MetLife

2015 STABLE VALUE STUDY℠

A Survey of Plan Sponsors,
Stable Value Fund Providers and Advisors

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MetLife offers an extensive array of stable value alternatives for defined contribution plans and institutional investors. For more information, visit www.metlife.com/stablevalue.

[1] FORTUNE 500® is a registered trademark of the FORTUNE magazine division of Time Inc.

[2] MetLife, Inc. as of June 30, 2015. Total assets include general account and separate account assets and are reported under accounting principles generally accepted in the United States of America.

[3] Effective November 14, 2014, the name of MetLife Insurance Company of Connecticut was changed to MetLife Insurance Company USA, which, in connection with an internal restructuring, is the company into which MetLife Investors USA Insurance Company and certain other affiliated insurance companies were merged on November 14, 2014.

[4] Metropolitan Life Insurance Company and MetLife Insurance Company USA as of June 30, 2015. Total assets include general account and separate account assets and are reported on a statutory basis.

[5] As of June 30, 2015.

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INTRODUCTION

Stable value funds have played an important role in defined contribution (DC) plans for many years, and we believe that they have an equally important – if not greater – role to play in the years ahead. Stable value is the most widely used safe option by asset volume. Stable value offers significantly higher returns than alternatives in the capital preservation space, with less risk. It is this combination that makes stable value options popular among plan participants.

Most DC plans offer a stable value option. Industry estimates of the percentage of DC assets allocated to stable value range from 17 to 37 percent. According to the Stable Value Investment Association (SVIA), over $700 billion is allocated to stable value options.[1]

This is the third Stable Value Study that MetLife has commissioned to gain strategic insight into the current marketplace for this capital preservation investment option within DC plans. The inaugural study was conducted immediately following the financial crisis of 2008-2009. A second study on Stable Value was released in 2013.

New in this year's study are comparisons to the other main capital preservation option, money market funds, with special attention to why one is chosen over the other. The survey explores familiarity with recent regulatory and legal cases applicable to money market funds as plan options. It also examines the degree of awareness of how stable value performance compares to money market performance, and how the performance of each compares to the rate of inflation. Finally, it assesses the extent to which plan sponsors and their advisors are reconsidering the appropriateness of money market as a capital preservation option, and it looks at emerging uses of stable value in the DC space.

The study also revisits topics in past studies important to understanding how stable value functions within DC plans:

- How plan sponsors access stable value
- Selection factors for stable value solutions
- The perceived importance and value of various guarantee provisions and wrap contract features
- The extent that plan sponsors monitor and receive information about their wrap arrangements

[1] Sources include Employee Benefit Research Institute/Investment Company Institute (EBRI/ICI), Aon Hewitt's 401(k) Index and the Stable Value Investment Association annual survey.

As part of MetLife's research, in addition to surveying plan sponsors, in-depth interviews were also conducted with stable value fund (SVF) providers and financial advisors. Obtaining the perspective of advisors is new in the 2015 Stable Value Study.

This year, 205 plan sponsors were surveyed. The distribution of completed plan sponsor interviews by type of plan is:

TYPE OF PLAN	Number of Completed Interviews
401(k)	168
457	7
403(b)	30
Total	**205**

In total, 20 stable value fund providers were interviewed for the study, along with nine advisors.[2]

[2] Due to the relatively small sample sizes for the SVF providers and advisors, findings should be viewed directionally since they are not statistically significant.

PRINCIPAL FINDINGS

STABLE VALUE MORE PREVELANT, ATTRACTIVE THAN MONEY MARKET

Use of Stable Value and Money Market in DC Plans

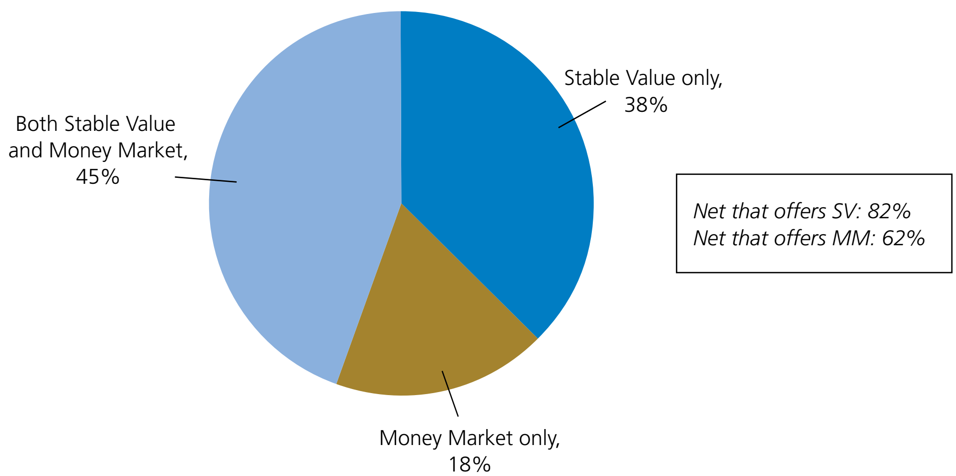
Most plan sponsors (82%) surveyed for this study currently offer stable value funds as an option within their DC plans. Close to half of plan sponsors (45%) have both stable value and money market funds in their lineup, while relatively few plan sponsors (18%) offer money market but not stable value funds.

