

# 2017 Stable Value Study<sup>SM</sup>

A survey of plan sponsors,  
stable value fund providers and advisors



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# About the Research

The 2017 Stable Value Study is the fourth study that MetLife has commissioned to gain strategic insight into the current marketplace for stable value, a capital preservation option offered in defined contribution (DC) plans. In fact, stable value is the only capital preservation option designed specifically for qualified retirement plans. Today, approximately 10% of the \$7.5 trillion in DC plan assets is in stable value.<sup>1</sup> MetLife believes it is important to continually assess plan sponsors' use of stable value in their DC plans and their attitudes toward stable value as a capital preservation option.

In the 2015 Stable Value Study, MetLife asked about the future of money market funds as a capital preservation option in DC plans in light of the impending U.S. Securities and Exchange Commission's (SEC) money market fund (MMF) rule changes. The rule changes made "structural and operational reforms to address risks of investor runs on money market funds."

As we release this study, it has been just over one year since the MMF reform rules went into effect in October 2016. This year's study explores plan sponsors' familiarity with MMF reform, and the extent to which they have taken steps to evaluate their use of money market in their DC plans. The study also looks at other trends, such as the use of stable value in target date funds (TDFs), both off-the-shelf and custom.

In addition to the insights we obtained by surveying DC plan sponsors, we also gained perspective on the use of stable value and other capital preservation options through in-depth interviews with stable value fund (SVF) providers and DC plan advisors whose clients use stable value funds in their plans.

<sup>1</sup> According to the Stable Value Investment Association's Quarterly Characteristics Survey for Q2 2017, there were approximately \$738 billion in DC plan assets held in stable value as of Q2 2017. According to the Investment Company Institute, DC plan assets totaled \$7.5 trillion as of Q2 2017.

<sup>2</sup> Significant at the 90% level.

# Study Findings

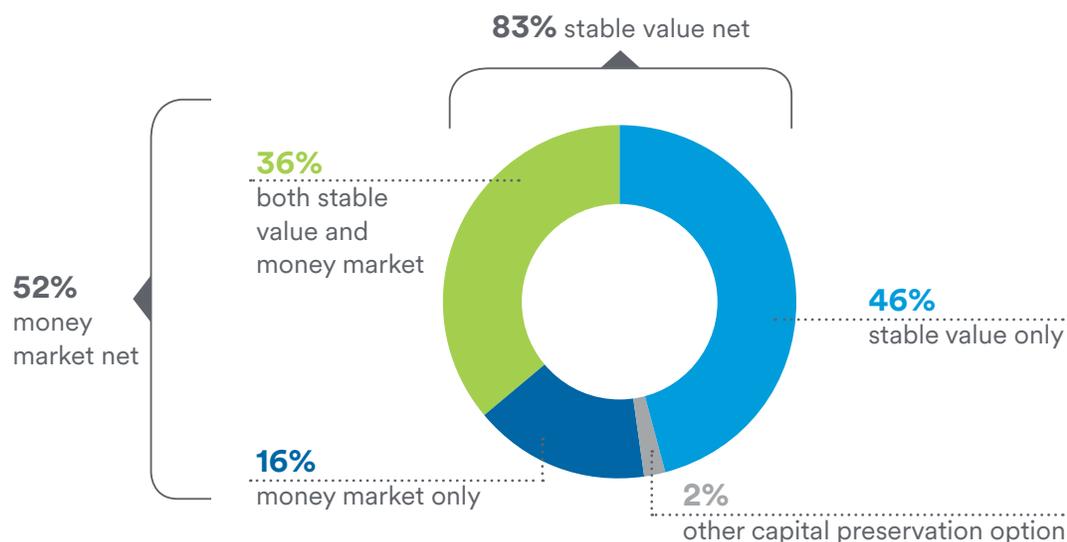
## Stable Value More Prevalent Than — and Preferential to — Money Market in DC Plans

### Incidence of Money Market Funds as a Capital Preservation Option Is Down Slightly From 2015

Today, stable value is the most prevalent capital preservation option offered in DC plans, with most plan sponsors surveyed offering stable value (83%, essentially unchanged from 82% in 2015). This includes nearly half (46%) offering stable value but not money market funds (up from 38% in 2015) and another 36% offering both stable value and money market funds in their plans (down from 45% in 2015). The change in the mix of stable value (both with and without money market) is statistically significant.<sup>2</sup>

### Whether Offers Stable Value or Money Market Within DC Plan

Among All Plan Sponsors  
(n=241)



Note: Percentages may not equal totals due to rounding.

The use of money market funds has experienced a statistically significant decline overall<sup>3</sup> since 2015, with just over half of sponsors (52%, compared to 62% in 2015) offering money market as a capital preservation option, either on its own (16%, down from 18% in 2015) or in combination with stable value (36%, down from 45% in 2015). Only 2% of plan sponsors offer a capital preservation option other than stable value or money market, such as laddered short-term fixed income options.<sup>4</sup> While the large majority of plan sponsors who offer stable value (91%) have been doing so for more than two years, a notable 9% added stable value in the past two years. In aggregate, the data confirm meaningful movement away from money market funds as a capital preservation option in DC plans.

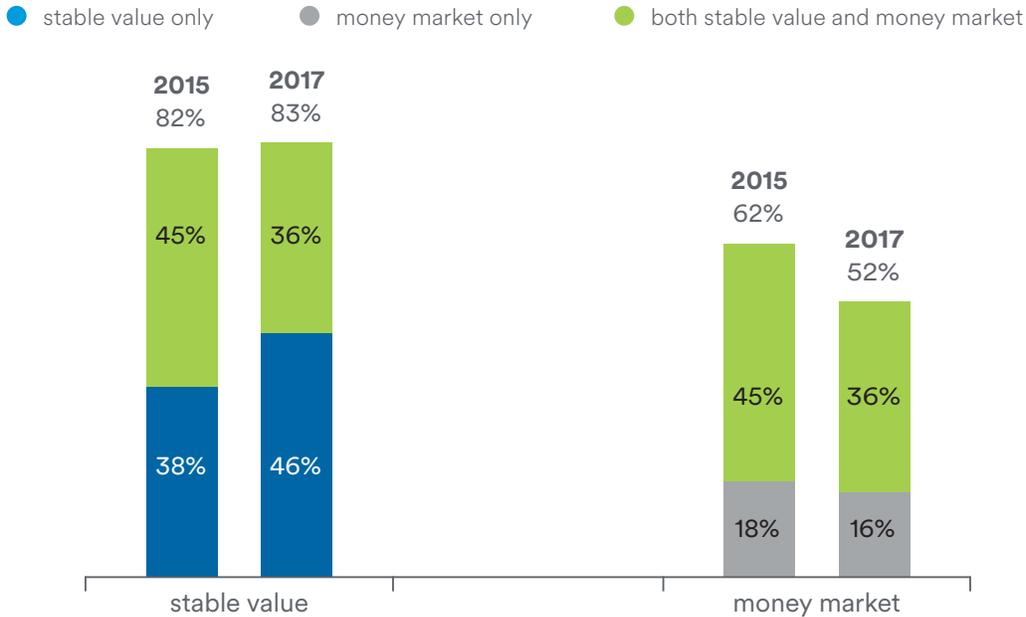
<sup>2</sup> Significant at the 90% level.

<sup>3</sup> Significant at the 95% level.

<sup>4</sup> This year, a small percentage of plan sponsors who offer a capital preservation option other than stable value and/or money market (2%) were also included in the study.

## Stable Value and Money Market Offerings

Among All Plan Sponsors  
2015 (n=205) vs. 2017 (n=241)



Note: Percentages may not equal totals due to rounding.

