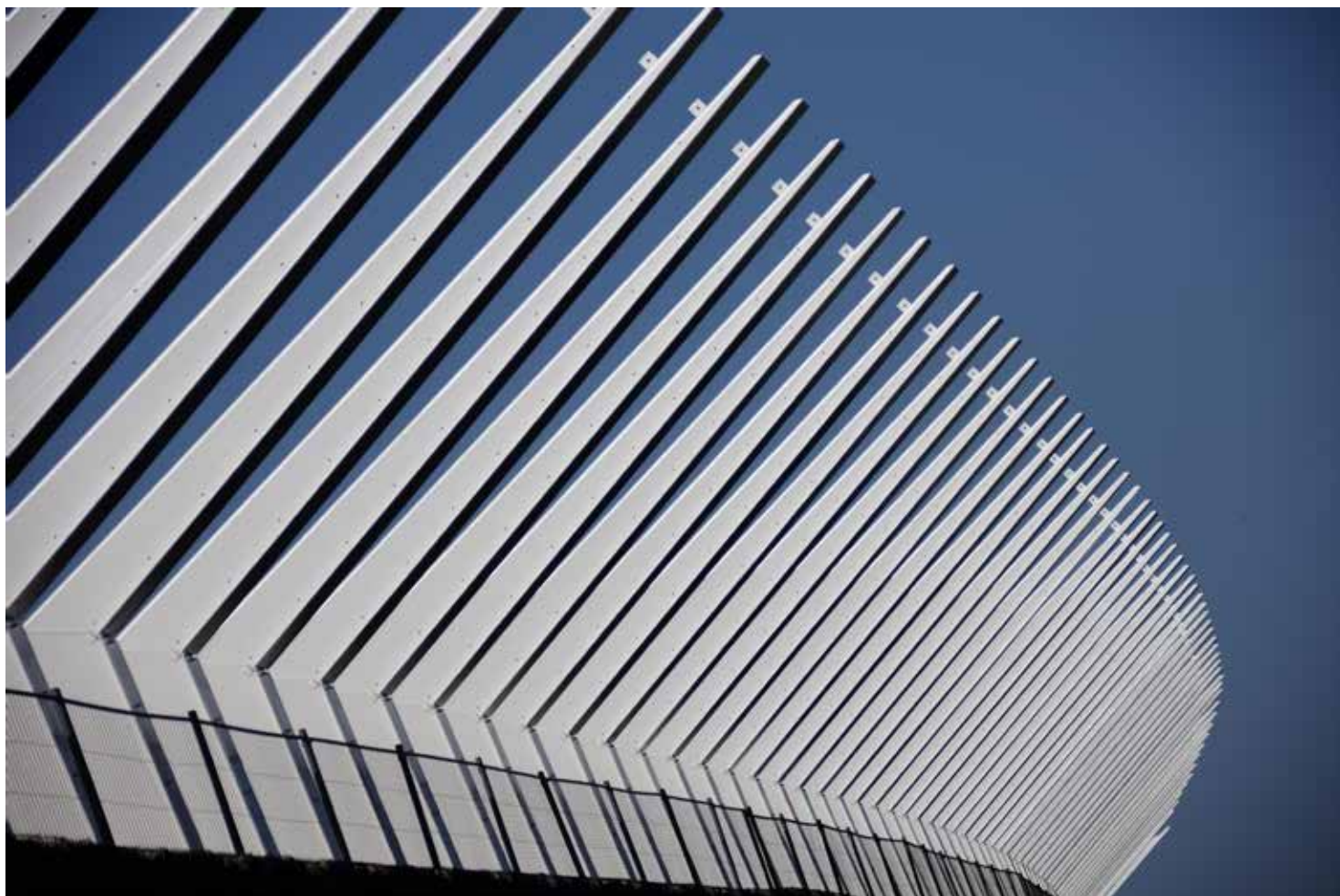


Coalition Greenwich

A division of **CRISIL**

Retirement Recordkeeping

Insights from Plan Sponsors and Consultants



Q4 2022

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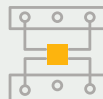
Susan Gould works with our investment management and investment consultant clients in North America.