Small plans with fewer than 100 plan participants are more likely than larger plans to offer money market (76% vs. 58%) either as a stand-alone option or alongside stable value. The likelihood of offering stable value with no money market alternative increases as the number of plan participants increases.

Among plan sponsor-clients that offer both money market and stable value funds in their plans, advisors say that stable value typically receives higher participant allocations than money market.

Whether Offers Stable Value or Money Market within DC Plan

(Among all plan sponsors, n=205)



The leading reason that plan sponsors give for offering stable value is to provide a capital preservation option – two-thirds (65%) give this reason. Providing a capital preservation fund is also the leading reason plan sponsors have for offering money market funds, although just under half (48%) give this reason for providing a money market option. Other important reasons that plan sponsors offer stable value are because it offers a guaranteed rate of return (50%), offers better returns compared to money market or other capital preservation options (49%) and is recommended by their investment advisor (45%). Among DC plans with more than 100 plan participants that added stable value in the past two years, the percentage of plan sponsors who offer stable value because it offers better returns than money market and other capital preservation options rises to 77%, up significantly from 38% in the 2013 MetLife Stable Value Study.[3]

[3] The 2013 version of this study did not include plan sponsors with fewer than 100 plan participants, so all comparisons from the 2015 study made to that year's study are based only on responses from plan sponsors with 100 or more participants.

Stable value returns are comparable to those of high-quality, intermediate bond funds but with much lower volatility. The way stable value achieves this is what makes it such an appropriate fit for a qualified retirement plan, and is fundamentally different from other alternatives designed for the more general investing public, such as money market funds or short-term bond funds.

All SVF providers and most advisors (78%) are aware of the stable value yield advantage: "offers better returns than money market or other capital preservation options." Importantly, 89% of advisors who recommend stable value believe their advice is important to sponsor selection of stable value.

Plan sponsors who just offer stable value are more likely than those who offer both stable value and money market to report they are motivated by stable value's better performance compared to money market (64% vs. 36%).

Main Reasons for Offering Stable Value or Money Market

(Among plan sponsors offering each of these options)

	For Offering Stable Value (n=169)	For Offering Money Market (n=128)
To provide a capital preservation fund	65%	48%
Offers a guaranteed rate of return	50%	27%
Offers better returns than [money market/stable value] or other capital preservation options	49%	9%
Recommended by our investment advisor	45%	37%
Recommended by our recordkeeper/TPA	19%	20%
Requested by our employees	18%	30%
Other	3%	4%

A key reason among plan sponsors for *not* offering stable value is that it has not been recommended by their advisor, consultant or TPA (31%). Some also say their participants do not know enough about stable value (22%) or they as plan sponsors are not well-informed about it (11%).

Main Reasons for NOT Offering Stable Value

(Among plan sponsors not offering Stable Value)

	For Not Offering Stable Value (n=36)
Not been recommended by advisor/consultant/TPA	31%
Lack of participant understanding about stable value adds complexity	22%
Concerns about liquidity; withdrawal/redemption fees or risk	17%
Not knowledgeable enough about stable value	11%
Already have money market in fund lineup	8%
Fees/lack of transparency	8%
Low returns/potential for negative returns/book-to-market drop	6%
Not available on platform or from provider used	6%
Does not fit plan objectives; no interest/need	6%
Other/refused	12%

Stable Value Outperforms Money Market

According to an analysis from the Stable Value Investment Association, stable value returns were more than double those of money market funds from 1988 to 2015.[4] However, almost half of plan sponsors (47%) are unaware that stable value returns have outperformed money market returns: 22% believe that stable value and money market returns have been about equal and 21% don't know how the returns compare. Additionally, 4% actually believe that money market funds have performed better than stable value over this time period.

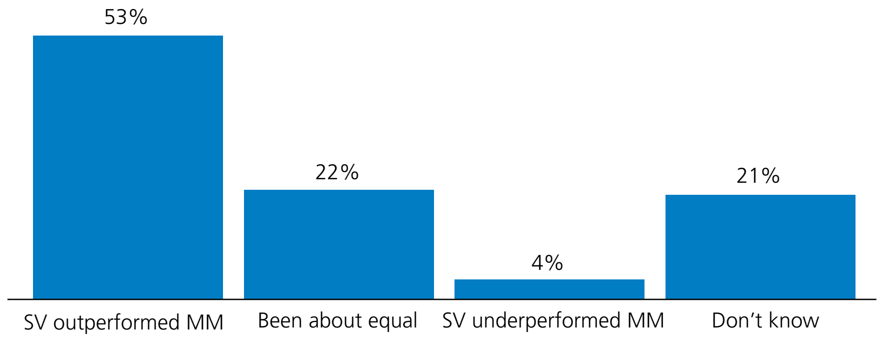
Recognition that stable value has better long-term performance than money market increases with plan size, as measured either by number of participants or by assets under management. Plan sponsors offering only stable value (and not money market funds) are especially likely to hold this view (66%), which may explain why they do not include money market in their fund lineups.

All SVF providers (100%) and nearly all advisors (89%) agree that stable value returns have outperformed money market returns over the last 25 years.