### In Light of Money Market Fund Reform, Stable Value Viewed as More Attractive by Plan Sponsors, SVF Providers and Advisors

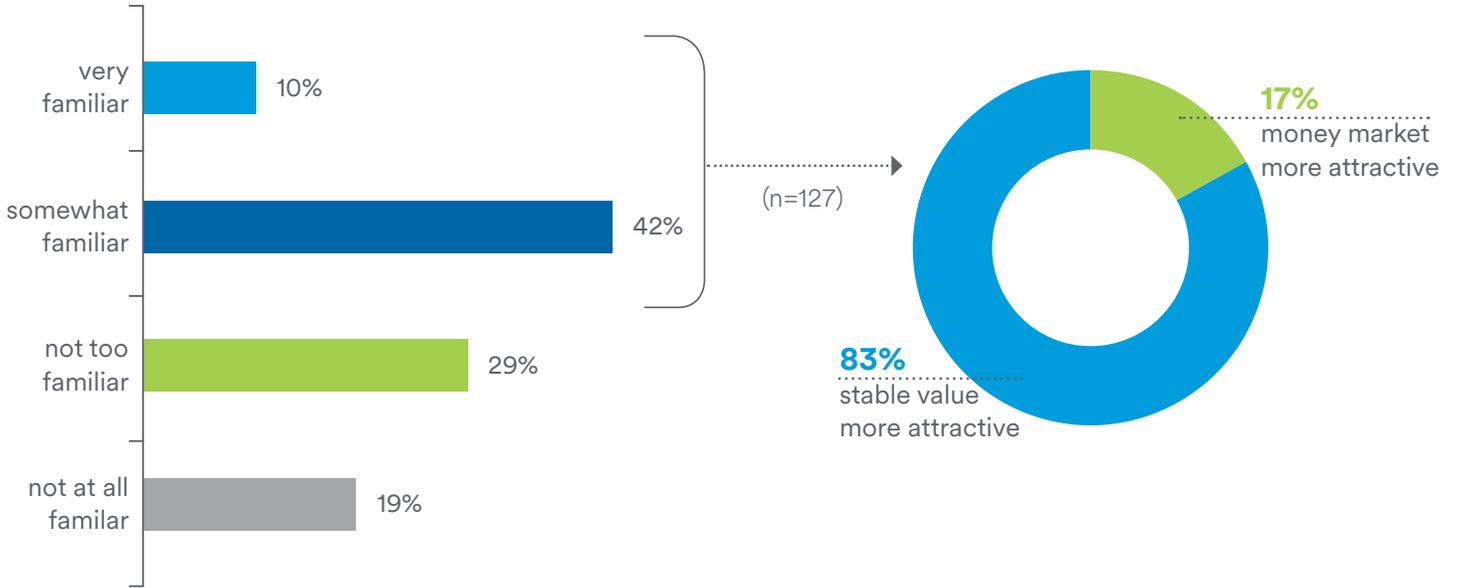
MMF reform effectively sought to limit the impact of future significant events on institutional money market investments. Importantly, the rules mandate a floating net asset value (NAV) for institutional prime money markets funds (including municipal funds), replacing the traditional \$1 stable NAV. This adjustment “allows the daily share prices of these funds to fluctuate along with changes in the market-based value of fund assets.” The rules also supply “non-government money market fund boards [with] new tools – liquidity fees and redemption gates – to address runs.”<sup>5</sup>

Over half of plan sponsors surveyed (53%) say they are at least somewhat familiar with MMF reform, with just 10% saying they are very familiar. Among plan sponsors who are reasonably familiar with MMF reform, a clear majority (83%) feel that stable value is a more attractive capital preservation option for plan participants than money market funds. Even among plan sponsors familiar with the rules whose plans offer only a money market fund, a majority (55%) think stable value is a better option.

<sup>5</sup> U.S. Securities and Exchange Commission Website, Spotlight: Money Market Funds.

### Familiarity With MMF Reform and Preference for Stable Value vs. Money Market

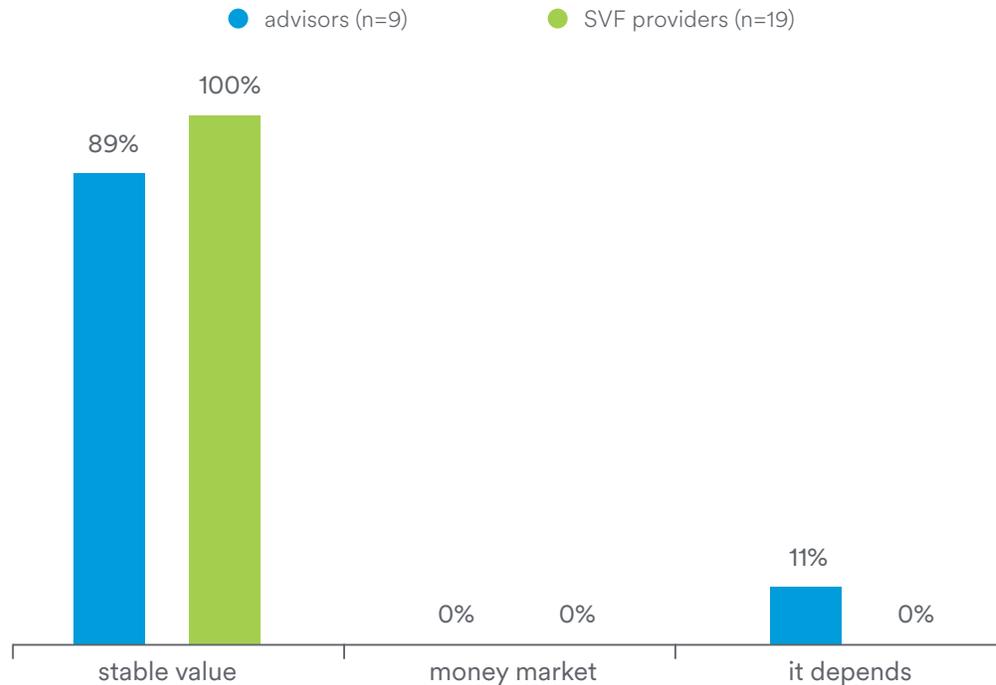
Among All Plan Sponsors  
(n=241)



All SVF providers and nearly all DC plan advisors familiar with MMF reform (100% and 89%, respectively) agree that stable value is a more attractive capital preservation option than money market in light of the reform.

## Most Attractive Capital Preservation Option in Light of MMF Reform

Among Advisors and SVF Providers Familiar With MMF Reform



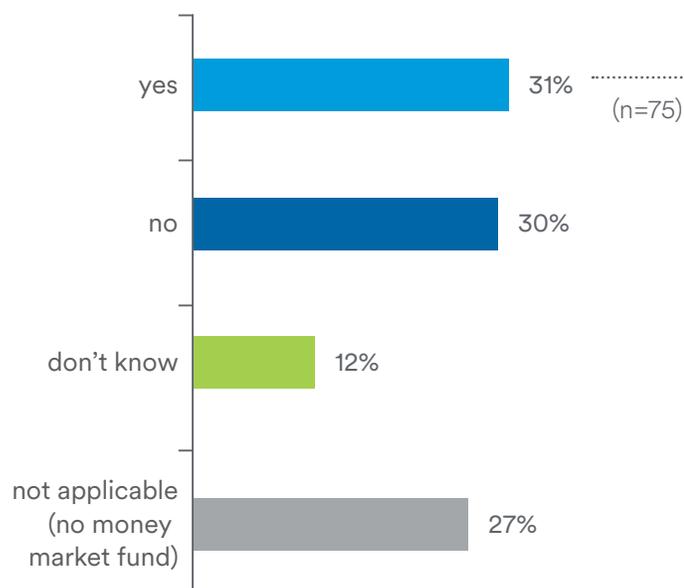
### Money Market Replacement in Light of Reform Does Not Reflect the Strong Recognition of Stable Value's Appeal

Only 31% of plan sponsors overall evaluated their use of money market funds as their plans' capital preservation option in light of MMF reform. Among those who did, most (84%) sought advice about alternatives from a consultant or advisor. Sixty percent of advisors and 63% of SVF providers surveyed said that at least some of their plan sponsor clients reviewed their use of money market in light of MMF reform. Most advisors who said their clients would consider/have considered excluding money market altogether cite low returns as a driver (83%). Four in 10 plan sponsors who evaluated their use of money market in light of the reform (41%) replaced their money market funds, with over half (55%) saying they used government money market as a replacement and 29% saying they used stable value. All advisors who reported having clients who evaluated their use of money market and replaced their money market funds as a result of the reform said that stable value was the replacement. Nearly two-thirds of SVF providers with clients who evaluated their use of money market funds and replaced them as a result of the reform (64%) say that stable value took money market's place, while 27% say government money market funds were used.

Plan sponsors who replaced their money market funds with government money market over stable value gave several reasons for this selection: liquidity; the desire for an alternative to stable value (because they already had stable value in their plan); government money market's similarity to money market funds; or, they do not like some aspects of stable value. Despite the near universal choice of government money market funds as a money market fund replacement for those who did not move to stable value, nearly two-thirds of those who moved into government money market (65%) recognized that increased demand for government paper amid limited supply could keep government money market funds' nominal yields low and real yields negative.