METHODOLOGY

In Q4 2021 and Q1 2022, Coalition Greenwich interviewed 145 U.S. plan sponsors and 15 U.S. consultants in a blind study designed to gain a better understanding of the retirement recordkeeping industry. Respondents were asked to assess the quality of service they receive from recordkeepers across a variety of categories, and to identify what they see as the most important criteria for rating and selecting a recordkeeper. Sponsors were also asked to prioritize the products and services they currently receive from recordkeepers, and to identify the offerings they would value most highly in the future. Finally, both groups were asked a series of questions about important products and issues, including target date funds (TDFs) and environmental, social and governance (ESG) investing. The study results were supplemented with phone interviews with 35 plan sponsors.

96%

of plan sponsors consider technology extremely/very important when selecting a new retirement recordkeeper



The ability to leverage technology to assist participants with financial wellness is becoming the benchmark by which plan sponsors measure their retirement recordkeepers



Executive Summary

Plan sponsors and consultants express high levels of satisfaction with the services they are receiving from their retirement recordkeepers, according to a recent Coalition Greenwich study. However, both groups are asking recordkeepers to step up their offerings and services.

Our data shows that, overall, plan sponsors are satisfied with the performance of their recordkeepers. More than 80% of plan sponsors in this study rate their recordkeepers as “excellent/very good” in plan services such as reporting, administrative support and regulatory and compliance communications. A similar share of plan sponsors give top ratings to the retirement savings tools provided by their recordkeepers. Plan sponsors named Vanguard as the No. 1 recordkeeper in terms of overall satisfaction. Fidelity and Vanguard were most frequently recommended by consultants.

Plan sponsors also express strong satisfaction with most aspects of recordkeeper technology platforms. Close to three-quarters of plan sponsors rate the digital experience recordkeepers deliver to them and their participants as excellent/very good, with large majorities awarding top grades to recordkeeper websites and analytical tools.

However, in a world of increasingly complex and challenging markets, plan sponsors are asking their recordkeepers to expand their offerings to help them guide plan participants to better overall outcomes. Consultants are looking for recordkeepers to improve the simplicity, interactivity and mobile access of technology offerings. Plan sponsors want their recordkeepers to help educate participants about financial issues, advise them on financial planning and strategy, and equip them with increasingly sophisticated financial products—including enhanced target-date funds (TDFs), and environmental, social and governance (ESG) offerings that allow participants to align their strategies with their values.

Going forward, recordkeeper performance will increasingly be judged on the ability to meet these new demands, and help plan participants achieve a state of financial wellness.

Introduction

Plan sponsors and the consultants who advise them appreciate the work recordkeepers have done to improve the efficiency and effectiveness of retirement plans. Now, they are asking recordkeepers to do more.

Over the past 20 years, a wave of innovation has transformed plan operations. Recordkeepers have invested huge sums into technology that has made plans easier to use, more reliable and less expensive to operate. The benefits of those investments are now being enjoyed by both plan sponsors and their plan participants.

The plan sponsors participating in our recent industry study express high levels of satisfaction with the services they are receiving from their recordkeepers. So, too, do the 15 consultants who joined the research. Those impressive ratings cover both functions that directly serve the needs of plan sponsors, and products and services for participants.

Quality scores are highest for the largest recordkeepers that have successfully leveraged their significant resources and operational scale to expand their capabilities, enhance investment offerings and improve service quality across a range of administrative, communications and plan management functions. At the top of that list are Empower, Fidelity and Vanguard. Plan sponsors name Vanguard as the No. 1 recordkeeper in terms of overall satisfaction.

But plan sponsors also have a clear message for recordkeepers: We need more. In a world of increasingly complex and challenging markets, plan sponsors are asking their recordkeepers to help them guide plan participants to better overall outcomes. Plan sponsors and consultants are asking recordkeepers to help educate participants about financial issues, advise them on financial planning and strategy, and equip them with increasingly sophisticated financial products—including enhanced TDFs and ESG offerings that enable participants to align their strategies with their values.