[4] Stable Value Investment Association, *How Does Stable Value Compare To Other Investment Options?*

Perceptions About Stable Value Returns Relative to Money Market Returns Over Last 25 Years

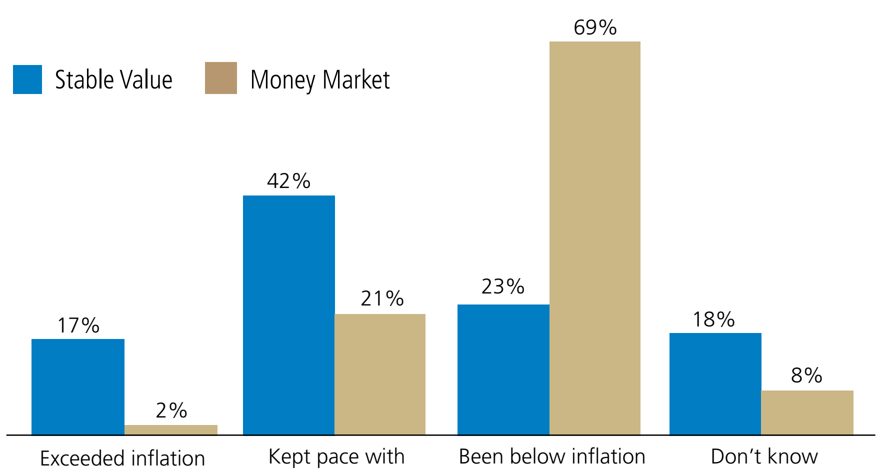
(Among all plan sponsors, n=205)



Only 17% of plan sponsors know that stable value has exceeded inflation over the past 25 years. Four in ten plan sponsors (42%) think that stable value has kept pace with inflation over 25 years, but nearly a quarter of plan sponsors (23%) believe stable value returns have been below inflation and 18% are unsure. In contrast, most plan sponsors (69%) believe money market returns over this time period have been below inflation and just 23% think they have kept pace with or exceeded inflation. All SVF providers believe that stable value returns have kept pace with or exceeded inflation over the past 25 years, but only 66% of advisors believe that to be the case. One in five SVF providers (20%) believe that money market has kept pace with inflation, as do 22% of advisors.

Perceptions About Stable Value Returns and Money Market Returns Relative to Inflation Over Last 25 Years

(Among all plan sponsors, n=205)



Money Market Usage Expected to Decline Due to Regulatory and Legal Actions

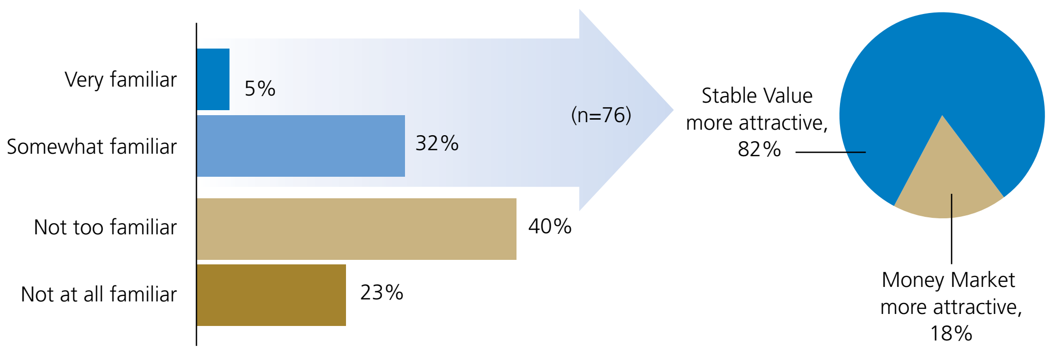
Over a third of plan sponsors (37%) are at least somewhat familiar with the U.S. Securities & Exchange Commission's (SEC) amendments to the rules governing money market funds, also known as "MMF Reform," but only 5% are very familiar. Among those who are reasonably familiar with MMF Reform, the vast majority (82%) feel that stable value is a more attractive capital preservation option for plan participants than money market. Even among plan sponsors whose plans only offer a money market option who are familiar with money market reform, a majority (56%) think stable value is a better option.

Perhaps not surprisingly, plan sponsors in the financial industry have greater familiarity with MMF Reform than their counterparts in other types of industries (53% aware vs. 34%). Among those familiar with MMF Reform, firms with a participation rate of 80% or higher are more likely to prefer stable value over money market compared to those with lower participation rates (88% vs. 65%).

Nearly all SVF providers (94%) who are familiar with MMF Reform believe the use of money market funds will decrease over the next few years, as do all of the advisors interviewed (100%).