## Whether Evaluated Use of Money Market in Light of MMF Reform

Among All Plan Sponsors  
(n=241)



| Evaluation Process and Results   | Percent |
|--|---------|
| <b>Whether sought advice from consultant/advisor on alternatives to retail money market fund</b> |         |
| yes  | 84%     |
| no   | 16%     |
| <b>Replaced money market fund as a result of MMF reform</b>                                      |         |
| yes  | 41%     |
| no   | 57%     |
| don't know   | 1%      |
| <b>Which capital preservation option was the replacement? (if replaced, n=31)</b>                |         |
| government money market  | 55%     |
| stable value   | 29%     |
| other capital preservation option  | 16%     |

Note: Percentages may not total 100% due to rounding.

### Advisors and SVF Providers Predict Use of Money Market Will Continue to Decrease in Next Few Years, but Plan Sponsors May Need Encouragement

On the heels of the one-year anniversary of the 2016 MMF reform, now may be an opportune time for advisors to review with their clients the actions they have taken—or plan to take—to comply with the new rules. The decision to retain an existing money market fund, change to a different class, or replace the fund with stable value will have a considerable impact on participant outcomes, and is subject to ERISA's demanding fiduciary duty standards. In fact, 84% of SVF providers and 67% of advisors predict that the use of money market funds in DC plans will likely decrease over the next few years as a result of MMF reform.

Plan sponsors may need encouragement to make this change, however, as only 14% who currently offer money market would consider eliminating this option altogether in favor of stable value in the next two years, with one-third who are considering the change (33%) saying they are motivated by stable value's better crediting rates. Over one-third of those currently offering money market (38%) say they would not eliminate it, but nearly half (48%) do not know if they would. Some attribute their reluctance to drop money market in favor of stable value to perceived demand from their employees for money market (30%), or a desire to give participants both options and/or more choices (30%).

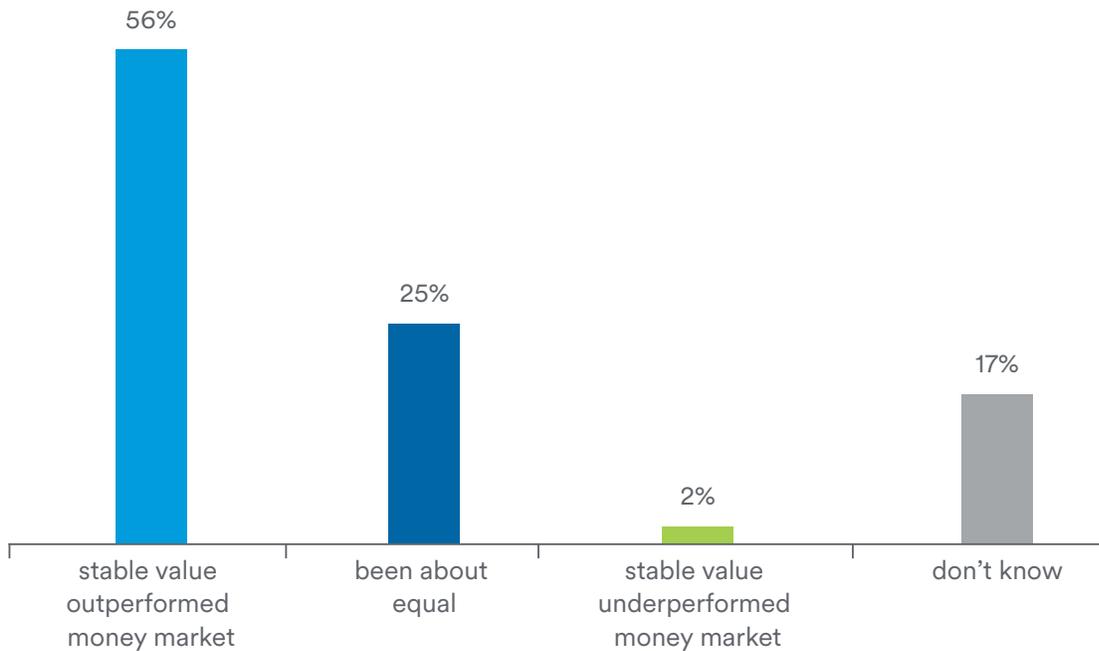
## Primary Reasons for Selecting Particular Capital Preservation Options

### Stable Value Widely Recognized for Stronger Returns Compared to Money Market, but Most Plan Sponsors Unaware Stable Value Returns Have Exceeded Inflation

Slightly over half of plan sponsors (56%) are aware that, over the last 15 years, stable value returns have outperformed money market returns. Most of the remaining plan sponsors responded that stable value and money market returns have either been about equal (25%), or that they don't know (17%). Only 2% of plan sponsors believe that money market funds have performed better than stable value over this time period. All SVF providers and advisors interviewed were aware that stable value has outperformed money market over the past 15 years.

### Stable Value Returns Relative to Money Market Returns Over Last 15 Years

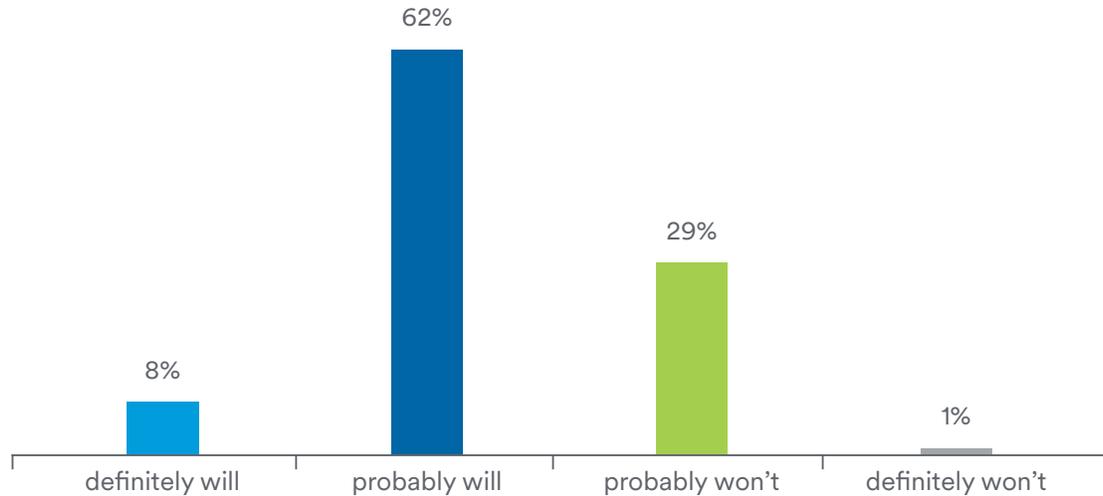
Among All Plan Sponsors  
(n=241)



Seven in 10 plan sponsors (70%) believe that stable value will preserve its rate advantage over money market returns even if interest rates go up, as do 100% of advisors and SVF providers surveyed.

### Whether Stable Value Will Preserve Its Rate Advantage Over Money Market If Interest Rates Rise

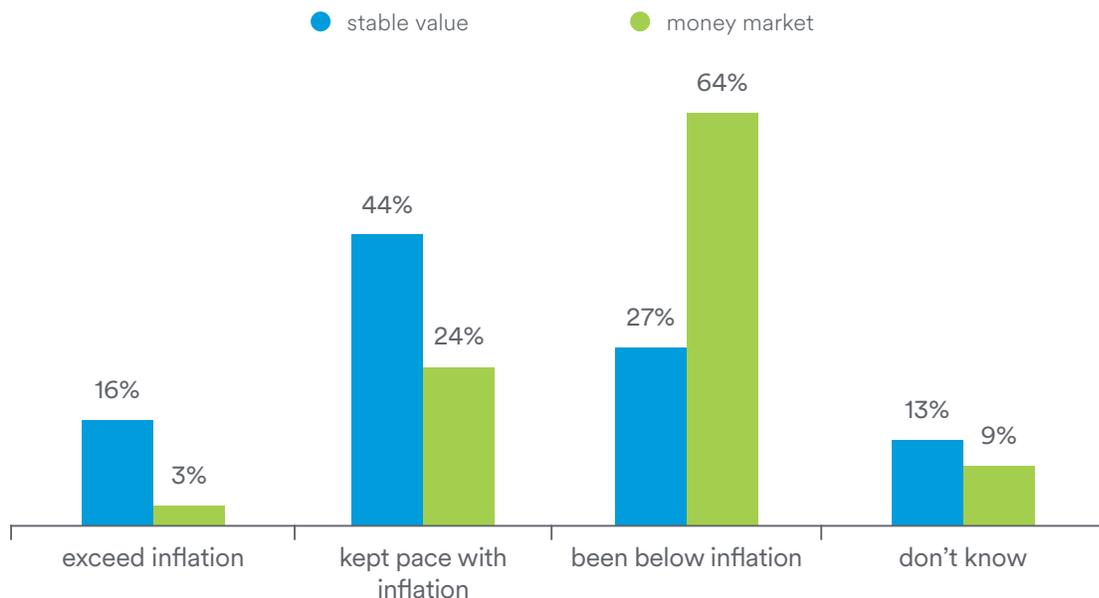
Among All Plan Sponsors  
(n=241)