In many ways, plan sponsors are asking recordkeepers for a fundamental change in perspective. They want their trusted partners to expand their remit from helping participants optimize savings and investment outcomes to helping them build financial security and reach their own unique life goals.

To meet those shifting expectations, the most forward-looking recordkeepers are already harnessing technology to roll out a new generation of products and capabilities. These offerings are aimed at helping plan participants achieve a broader sense of financial wellness that will increasingly be the benchmark by which plan sponsors measure the performance of their retirement recordkeepers.

Plan Sponsors and Retirement Recordkeepers: A Strong Partnership

Plan sponsors view their relationships with their recordkeepers as a critical element to the success of both their own organizations and their employees. To the plan sponsors participating in our study, recordkeepers are much more than vendors. They are trusted partners the plan sponsor relies on to help meet its fiduciary duties and ensure the financial security of employees. Vanguard and Fidelity both receive high scores for strong brand reputation and breadth of product offerings, with Vanguard taking the lead in being a trusted partner and providing good value for the fees, while Fidelity ranks highly as an innovator in technology.

Plan Sponsors Want Recordkeepers to be Trusted Long-Term Partners

Overall ratings of recordkeeper attributes

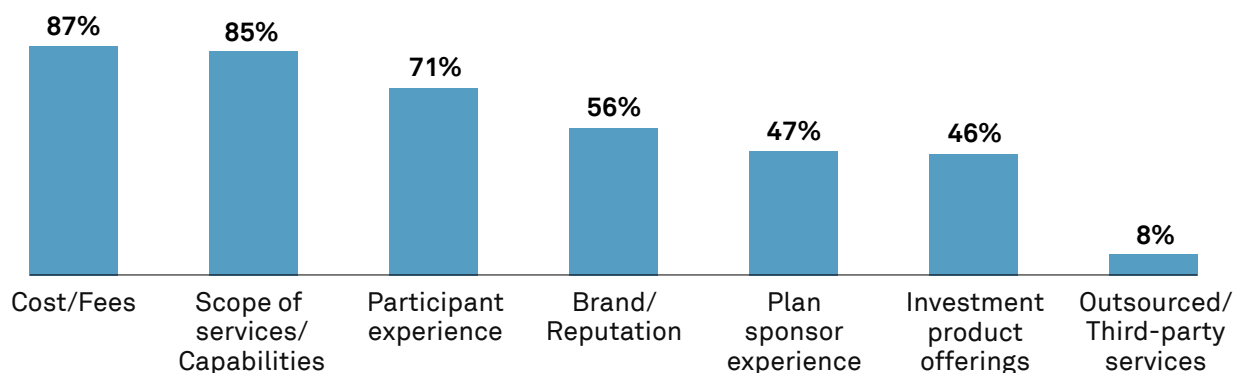


Note: Based on 136 respondents.
Source: Coalition Greenwich 2022 Retirement Recordkeeping Study

Of course, costs play an important role in determining how plan sponsors perceive their relationships with recordkeepers. As shown in the following chart, the plan sponsors in our study rank cost and fees as the most important considerations when selecting a recordkeeper, followed closely by the scope of the recordkeeper's services and capabilities. Certainly, the "participant experience" is among the top three considerations. Consultants assign a high priority to the cost and scope of services when assessing and selecting recordkeepers to recommend to their clients. Consultants also pay attention to recordkeepers' track records in helping plan sponsors meet their fiduciary duties.