Familiarity with MMF Reform and Impact on Preference for Stable Value vs. Money Market

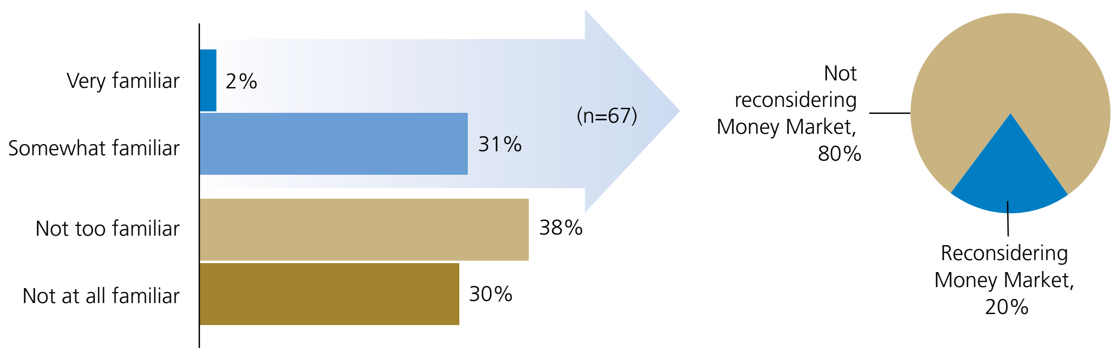
(Among all plan sponsors, n=205)



While MMF Reform may cause significant numbers of plan sponsors to drop the money market option, recent litigation settled for $62 million is also prompting some sponsors to reconsider the role of money market in their (or in the case of SVF providers, their clients') plans. So far, 20% of plan sponsors and 13% of SVF providers are considering alternatives to money market because of the litigation; notably, the few advisors who are familiar with the recent litigation are not yet anticipating any changes due to it. The percentages considering a switch to other capital preservation options may still grow as more plan sponsors, SVF providers and advisors become familiar with the implications of the litigation. Today, only 33% of plan sponsors and 22% of advisors have at least some level of familiarity with the litigation, compared to 75% of SVF providers.

Familiarity with Recent Litigation and Its Potential Impact

(Among all plan sponsors, n=205)



STABLE VALUE MECHANICS

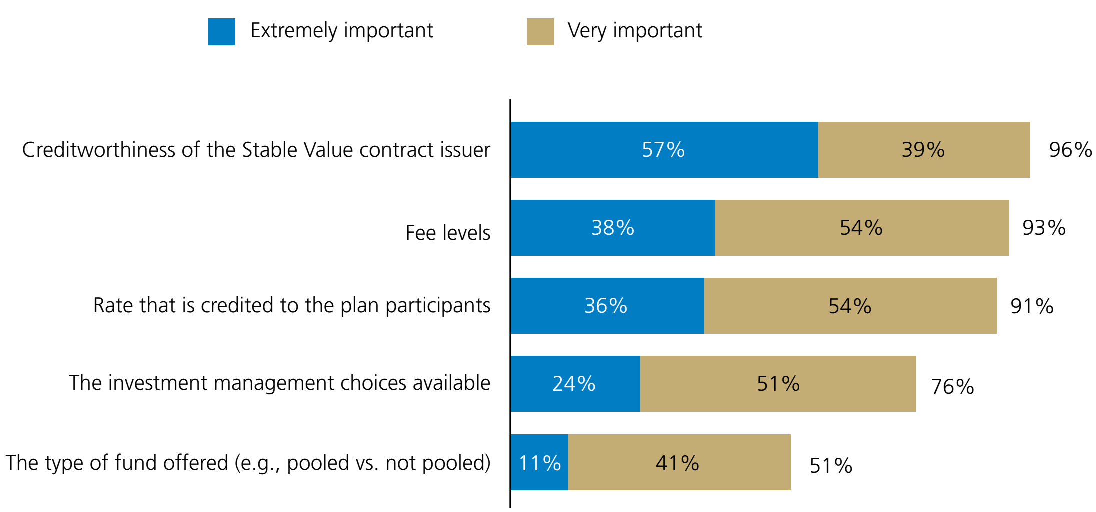
Selection Factors for Stable Value Solutions

When deciding which stable value solution to select, nearly all plan sponsors (96%) identify the creditworthiness of the stable value contract issuer as highly important, including 57% who say it is extremely important. When plan sponsors who rated more than one of the considerations as extremely important were asked, in a follow-up question, to identify the *most* important factor, creditworthiness was selected by a clear majority (62%). However, there is a disconnect between this plan sponsor ranking and the financial strength ratings of stable value contract issuers.

Next in importance for plan sponsors when selecting a stable value solution are fee levels (93% rate this extremely or very important); among plans with more than 100 participants, this rises to 95%, up from 87% in 2013.[5] The rate that is credited to the plan participants is also important to most plan sponsors (91%), while three-quarters of plan sponsors (76%) think the investment management choices available are highly important. Of the five considerations tested, plan sponsors assign the lowest priority to the type of stable value fund offered (e.g. pooled vs. not pooled), with only half (51%) saying this is important, and only one in ten (11%) saying that it is an extremely important consideration when deciding on a stable value product.

Importance of Stable Value Selection Considerations

(Among plan sponsors offering Stable Value, n=169)



Note: total percentages shown in the chart may not equal the sum of combined percentages due to rounding.

[5] See earlier note on page 5 about comparisons made to the 2013 report.

When selecting wrap providers, 95% of SVF providers believe that fee levels are either an extremely or very important factor, followed by equal shares (80%) who believe creditworthiness of the stable value contract issuer and the investment management choices available are extremely or very important. Among advisors, creditworthiness of the stable value contract issuer and the rate that is credited to the plan participants both rank as the highest factors when advising clients on which stable value solution to select (89% of advisors believe these factors are extremely or very important).

When deciding which wrap providers to work with, 95% of SVF providers believe that both commitment to the wrap market and having control over changes to investment guidelines are extremely or very important provisions most commonly associated with book value guarantees.