Eight in 10 plan sponsors (84%) did not know that stable value returns have exceeded inflation over the past 15 years: 44% believe stable value returns have kept pace with inflation, 27% believe they have been below inflation, and 13% cannot say. However, nearly two-thirds (64%) of plan sponsors are aware that money market returns over this period have been below inflation, while only 3% believe money market returns have exceeded inflation.

### Stable Value Returns and Money Market Returns Relative to Inflation Over Last 15 Years

Among All Plan Sponsors  
(n=241)



## Better Returns Drive Stable Value Usage Over Money Market, Although Advisor Recommendations Important for Both Options

The leading reason that plan sponsors say they include stable value in their DC plans is that it offers better returns than money market or other capital preservation options (43%). In contrast, only 4% who offer money market say their primary reason for doing so is that they believe it offers better returns than stable value or other capital preservation options.

Nearly half of plan sponsors with stable value (48%) say they offer it because it was recommended to them — either by their investment/financial advisor (38%) or their recordkeeper/third-party administrator (10%). Just a few (6%) say their primary reason for offering stable value is that it was requested by employees.

The primary reason plan sponsors say they offer money market is that it was recommended to them by their investment/financial advisor (46%), while 14% say their recordkeeper/third-party administrator recommended it. Additionally, 21% of plan sponsors who offer money market cited employee demand as their primary reason for including it in their plans.

### Primary Reasons for Offering Stable Value or Money Market Among Plan Sponsors Offering Each of These Options

| Primary Reason  | For Offering Stable Value (n=199) | For Offering Money Market (n=125) |
|---|-----------------------------------|-----------------------------------|
| offers better returns than [money market/stable value] or other capital preservation options  | 43%                               | 4%                                |
| recommended by our investment/financial advisor   | 38%                               | 46%                               |
| recommended by our recordkeeper/TPA   | 10%                               | 14%                               |
| requested by our employees  | 6%                                | 21%                               |
| other aspects of money market option (e.g., liquidity, cash position, lower cost, lower risk) | -                                 | 7%                                |
| historically been in plan   | -                                 | 3%                                |
| other   | 3%                                | 6%                                |

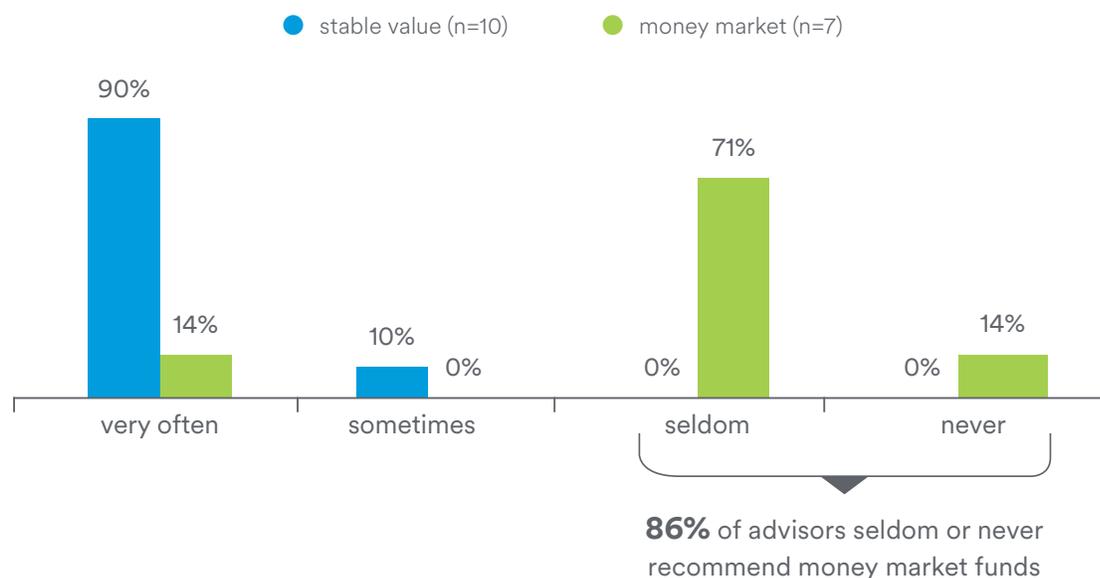
Note: Percentages may not total 100% due to rounding.

Interestingly, there appears to be discontinuity between what plan sponsors say their advisors recommend with regard to capital preservation options in DC plans, and what advisors say they recommend. Two-thirds of plan sponsors (67%) who offer money market in their DC plans say it was recommended to them by their

advisor, but only 14% of advisors say they very often recommend money market as a capital preservation option in a DC plan. In fact, the majority of advisors say they seldom (71%) or never (14%) recommend money market funds. Advisors are more likely to recommend stable value, with 90% saying they very often recommend it, and 10% saying they sometimes recommend it.

### Advisor View of How Often They Recommend Stable Value/Money Market

Among Advisors Whose DC Plan Clients Offer Each of These Options



Note: Percentages may not equal totals due to rounding.

When it comes to the actions plan sponsors took in the wake of MMF reform, there also is a disconnect between the changes they made to their capital preservation options and their advisors' recommendations. Interestingly, 84% of plan sponsors who made a change in the wake of MMF reform reported that they consulted with their advisors. However, since advisors almost universally report that they recommend stable value very often and say they believe that stable value is a more attractive capital preservation option than money market in light of the reform, it appears that plan sponsors may not be hearing and/or heeding their advisors' recommendations.

The advisors interviewed seemed to be aware that it is not prudent to recommend that sponsors include both stable value and money market as capital preservation options in their DC plans. However, 70% of sponsors who offer both options say stable value was recommended to them by their advisor, with 38% saying that their advisor's recommendation is the primary reason for including stable value in their plans. Additionally, 66% who offer both options say money market was recommended to them by their advisors, with 41% saying that this recommendation is the primary reason for including money market in their plans. This is yet another example of discontinuity between plan sponsors and advisors regarding recommendations around capital preservation options.

## Capital Preservation Documentation

Eight in 10 plan sponsors (80%) feel they have solid documentation supporting their decision about which capital preservation option to offer, with those offering only stable value more likely than those with only money market to report having solid documentation supporting their decision (86% vs. 68%). Of those plan sponsors who believe they have solid documentation, just 60% say it includes a quantitative analysis of the return and risk characteristics of different capital preservation options. Among plans with money market only, only 38% have a quantitative component in their documentation. There may be an opportunity for advisors to work more closely with their plan sponsor clients to ensure they have proper documentation: only 60% of advisors say they have worked extensively with their clients to ensure they have proper documentation supporting their decisions about capital preservation options.

## Various Factors Limit Use of Stable Value in Some DC Plans

The reason cited most often by plan sponsors for not offering stable value is that it has not been recommended by the advisors or consultants they work with (19%). However, this has declined since 2015 when 31% of plan sponsors reported that stable value wasn't recommended to them by their advisor or consultant.

Additionally, 17% of plan sponsors don't offer stable value due to concerns about the product, such as liquidity or redemption restrictions, which has held steady since 2015.