Costs and Capabilities Guide Plan Sponsors' Selection of Recordkeepers

Most Important Criteria in Selecting Current Recordkeeper



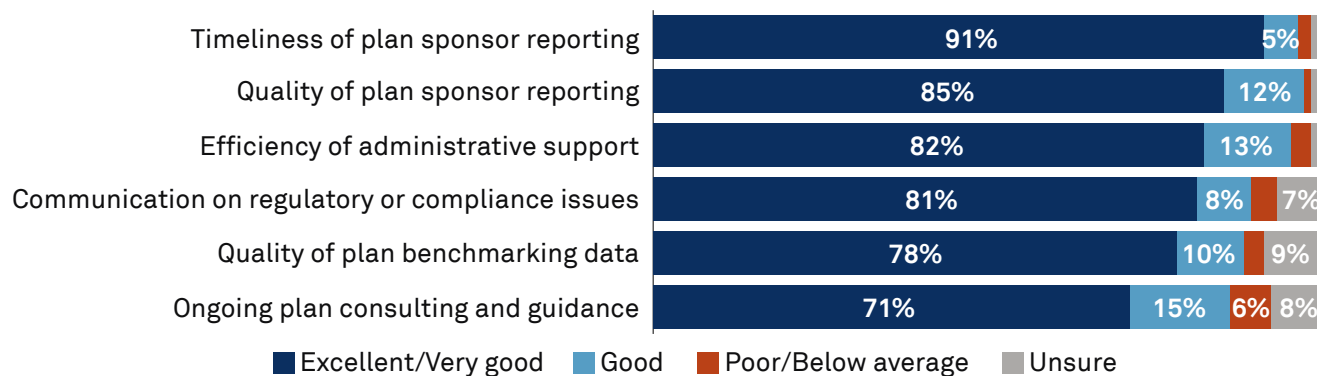
Note: Based on 160 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

In general, plan sponsors are quite satisfied with the performance of their recordkeepers when it comes to the administration and management of their plans. As shown in the next graphic, more than 80% of plan sponsors rate their recordkeepers as excellent/very good in plan services such as reporting, administrative support, and regulatory and compliance communications. Most plan sponsors—about 70%—say their recordkeepers do a good job keeping them informed about retirement income options available through the plan.

“The best recordkeepers have great attention to detail, communicate well and have an attractive product. Ease of use is vital.”

~Plan Sponsor

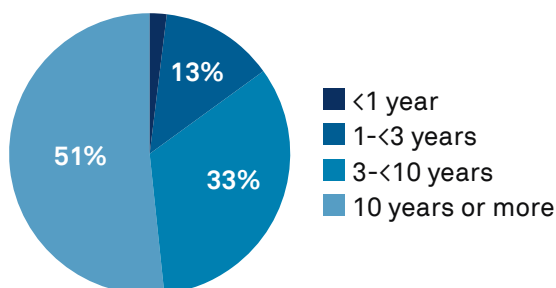
Recordkeepers Receive High Marks for Plan Sponsor Services



Note: Based on 106 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

Those strong ratings for plan administration and management—combined with the significant cost and disruptions associated with switching recordkeepers—help explain the extremely long tenures of plan sponsor/recordkeeper relationships. As shown below, more than half the plan sponsors in the study have been with their current recordkeeper for a decade or more.

Most Plan Sponsors Have Worked With Their Recordkeepers for at Least a Decade



Note: Based on 135 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

High satisfaction levels also give plan sponsors a reason to keep those relationships in place going forward. Only a small percentage of plan sponsors expect to change recordkeepers within the next three years.

Majority of Plan Sponsors Plan to Retain Current Recordkeepers Likelihood to Stay with Current Recordkeeper for the Next Three Years



Note: Based on 134 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

Rating the Recordkeepers

Scale is becoming increasingly important to recordkeepers—and to their clients. Innovation is making it possible for recordkeepers to deliver better products and services for lower costs. At the same time, technology is enabling recordkeepers to respond to plan sponsor demands for enhanced support for plan participants, ranging from more sophisticated investment products to interactive educational materials and digital advice.

But all that technology comes at a price. Today, recordkeepers with resources to fund the biggest technology investment budgets have a meaningful competitive advantage over smaller providers.

That advantage is reflected in plan sponsor ratings of recordkeeper performance and quality. In the United States, the three largest recordkeepers, Fidelity, Vanguard and Empower, together manage more than \$5 trillion of retirement assets. Plan sponsors and consultants participating in our blind study praise these big recordkeepers for prioritizing client services, utilizing sophisticated technology and providing a range of product offerings, all while keeping fees low.