How Stable Value is Offered

There has been some movement toward adding stable value in the past few years, especially among 401(k) plan sponsors for smaller plans. Today, among plan sponsors who offer stable value, 88% report that they have been offering stable value for more than 2 years, while 12% have recently added stable value to their DC plan lineups.

Those offering 401(k) plans were more likely to have added stable value in the past two years than plan sponsors offering 403(b) plans (14% vs. 4%). Of the 12% who added stable value in the past two years, 43% have less than $10 million in total plan assets.

Among those plan sponsors who offer stable value, very few (3%) are intending to make any changes to their stable value offering. However, there appears to be a fairly significant disconnect between what advisors believe and what their clients intend to do. Over half of advisors (56%) believe their clients are planning to make changes, with 22% saying that their clients are planning to make changes to "use a single wrap provider with good capacity."

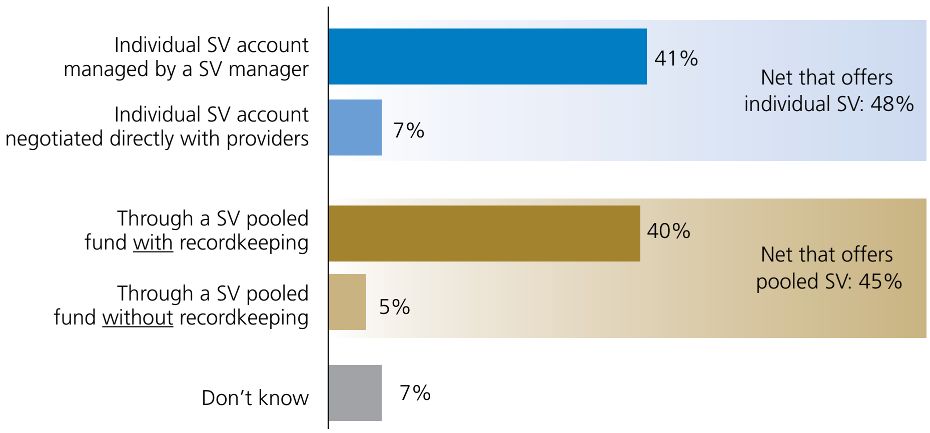
At the same time, about half of SVF providers (55%) are planning to make changes to their stable value offering. Some of these changes include adding additional wrap providers and issuers, and making improvements to guidelines.

Individual and Pooled Arrangements Equally Common

Plan sponsors are about evenly split among those who offer an individual stable value account (48%) and those who have a pooled stable value account (45%); 7% were unsure about how stable value is offered within the plan. Plan sponsors report having an individual stable value account managed by a stable value manager (41%) about as often as they report having a stable value pooled fund with recordkeeping (40%).

How Stable Value is Offered

(Among plan sponsors offering Stable Value, n=169)



Interestingly, only one-quarter (25%) of plan sponsors know how many stable value contract issuers provide guarantees to their stable value option. Awareness rises to about one-third for plan sponsors with plans having 1,000 or more participants (33%) and for those without a money market option (32%).

Longer or No Put Appealing to Some with Pooled Stable Value Funds

Close to half (46%) 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, almost as many (42%) say they don't know. Only 12% would not consider this arrangement.

Of those plan sponsors who would consider adopting a pooled fund with either a longer put or no put, over four in ten (43%) say the rate differential of the crediting rate would need to be more than 15 basis points.

Financial Strength and Fees are Leading Considerations of Book Value Guarantee Provisions

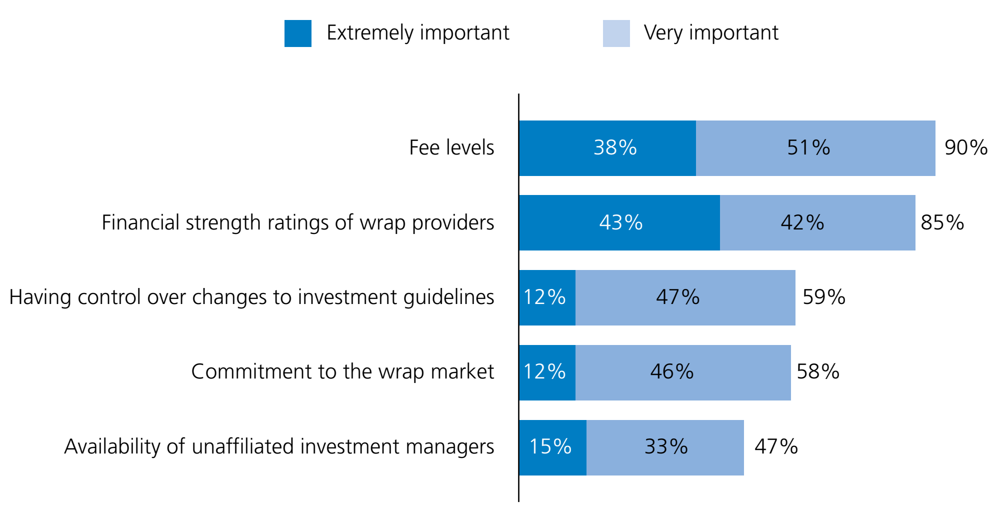
When evaluating provisions associated with book value guarantees, the two most important considerations for plan sponsors are fee levels (90% extremely or very important) and the financial strength of the wrap provider (85% extremely or very important). When respondents who rated multiple attributes as "extremely important" were asked to pick the single most important one, financial strength edged out fees as most important (44% vs. 37%).