### Main Reasons for Not Offering Stable Value

Among Plan Sponsors Not Offering Stable Value  
(n=42)

| Main Reasons  | For Not Offering Stable Value |
|---|-------------------------------|
| not been recommended by advisor/consultant/TPA  | 19%                           |
| concerns about stable value: liquidity; withdrawal or redemption restrictions; risk; lawsuits | 17%                           |
| already have money market in fund line-up; have enough options; limited interest              | 12%                           |
| fees/expense; lack of transparency  | 7%                            |
| not available on platform or from provider used   | 7%                            |
| lack of participant understanding about stable value; adds complexity                         | 5%                            |
| does not fit plan objectives; no interest/need  | 5%                            |
| not knowledgeable enough about stable value   | 2%                            |
| other   | 12%                           |
| don't know  | 10%                           |
| refused   | 5%                            |

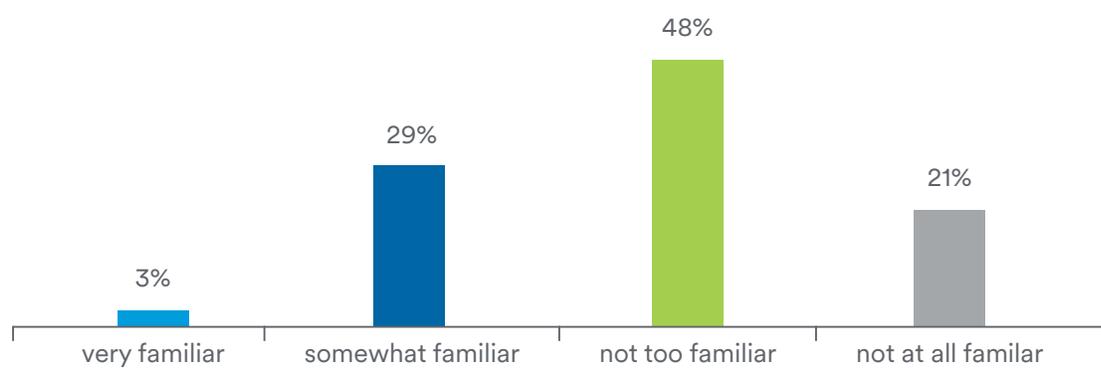
Note: Open-ended question where respondents could cite multiple reasons.

## Money Market Fund Litigation Has Only Slight Influence on Plan Sponsors

Overall, only one-third of plan sponsors (32%) report they are familiar with litigation about the suitability of money market funds within DC plans, including just 3% who are very familiar. Familiarity with money market litigation is much higher among those who are also familiar with MMF reform (49% vs. 12% for those unfamiliar with MMF reform). Among plan sponsors who currently offer money market, few (17%) say that concern about potential money market litigation has prompted them to reconsider the role of money market in their plans.

### Familiarity With Litigation About the Suitability of Money Market Funds

Among All Plan Sponsors  
(n=241)



Note: Percentages may not total 100% due to rounding.

## Selection Factors for, and Monitoring of, Stable Value Solutions

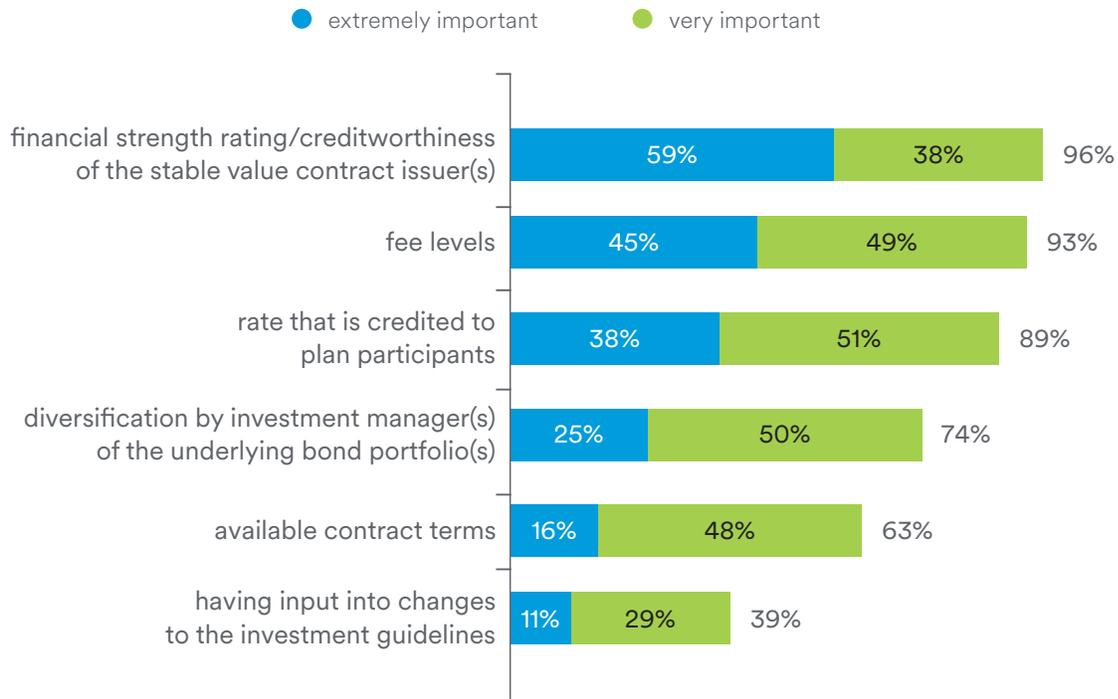
### Most Important Stable Value Selection Criterion Is Financial Strength of Issuer

When deciding which stable value solution to select, nearly all plan sponsors (96%) identify the financial strength rating/creditworthiness of the stable value contract issuer(s) as highly important, including 59% who say it is extremely important. When plan sponsors who rated more than one of the considerations as extremely important were asked to identify the most important factor, financial strength rating/creditworthiness of the stable value contract issuer(s) was selected by over half (52%).

Next in importance for plan sponsors when selecting a stable value contract issuer are the fee levels (93%) and the rate credited to participants (89%). Three-quarters (74%) think that diversification by the investment manager(s) of the underlying bond portfolio(s) is important, and 63% rate available contract terms as important. Of the six considerations tested, plan sponsors assign the lowest priority to having input into changes to the investment guidelines, with 39% saying this is important, including 11% who say it is extremely important.

## Importance of Stable Value Selection Considerations

Among Plan Sponsors Offering Stable Value  
(n=199)



Note: Percentages may not equal totals due to rounding.

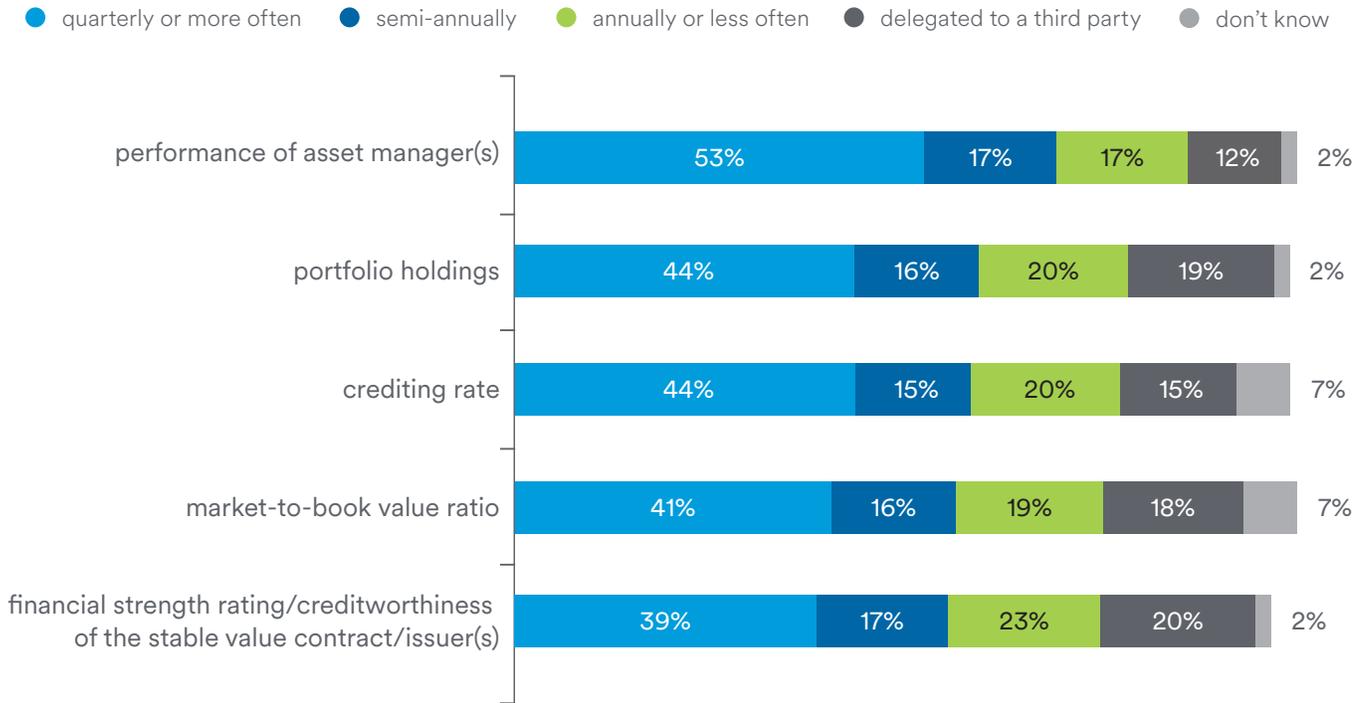
For advisors, the most important factor when advising their clients on which stable value solution to select is the financial strength rating/creditworthiness of the stable value contract issuer(s), with all advisors rating this as highly important.