These three firms top other large recordkeepers in plan sponsor quality ratings. Across 10 categories, sponsors awarded leading scores to Vanguard and Fidelity more than any other providers, with Vanguard taking top marks in categories like trusted partnership, assistance with meeting fiduciary responsibilities and ease of doing business. Fidelity earned top ratings in categories including efficiency of administrative support and partnership with third parties like consultants and custodians.

Plan sponsors also give Vanguard and Fidelity the industry's strongest ratings for many essential participant services. For example, Fidelity receives the highest scores for the effectiveness of retirement tools, while Vanguard gets top marks for quality of call center support. These two recordkeepers also get special notice for the quality of educational materials and sessions provided to participants.

Rising Expectations for Retirement Recordkeepers

Although plan sponsors are happy with the overall service they are receiving from their recordkeepers, they are also starting to demand more from these important partners. With technology helping to minimize costs and headaches associated with plan operations, plan sponsors are turning their attention to the experience recordkeepers are delivering to participants.

When it comes to the basics of the participant experience, plan sponsors are quite satisfied with what they are getting from recordkeepers. More than 80% of plan sponsors say the retirement savings tools provided by their recordkeepers rate are top notch, and nearly three-quarters rate the service participants receive through recordkeeper call centers as excellent/very good.

However, plan sponsors of all sizes are expanding the definition of the participant experience and upping their demands for what recordkeepers can and should provide. Specifically, plan sponsors are asking recordkeepers to take a more active role in helping participants achieve long-term financial security and peace of mind.

When plan sponsors assess the participant experience today, they are looking beyond foundational elements like a recordkeeper's ability to operate an efficient plan and provide participants with easy access to the right investment products. Increasingly, they want recordkeepers to help educate plan participants about financial products, and provide advice about how to integrate those products into planning and investment strategies that will help them reach a state of financial wellness.

Meeting these new and expanding demands requires new solutions. Innovative technology is enabling recordkeepers to roll out and enhance TDFs and other new investment products that better meet the needs of plan participants. New technology is also offering a host of ways for recordkeepers to customize plan offerings, and expand and improve communications with both plan sponsors and participants. Those increasingly personalized communications include a growing range of educational materials and advice designed to help plan participants assess their current situations, set goals, understand products and markets, formulate appropriate investment strategies, and advance toward financial wellness.

To maintain current levels of satisfaction amid these rising expectations, recordkeepers will need to remain at the forefront of technological sophistication, expand their TDF and ESG offerings, and focus on the financial wellbeing of plan participants.

Technology Transforming Plan Sponsor Operations

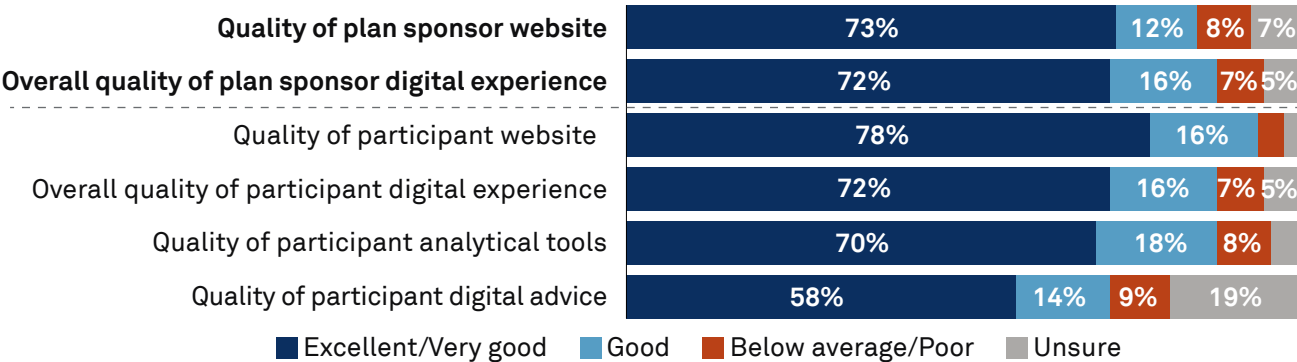
Over the past 25 years, innovation across a broad range of technologies and applications has transformed the way retirement platforms are managed and operate. Today, sophisticated tools allow recordkeepers to automate many previously manual tasks, making the entire process more efficient and minimizing error rates across both front- and back-end functions. New digital channels have dramatically quickened and improved communication among recordkeepers, plan sponsors and plan participants, while advanced software allows recordkeepers to customize offerings and functionalities.