Among plans with more than 100 participants, fee levels are becoming increasingly significant – 92% of plan sponsors believe fees are extremely or very important, up from 85% in 2013.[6]

Other considerations of book value guarantees are lower priorities. Still, a majority think that having control over the investment guidelines is highly important (59%) and a similar share place that level of importance on a wrap provider's commitment to the wrap market (58%). Just under half think the availability of unaffiliated investment managers is extremely or very important (47%).

Importance of Book Value Guarantee Considerations

(Among plan sponsors offering Stable Value, n=169)



Note: total percentages shown in the chart may not equal the sum of combined percentages due to rounding.

[6] See earlier note on page 5 about comparisons made to the 2013 report.

Monitoring and Communicating to Plan Sponsors

More Emphasis Placed on Performance of Asset Managers Than Creditworthiness

Of five types of plan-related information, plan sponsors are most likely to say they monitor the performance of asset managers quarterly or more often (47%). The frequency of monitoring other types of information quarterly or more often includes an equal percentage (41%) of plan sponsors who monitor the credited rate and the portfolio holdings; 39% monitor the market-to-book-value ratio; and, 32% monitor the credit ratings of wrap providers with this level of frequency.

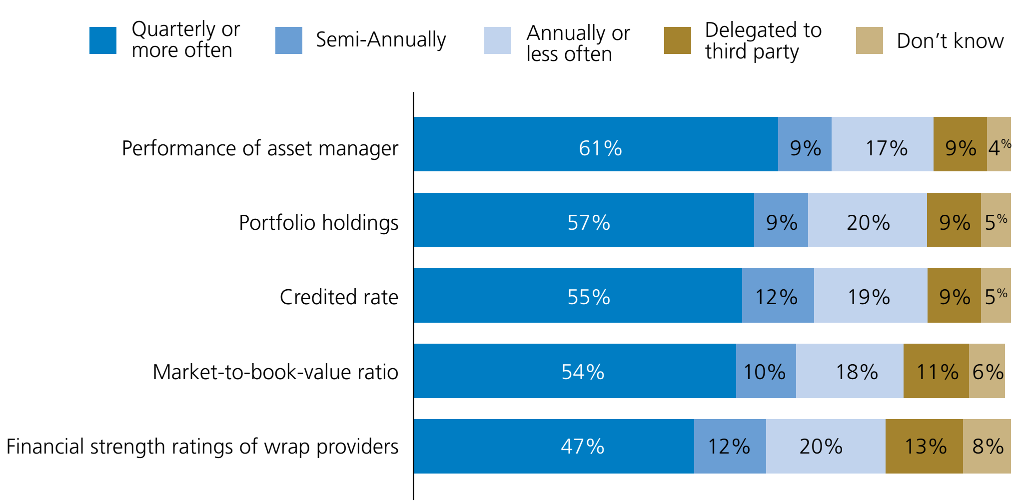
Nearly all SVF providers monitor the following quarterly or more often: credited rate (100%), market-to-book-value ratio (100%), portfolio holdings (100%), financial strength ratings of wrap providers (95%), and performance of asset managers (85%).

Although plan sponsors state that the financial strength rating of wrap providers is a top consideration when selecting wrap providers, fewer than half of plan sponsors say that this information is communicated to them quarterly or more often (47%). Plan sponsors are more likely to have the performance of their asset managers communicated to them every quarter or more often (61%). Just over half report that other types of information – portfolio holdings (57%), credited rate (55%) and market-to-book-value ratio (54%) – are reported to them with that degree of frequency.

Likelihood of frequent communication (quarterly or more often) about the performance of asset managers increases with plan size as measured by both number of participants and assets under management. Large plans are also especially likely to receive quarterly communication about the credited rate and market-to-book-value ratio. For example, plan sponsors whose plans have $10 million or more in assets under management are one and a half times as likely than those with smaller plans to have information about the crediting rate communicated to them quarterly or more often (59% vs. 40%).

Frequency Information is Communicated to Plan Sponsors

(Among plan sponsors offering Stable Value, n=169)



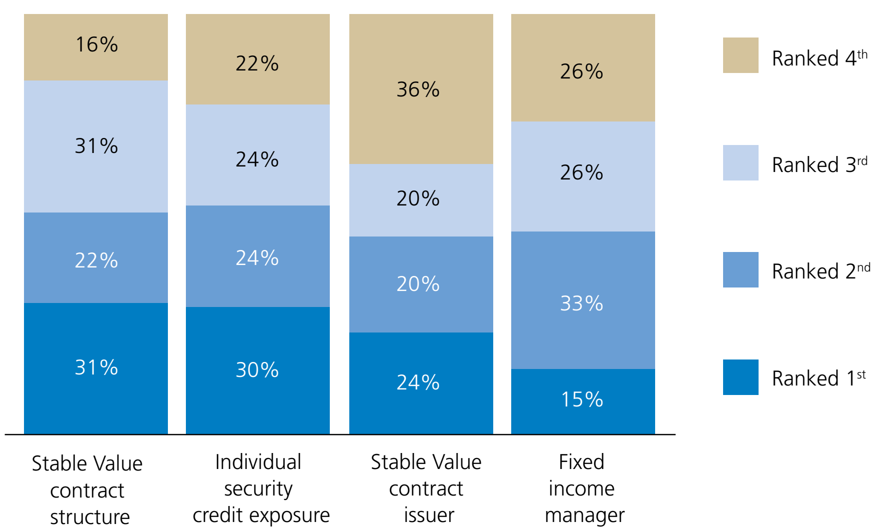
Note: percentages may not equal 100% due to rounding.