### Performance of Asset Managers Monitored More Closely Than Financial Strength Rating/Creditworthiness

Plan sponsors monitor the performance of asset managers more frequently than any other plan or performance factors, with over half (53%) saying they monitor asset manager performance quarterly or more often. Equal shares (17%) report that they monitor asset managers either semi-annually or less often, while 12% have a third party monitor their asset managers. The frequency of monitoring other plan and performance information quarterly or more often ranges from 44% for both portfolio holdings and crediting rate, to 39% for the financial strength rating/creditworthiness of the stable value contract issuer(s). The likelihood of monitoring this information quarterly or more often increases as the number of participants and AUM increase.

## Frequency Information Is Monitored by Plan Sponsors

Among Plan Sponsors Offering Stable Value  
(n=199)

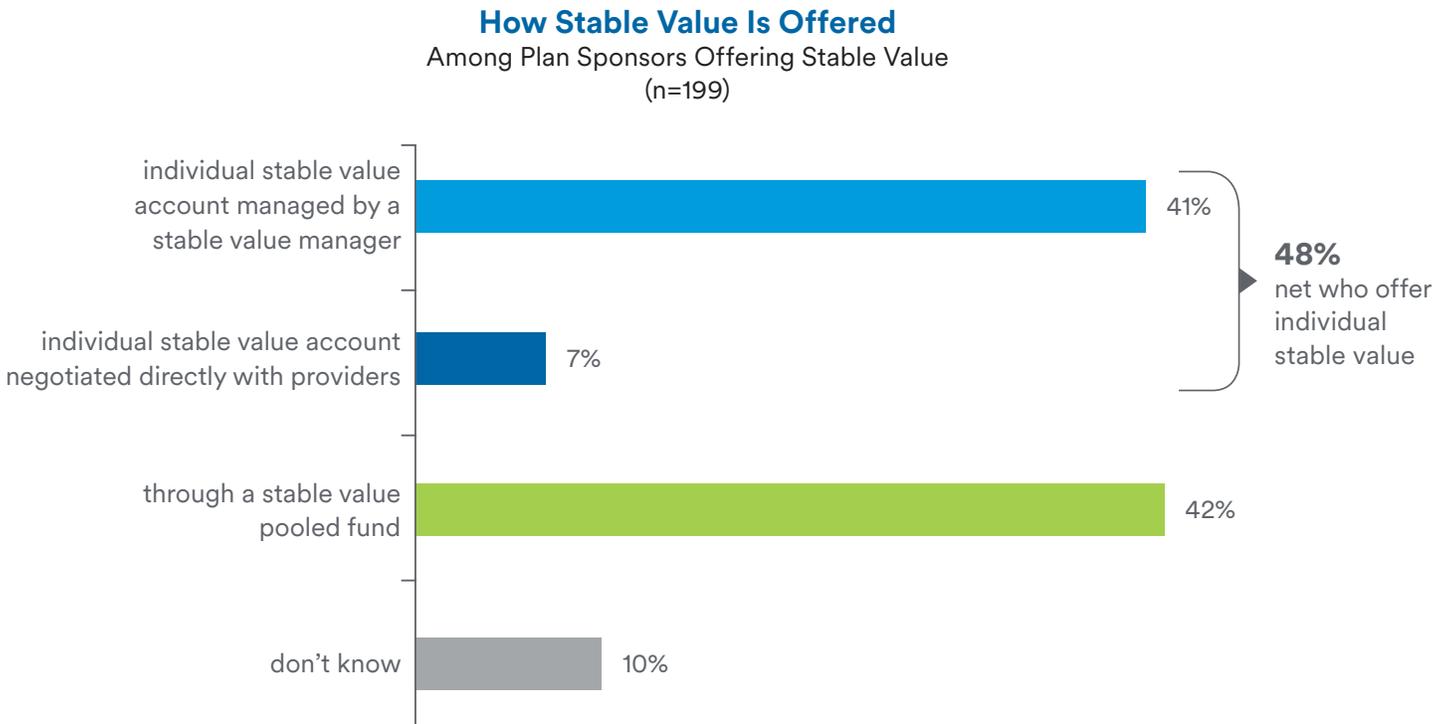


Note: Percentages may not total 100% due to rounding.

## How Stable Value Is Offered

### Individual and Pooled Arrangements About Equally Common

Plan sponsors are roughly split between those who offer an individual stable value account (48%) and those who have a pooled stable value account (42%). Most of those with an individual structure have their stable value option managed by a stable value manager.



Just over one-quarter (28%) of plan sponsors know how many stable value contract issuers provide guarantees to their stable value option; awareness rises to 41% for plans with 1,000 or more participants and 46% for plan sponsors with plans with AUM of \$10 million or more.

### Diversity Across Stable Value Funds More Important Than Diversity Across Stable Value Providers

For plan sponsors with individual stable value accounts, over half (56%) say diversification by the investment manager(s) of the underlying bond portfolio(s) is more important than diversification by stable value contract issuer(s) (44%). Advisors are also more likely to believe that diversification by investment manager(s) of the underlying bond portfolio(s) is more important (70%) than diversification by stable value contract issuer(s) (30%).

### Most Important Type of Diversification

Among Plan Sponsors With Separate Account Stable Value Offerings  
(n=96)



SVF providers view diversification differently from plan sponsors and advisors, with a larger share (68%) saying that diversification by stable value contract issuer(s) is more important than diversification by investment manager(s) of the underlying bond portfolio(s) (26%). One provider didn't know which they believe is more important.

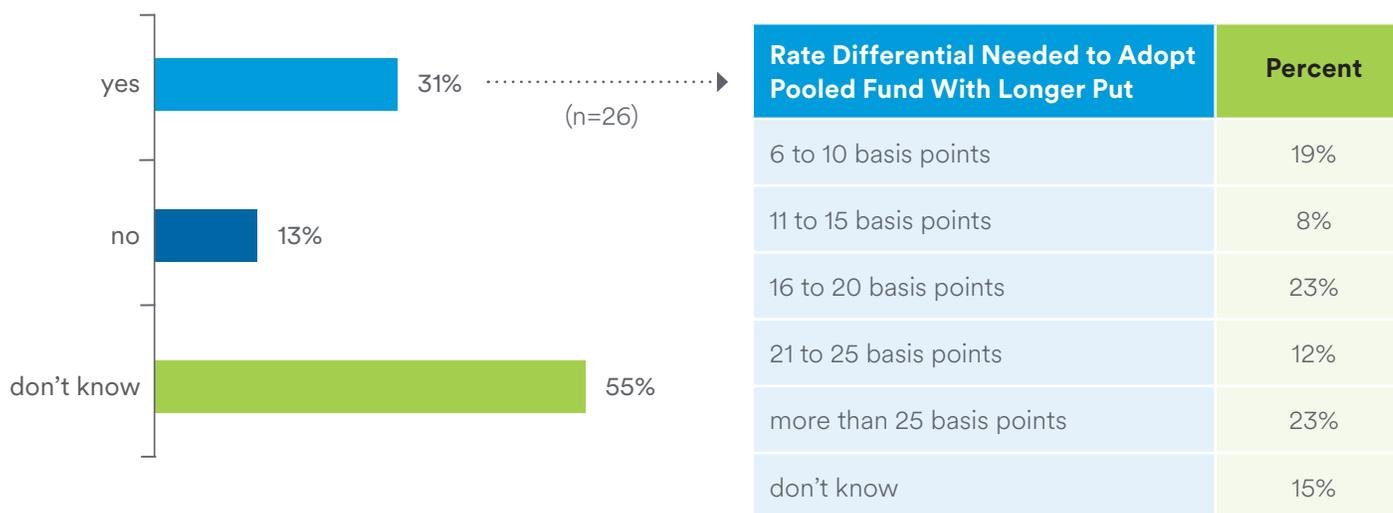
### Longer or No Put Pooled Stable Value Funds Have Some Appeal

Close to one-third (31%) of plan sponsors with a pooled stable value fund would consider using a pooled fund with a longer put period or no put, if it offered a higher expected participant crediting rate. However, a larger share (55%) says they don't know. Only 13% would not consider this arrangement.