Virtually every plan sponsor and consultant in the study considers technological capabilities as one of the most important factors in judging recordkeeper performance. Based on the fact that technology has a bearing on nearly every function performed by recordkeepers, it has become one of the most important determinants of recordkeeper quality in the eyes of plan sponsors.

In this increasingly critical category, plan sponsors award their highest ratings to Fidelity, Empower and Vanguard for providing innovative technology. All three firms are neck-in-neck for quality scores for the plan sponsor website.

What do plan sponsors want recordkeepers to accomplish with all this new technology? They provide a long list of requests, including an enhanced experience for themselves and their participants, personalized platform functionality and features, high-quality educational materials, and improved usability that makes it easier for participants and plan sponsors to access records, information and everything else they need from the platform.

Plan Sponsors Rate Recordkeeper Tech as Top Notch Ratings of Recordkeeper Technology Offerings



Note: Based on 106 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

In general, plan sponsors say their recordkeepers are delivering on these demands. Almost 80% of plan sponsors rate their recordkeepers' participant websites as excellent/very good, and almost three-quarters give their recordkeepers' plan sponsor websites the same strong rating. Likewise, 72% of plan sponsors highly rate the digital experience for themselves and their participants, and a similar percentage give that top rating to the quality of participant analytical tools provided by their recordkeeper.

Going forward, recordkeepers cannot afford to become complacent when it comes to their technology platforms. The pace of innovation has accelerated to the point at which continuous investment and development are now the industry standard. Plan sponsors are looking for three main things from recordkeepers' technology:

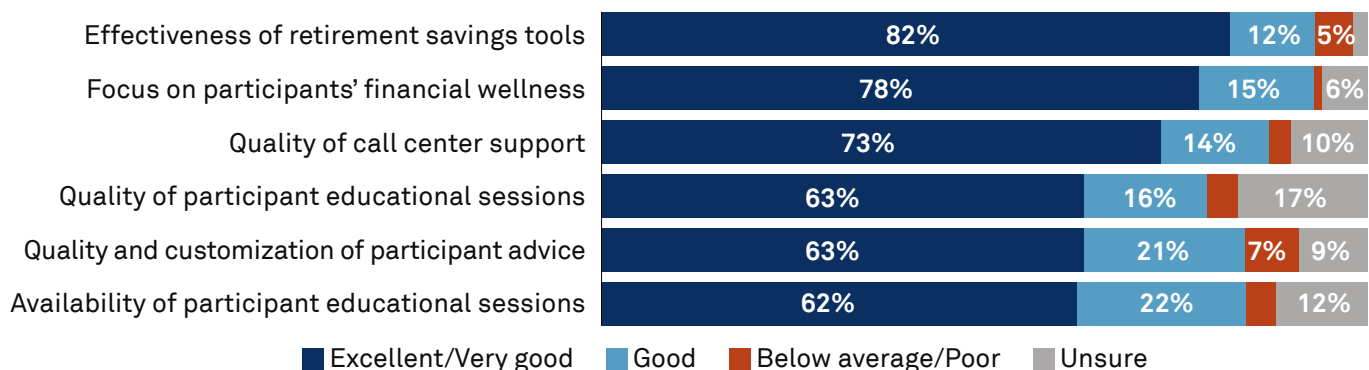
1. Continued improvements in website functionality for themselves and their participants
2. Powerful analytics that create efficiencies and contribute to better outcomes for plan participants
3. Innovation that makes recordkeeper platforms ever more sophisticated and effective

Consultants advising plan sponsors on recordkeeper selection are telling clients to seek out the providers who best use new technology to make plan functionality and management simpler for plan sponsors and participants, and who have demonstrated a proven track record of innovation by regularly rolling out new features like enhanced mobile access to make plans more interactive.