While monitoring and communication tend to be more heavily focused on the performance of asset managers than on other benchmarking data, the fixed income manager is not typically a top priority when considering stable value portfolio diversification. Among the following four considerations – stable value contract structure, individual security credit exposure, stable value contract issuer, and fixed income manager – plan sponsors most often rank as most important either contract structure (31%) or individual security credit exposure (30%). Smaller shares give top priority to the stable value contract issuer (24%) or fixed income manager (15%). SVF providers also rank stable value contract structure as their top consideration (30%), while stable value contract issuer ranks highest among advisors (56%).

Among plan sponsors, placing top priority on individual security exposure declines in relative importance as plan size (as measured by number of participants and assets under management) increases, while likelihood of ranking fixed income manager first increases as number of participants and assets under management increase.

Priorities for Portfolio Diversification

(Among plan sponsors offering Stable Value, n=169)



EMERGING STABLE VALUE TRENDS

Interest in Stable Value in Target Date Funds and as a Qualified Default Investment Alternative (QDIA)

While TDFs have a Stronghold as QDIA Option, Some Plan Sponsors Would Still Like Stable Value to be a QDIA

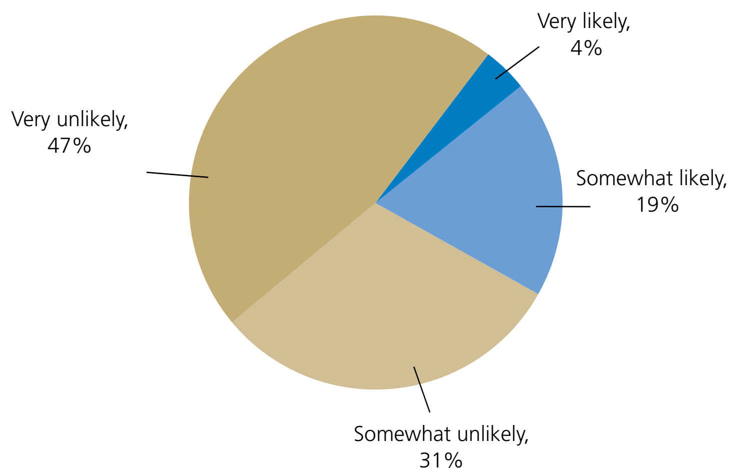
Half of plan sponsors surveyed (49%) report their plan has auto-enrollment. Auto-enrollment varies by plan size. Auto-enrollment is much more likely to be in place in larger plans (63% for plans with 100 to 999 participants and 51% for plans with 1,000 or more participants), while only 28% of those with plans with fewer than 100 participants offer this feature. Not surprisingly, auto-enrollment is twice as common in plans with participation rates upward of 80% compared to plans with lower participation rates (59% vs. 30%).

Target date funds, which have taken hold as the most popular QDIA, are the most often used default investment option among plan sponsor respondents in plans that have auto-enrollment. Over seven in ten (73%) plan sponsors report using target date funds as their default investment, compared to 10% for balanced funds, 9% for managed accounts and 4% for stable value. Use of target date funds as a default investment is especially high for 403(b) plans (93%).

Close to one in four plan sponsors (23%) report they would be inclined to use stable value as the default investment in their plans if it were approved as a QDIA, most often stating that stable value is a good option for employees or that employees are comfortable with it (26%); this rises to 38% among those that offer stable value and money market. For the plans with 100 or more participants, the share reporting this reason is higher than in 2013 (27% vs. 7%), and while not a statistically significant difference, it suggests a greater comfort level with stable value among participants.[7]

Likelihood of Using Stable Value as QDIA if Regulations Changed

(Among all plan sponsors with automatic enrollment, n=101)



Note: percentages may not equal 100% due to rounding.

[7] See earlier note on page 5 about comparisons made to the 2013 report.

Stable Value Becoming Prevalent in Custom Target Date Funds

As previously noted, 73% of plan sponsors with auto-enrollment in their DC plans use target date funds as their default investment. About a quarter of plan sponsors (24%) offer a custom target date fund for their plan, while another 11% are currently considering offering a custom target date plan. About half (51%) of those who have a custom target date fund in place include stable value in that offering. Among those considering adding a custom target date fund, two-thirds (65%) are likely to include stable value as an allocation in that option. Half of SVF providers (50%) offer their plan sponsor-clients a custom target date fund, with 60% saying it typically includes stable value. One-third of advisors (33%) say they sometimes recommend that their plan sponsor clients include a custom target date fund in their investment menus; when they do, 80% recommend including a stable value allocation in their custom target date funds.