Of those who would consider adopting a pooled fund with either a longer put or no put, a majority (58%) say the crediting rate differential would need to be more than 15 basis points.

### Whether Would Use a Pooled Fund With a Longer Put Period, or No Put, If It Offered a Higher Expected Participant Crediting Rate

Among Plan Sponsors With Pooled Stable Value Funds  
(n=83)



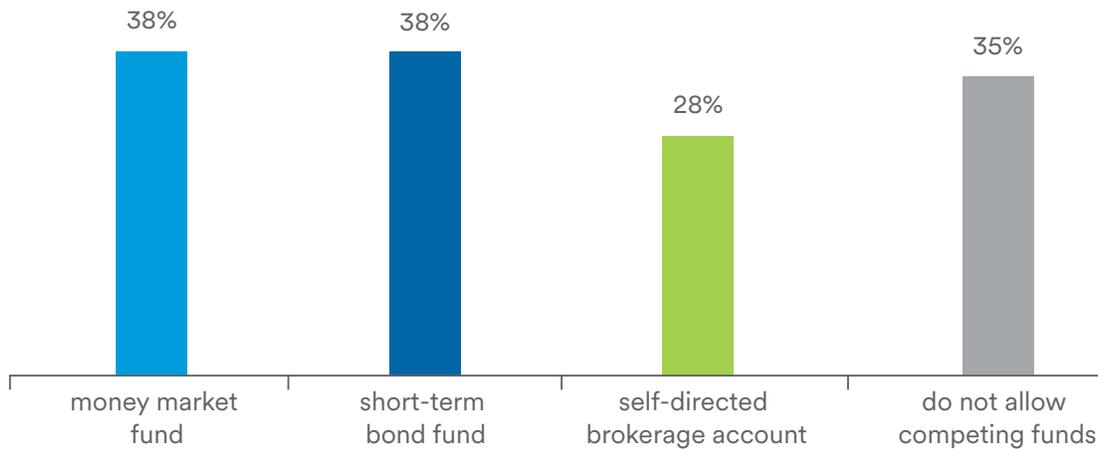
Note: Percentages may not total 100% due to rounding.

## Competing Fund Arrangements

About two-thirds of plan sponsors with stable value (65%) report they have competing funds. Money market and short-term bond funds are the most common competing funds used (38% each), while 28% have self-directed brokerage accounts.

### Types of Competing Funds Available

Among Plan Sponsors Offering Stable Value  
(n=199)



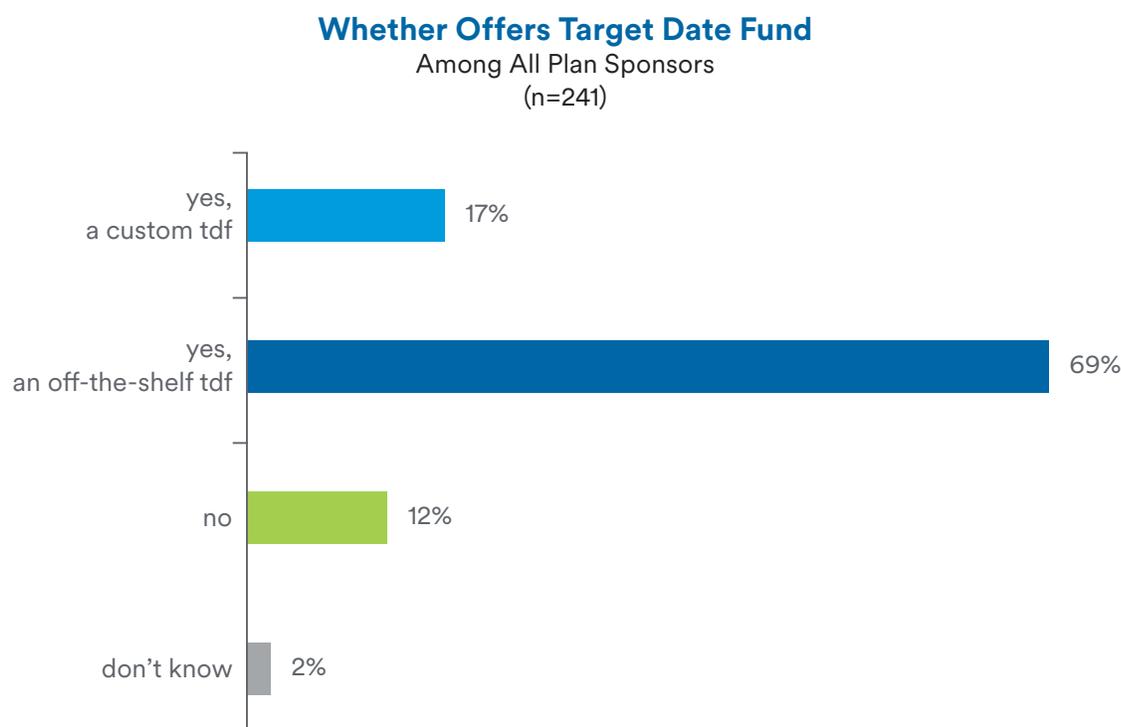
Note: Respondents could select more than one option.

More than eight in 10 SVF providers (84%) say that all of their wrap providers allow a competing fund, subject to an equity wash provision; 5% say that some of their wrap providers do. Of those that do allow competing funds, the duration threshold for nearly all (93%) is three years or less; only 7% allow two years or less.

## Stable Value in Target Date Funds

### Stable Value More Likely to Be Included in Custom TDFs

The majority of plan sponsors surveyed (86%) offer a target date fund (TDF), including 69% who offer an off-the-shelf TDF and 17% who offer a custom TDF. 401(k) plans are more likely than 403(b) plans to offer a custom TDF (19% vs. 4%).



Plan sponsors who have a custom TDF are twice as likely to say it includes a stable value allocation as those with an off-the-shelf TDF.

Plan sponsors whose TDFs do not include stable value were asked whether they believe there is value to participants in including a stable value allocation in a TDF. Seventeen percent, including 20% with 1,000+ plan participants, believe there is value. However, half of plan sponsors (51%) are unsure at this juncture. Those who believe there is value in having a stable value allocation in a TDF most often cite the ability of stable value to lower volatility and give peace of mind to participants (53%), or feel it provides better returns for the risk level (33%). The biggest reason for plan sponsors not seeing value in a stable value allocation in a TDF is because they believe there are other options available that meet the same objectives (52%).

Given the significant amount of DC assets currently in TDFs, stable value could be positioned for sizable growth in the coming years. Among plan sponsors surveyed whose TDFs do not yet include stable value, 14% say they would be likely to include stable value as a TDF allocation in the future.

# Conclusion

Today, with \$738 billion in assets in DC plans,<sup>6</sup> it is clear that stable value has earned the trust of DC plan participants who want to preserve the value of their retirement savings and insulate their assets from market volatility. The most popular capital preservation option in DC plans today, stable value is poised for considerable growth, particularly in response to MMF reform and emerging trends such as the use of stable value as the fixed income component of a TDF or model portfolio.

## Money Market Reconsideration: The Time Is Now

Now that we have passed the one-year anniversary of the 2016 MMF reform, it is a suitable time to review the actions that have been taken — or will be taken — to comply with the new rules. The decision to retain an existing money market fund or replace the fund with another option, including stable value, will have a considerable impact on participant outcomes, and is subject to ERISA's demanding fiduciary duty standards. Some plan sponsors may be reluctant to give up money market entirely, even though those with money market recognize the appeal of stable value following MMF reform. We believe, however, that plan sponsors must ask themselves whether there is any place in a retirement plan line-up for a capital preservation option that does not keep pace with inflation.