Participant Education and Advice Take on New Importance

More than ever, plan sponsors are asking recordkeepers to help participants understand the retirement savings process and make informed decisions that lead to enhanced financial wellness.

Recordkeepers Delivering High Quality for (Most) Participant Services Rating of Recordkeeper on Services for Participants



Note: Based on 106 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

Most plan sponsors (almost 80%) say their recordkeepers do an excellent/very good job focusing on participants' financial wellness, with Principal receiving the strongest ratings in that regard. A core part of that commitment is the provision of high-quality educational materials and sessions for plan participants. More than 60% of plan sponsors rate the effectiveness and availability of their recordkeepers' educational sessions as excellent/very good. While almost all of the industry's biggest recordkeepers get strong ratings for their participant educational sessions, Vanguard and Fidelity receive the highest average scores.

In most cases, a commitment to helping participants achieve financial wellness will also include the provision of investment and planning advice. Here again, plan sponsors are generally pleased with the offerings provided by recordkeepers. More than 60% of plan sponsors give strong ratings to the quality and customization of the advice recordkeepers provide to their plan participants, with Fidelity, Empower, Vanguard, and Principal receiving the highest scores.

“Personalized investment recommendations through use of technology might provide a personalized outcome to each employee, resulting in the right risk/reward for their portfolio.”

~Plan Sponsor

However, at a time when a growing amount of financial advice is delivered through digital channels rather than face-to-face meetings, some plan sponsors are less than thrilled with the quality of digital advice their recordkeepers are providing. Close to a quarter of plan sponsors give their recordkeepers less than top scores for quality of participant digital advice, with 1 in 10 rating it as below average/poor.

While plan sponsors overall are satisfied with the steps recordkeepers have taken to help participants achieve financial wellness, these findings show that some recordkeepers still have work to do to perfect the digital tools they use to advise participants. To that end, plan sponsors not fully satisfied with their recordkeeper's digital advice should push for rapid and continuous improvement. Providers who round out their offerings with “extras” for participants, such as guidance on student debt and emergency savings, have the potential to gain traction among sponsors and consultants.

Target-date Funds: An Essential Building Block

The introduction of target-date funds as default investment options in defined contribution plans has been one of the seminal advances in retirement fund architecture. TDFs now represent an important component of retirement strategy for millions of U.S. workers, who invested over \$3.72 trillion in the funds as of last year, according to Morningstar.¹

Most plan sponsors believe recordkeepers have done a good job improving TDFs from the relatively simple vehicles first introduced to the market in the 1990s. Almost 60% of sponsors agree that TDFs have evolved over time to meet the changing needs of their plan participants. These plan sponsors see today's funds as effective tools for meeting participants' saving and retirement income needs at a relatively low fee.

¹ <https://www.morningstar.com/lp/tdf-landscape>

"I think TDFs work exceptionally well. They keep things simple and adjust automatically."

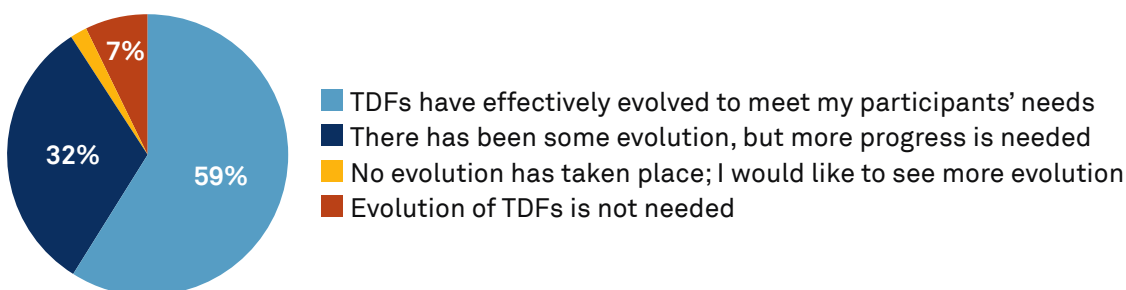
~Plan Sponsor

"It's mostly about having a reasonable glide path. If the transition to a conservative portfolio happens too quickly, that's a problem."

~Consultant

More than 70% of consultants recommend TDFs to their clients, and more than 85% of plan sponsors in the study use them in their plans. Approximately two-thirds of these plan sponsors rate the TDFs offered by their recordkeepers as excellent/very good, with top scores going to Vanguard and T. Rowe Price.

Few Plan Sponsors See Need for Further Improvement in Target-date Funds



Note: Based on 102 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

However, there is a sizable group (32%) of sponsors who believe even more progress is needed to improve TDF outcomes for the broad universe of plan participants.

"We need greater customization that aligns with the unique attributes and biases of the client."

~Consultant

Consultants participating in the study say they examine portfolio construction, investment performance and reputation of the fund provider when considering whether or not to recommend a TDF to their clients. In terms of recent improvements to the funds, consultants cite increased flexibility in options and structures, along with a reduction in fees. Looking ahead, plan sponsors say the introduction of ESG investment options could be an important next step in the evolution of TDFs.

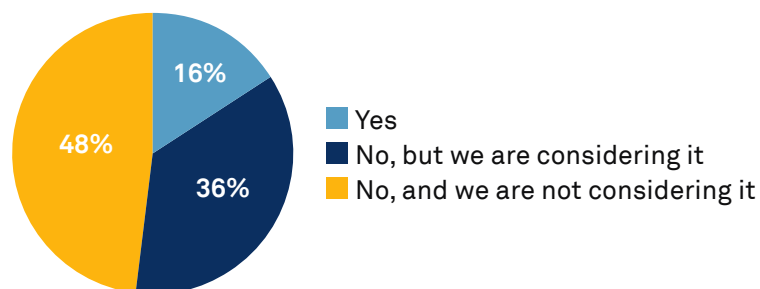
An Open Door for ESG?

About one-fifth (16%) of plan sponsors have added an ESG investment option to their plan lineups, and the bulk of those early adopters are plans with more than \$1 billion in assets that introduced these funds more than three years ago.

However, plan sponsors could start moving quickly to introduce ESG options if regulators succeed in eliminating uncertainty about the rules allowing ERISA fiduciaries to offer ESG strategies. In October 2021, the Department of Labor proposed a new rule² that, if approved, would definitively open the door for plan sponsors to introduce ESG investment strategies into their plans. More than a third of plan sponsors (36%) say they are considering the addition of an ESG option.

“ESG is in line with our organization’s mission and core values,” says one plan sponsor, explaining why his organization would be eager to offer participants an ESG option. Consultants say many of their clients share that enthusiasm and have been reaching out proactively to ask about ESG.

More than a Third of Plan Sponsors Considering ESG Addition Adoption of ESG Investment Option to Plan Lineup



Note: Based on 136 respondents.
Coalition Greenwich 2022 Retirement Recordkeeping Study

Even with a resolution to the regulatory issue on the horizon, some plan sponsors remain skeptical. Almost half the plan sponsors in the study (48%) say they are not even considering adding an ESG option to their plan lineups.

² <https://www.dol.gov/newsroom/releases/ebsa/ebsa20211013>

Conclusion

Although plan sponsors and consultants are satisfied with the service and quality they receive from recordkeepers, they are now asking these trusted partners to up their game. With technology minimizing many of the costs and headaches associated with plan administration, plan sponsors are turning their attention to helping participants make better decisions, achieve financial wellness and have better long-term outcomes. And they are asking their recordkeepers for help.

Plan sponsors want recordkeepers to provide a host of products and services that enhance the participant experience and contribute to better outcomes. They are looking for insightful advice, additional educational resources and effective investment offerings—all delivered through a seamless integration of user-friendly technology. Together, those elements will help participants achieve a broad state of financial wellness.

Going forward, plan sponsors will increasingly judge the performance of their recordkeepers by how well or how poorly they deliver on this important new front.

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Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

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