While most plan sponsors believe they have solid documentation for justifying their choice of capital preservation option, fewer have hard data to support their decisions. From a fiduciary standpoint, if they have not already done so, DC plan sponsors should promptly complete a quantitative review of their plans' capital preservation option(s) and consider stable value as an alternative to money market funds. Since advisors play a significant role in plan sponsors' decisions about capital preservation options, it is important that advisors fully communicate the advantages of stable value and provide supporting data to share with plan sponsors for documentation purposes.

## Stable Value's Strong Performance Recognized by Many, but More Education Still Needed

As this year's findings show, many plan sponsors recognize that stable value's performance track record is better than that of money market funds. However, as noted in MetLife's 2015 Stable Value Study and reinforced in this 2017 study, there remains a need for the stable value industry to encourage a greater understanding for — and appreciation of — stable value's risk and return profile vis-à-vis other capital preservation options.

For some plan sponsors, the perceived complexity of stable value is standing in the way of greater usage, as is a perception that DC plan participants are demanding money market funds. The stable value industry should seek to simplify, for both sponsors and participants, the ways in which it communicates about the product. Simplifying the value proposition for stable value through easy-to-understand marketing and educational materials can help to enhance its appeal, and could lead to even greater adoption by plan sponsors and higher allocations by plan participants.

<sup>6</sup> Stable Value Investment Association, Quarterly Characteristics Survey Q2 2017.

## Important Role of the Advisor

It is clear that advisors understand the value of stable value. They are more likely to recommend stable value over money market, with 90% saying they recommend stable value very often. While plan sponsors frequently cite advisor recommendations as playing a role in their selection of capital preservation options, there is not always alignment on what action plan sponsors ultimately take. While it is clear that the advisor community yields significant influence with their plan sponsor clients, a recommendation — on its own — may not be enough. Advisors should seek to ramp up plan sponsors' knowledge about the most appropriate capital preservation option for their participants. This can be accomplished through education, communication and, importantly, a quantitative analysis that takes into account a risk/return profile.

## Stable Value: Outlook for Growth

Stable value is poised for growth in the coming years. This will likely be driven by a decline in money market usage as a result of MMF reform, as is predicted by 84% SVF providers and 67% of advisors familiar with MMF reform, as well as by increased inclusion of stable value as a fixed income allocation in TDFs. The latter is a relatively recent innovation, which could result in a sizable increase in stable value assets held in DC plans. With more retirees expected to keep at least some portion of the assets in their DC plans post-retirement, stable value will likely also be viewed as a safe option to hedge against market volatility.

# Methodology

MetLife commissioned Greenwald & Associates and Strategic Insight to conduct the research of plan sponsors, advisors and stable value fund providers between June and August 2017. A total of 241 plan sponsor interviews were completed among plan sponsors who offer a 401(k), 457 or 403(b) plan. Assets under management for plans included in the study ranged from under \$5 million to over \$1 billion. Each respondent was required to have at least a moderate amount of influence over decisions regarding stable value or related funds for their company's defined contribution plan(s). Telephone interviews were conducted with 10 DC plan advisors and 19 stable value fund providers.

The distribution of completed plan sponsor interviews by type of plan is:

| Type of Plan | Number of Completed Interviews |
|--------------|--------------------------------|
| 401(k)       | 201                            |
| 457          | 15                             |
| 403(b)       | 25                             |
| <b>Total</b> | <b>241</b>                     |

# Appendix

## Plan Sponsor Respondents: Plan Profile

| Number of Participants in Plan                     | All Plan Sponsors (n=241)             |
|--|---------------------------------------|
| under 100 participants                             | 25%                                   |
| 100 to 499 participants                            | 20%                                   |
| 500 to 999 participants                            | 5%                                    |
| 1,000 to 4,999 participants                        | 19%                                   |
| 5,000 to 9,999 participants                        | 11%                                   |
| 10,000 or more participants                        | 19%                                   |
| Participation Rate in Plan                         | All Plan Sponsors (n=241)             |
| less than 50%                                      | 12%                                   |
| 50% to 69%   | 14%                                   |
| 70% to 79%   | 10%                                   |
| 80% to 89%   | 17%                                   |
| 89% to 99%   | 36%                                   |
| 100%   | 7%                                    |
| don't know   | 5%                                    |
| <i>mean</i>  | 78%                                   |
| Percentage of Plan Participants Using Stable Value | Among Firms With Stable Value (n=199) |
| less than 10%                                      | 11%                                   |
| 10% to 19%   | 16%                                   |
| 20% to 29%   | 9%                                    |
| 30% to 49%   | 12%                                   |
| 50% or higher                                      | 14%                                   |
| don't know   | 39%                                   |
| <i>mean</i>  | 30%                                   |

| Assets Under Management in DC Plan                 | All Plan Sponsors (n=241)             |
|--|---------------------------------------|
| under \$5 million                                  | 15%                                   |
| \$5 million to \$9 million                         | 10%                                   |
| \$10 million to \$49 million                       | 16%                                   |
| \$50 million to \$99 million                       | 5%                                    |
| \$100 million to \$199 million                     | 6%                                    |
| \$200 million to \$499 million                     | 13%                                   |
| \$500 million to \$999 million                     | 7%                                    |
| \$1 billion or more                                | 17%                                   |
| don't know   | 10%                                   |
| <i>mean</i>  | \$1,074 million                       |
| Assets Under Management in DC Plan in Stable Value | Among Firms With Stable Value (n=199) |
| under \$1 million                                  | 18%                                   |
| \$1 million to \$4 million                         | 10%                                   |
| \$5 million to \$9 million                         | 4%                                    |
| \$10 million to \$49 million                       | 13%                                   |
| \$50 million to \$99 million                       | 6%                                    |
| \$100 million or more                              | 19%                                   |
| don't know   | 32%                                   |
| <i>mean</i>  | \$158 million                         |

Note: Percentages may not total 100% due to rounding.

### Plan Sponsor Respondents: Industry

| Type of Business                              | All Plan Sponsors<br>(n=241) |
|---|------------------------------|
| manufacturing                                 | 24%                          |
| finance (banking, insurance, investments)     | 10%                          |
| healthcare and social assistance              | 10%                          |
| professional, scientific & technical services | 8%                           |
| government/public administration              | 7%                           |
| education                                     | 5%                           |
| construction                                  | 5%                           |
| services                                      | 4%                           |
| transportation & warehousing                  | 4%                           |
| technology, software, hardware & services     | 3%                           |
| trade, retail                                 | 2%                           |
| trade, wholesale                              | 2%                           |
| real estate                                   | 2%                           |
| utilities                                     | 2%                           |
| mining, quarrying, oil and gas extraction     | 2%                           |
| non-profit organization                       | 1%                           |
| aerospace                                     | 1%                           |
| art, entertainment & recreation               | 1%                           |
| accommodation & food services                 | 1%                           |
| information                                   | 1%                           |
| pharmaceutical/biotechnology/life sciences    | 1%                           |
| agriculture                                   | 1%                           |
| management of companies and enterprises       | *                            |
| national defense                              | *                            |
| foundations/endowments                        | --                           |
| other   | 1%                           |

Note: Percentages may not total 100% due to rounding.

\*= Less than 0.5%

## About MetLife

MetLife, Inc. (NYSE: MET), through its subsidiaries and affiliates (“MetLife”), is one of the world’s leading financial services companies, providing insurance, annuities, employee benefits and asset management to help its individual and institutional customers navigate their changing world. Founded in 1868, MetLife has operations in more than 40 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

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## About Greenwald & Associates

Greenwald & Associates is a full-service market research company that specializes in serving the needs of the financial services industry. The firm has conducted customized research for more than 200 organizations, the large majority of them financial services companies. Greenwald & Associates is a member of the Council of American Survey Research Organizations (CASRO), an invitation-only industry governing body comprised of the 350 leading survey research practitioners in the United States.

## About Strategic Insight

Strategic Insight is a privately held publisher and information provider to global pension funds, asset managers, financial advisors, banking service providers and other financial institutions in the private and public sectors. Strategic Insight produces and distributes print and digital publications, conferences, research and data resources via its industry-leading brands such as PLANSPONSOR, PLANADVISER, Global Custodian, Chief Investment Officer, Simfund, Investor Economics, Plan for Life, Market Metrics and Brightscope. The company was acquired in 2014 by Genstar Capital and has offices in New York, Boston, London, Hong Kong, Melbourne and Stamford, CT.

<sup>7</sup> MetLife Inc. Q3 2017 Quarterly Financial Supplement.