CONCLUSION

Stable value is a capital preservation option that offers a unique value proposition to DC plan sponsors and participants. It offers plan participants the greatest total return consistent with protection of principal with less risk. It enables participants to make transactions such as transfers to another plan option at a stable net asset value.

Time to Reconsider Money Market

Plan sponsors with money market funds as their DC plan's principal protection option and their consultants and advisors should consider taking a fresh look at stable value as a preferred alternative to money market funds, especially in light of recent reforms and litigation. Available only in DC plans, stable value products are uniquely structured to maximize returns while preserving principal, in large part because they are designed specifically for employer-sponsored plans; money market funds are not.

Recent regulatory changes should prompt plan sponsors to review their plans' capital preservation options. Two rounds of MMF reform by the SEC have reduced the expected returns for money market funds and liquidity gates and redemption fees have made them less customer-friendly. The new rules highlight that money market funds are designed for general retail use, and are not able to take into account the special characteristics of qualified DC plan participant environment, which has a long-term focus and where tax penalties discourage early withdrawals.

Recent litigation will also likely affect plan sponsors' decisions of whether or not to continue to offer money market. A class action lawsuit was settled in early 2015 for $62 million. The claim that the stable value fund had too high an allocation to money market was allocated $29 million. Additionally, the recent Supreme Court decision in *Tibble v. Edison* found that periodic review of the appropriateness of a DC plan investment option was the duty of an ERISA fiduciary. Plans that continue to offer money market and not stable value are potentially exposing themselves to enhanced litigation risk.

Stable Value Prevails in Fundamental Risk/Return Analysis

The case in favor of stable value over money market funds for DC plans based on investment analysis fundamentals has always been very strong, but is now even stronger. The strongest argument for choosing stable value over money market funds is based upon fundamental risk/return analysis. Historically, stable value options have outperformed money market funds with both higher yields and lower standard deviations. In a recent analysis, MetLife compared the growth of $100 invested separately in both stable value and money market for the 10-year period ending 3/31/15. $100 invested in stable value would have grown to $140.56, but $100 invested in money market would have only grown to $114.58. Money market did not outperform stable value for a single quarter during this period, and the stable value earnings were almost triple the money market earnings. Additionally, over the 10-year period, if an individual invested in money market funds instead of stable value, they would have experienced a 6.5% loss of purchasing power.

Deciding Which Stable Value Options to Offer

From the plan sponsor's perspective, the most important consideration following the decision to offer stable value rather than a money market fund is how to invest the funds in the stable value offering. Once the decision to offer stable value has been made, understanding the various types of stable value contracts – traditional guaranteed interest contracts (GICs), separate account (SA) GICs and synthetic GICs – are critical since stable value options are increasingly backed by more than one type of contract, particularly for larger plans. Stable value funds primarily invest in traditional or SA GICs, issued by insurance companies, or synthetic GICs, which may be offered by insurance companies, banks and other financial institutions.

More Stable Value Education Needed

Despite a risk/return analysis that favors stable value over money market funds, it is disheartening that the study revealed far too few plan sponsors and advisors fully understand and appreciate the strong performance of stable value. The study found that only 17% of plan sponsors and 23% of plan advisors realize that stable value funds have exceeded inflation. This failure to recognize the advantages of stable value has the potential to deprive millions of Americans of enhanced retirement income security.

Both plan sponsors – and advisors providing investment advice to plans – are fiduciaries, and it would seem logical to conclude that the lack of understanding of stable value among plan sponsors and advisors means that they may not have done appropriate due diligence on the plan's safe option. Further, neither sponsors nor advisors appear to appreciate the threat that a failure to perform appropriate due diligence poses to their firms. Six months after a $62 million class action settlement, only 33% of plan sponsors were familiar with the litigation, and only 20% were considering changes because of it. Even more remarkable, no advisors were considering changes because of litigation. While the study did not probe on perceptions in response to the recent unanimous Supreme Court decision in *Tibble v. Edison*, that decision also underscores that plan sponsors and advisors could pay a high price for a failure to recognize the advantages of – and offer – stable value.

The industry needs to improve dramatically the effectiveness of its communications about the advantages of stable value. These communications should span the spectrum of all stakeholders who can ultimately influence the choice of a plan's safe options: advisors, sponsors, SVF providers and participants. Advisors are the logical primary target for improved communication, since the study shows that their recommendations carry tremendous weight with plan sponsors. However, the study also shows that participants' voices are heard, and the industry needs to broaden its communication efforts to include them. Educating participants about the advantages of stable value will not only help move plan assets to stable value and away from money market, but it will also help retain assets in qualified retirement plans, since stable value is both an excellent hedge against inflation, and is available only in DC plans.

Diversification of Stable Value Risk is Key Consideration

When evaluating stable value options, plan sponsors should also keep in mind the relative importance of different types of diversification. In stable value, there are a variety of risks, and diversification of some of these risks can be more important than diversification of others.

Evaluation of stable value diversification risks should have as its guiding principle that stable value should provide participants with the most income possible, consistent with safety of principal and liquidity. When a stable value manager can obtain diversification of the more important risks from a diversified group of stable value contract issuers, it is clearly preferable. However, a prudent manager would likely conclude that appropriate portfolio guidelines, diversification by investment manager style, protection against adverse cash flows, and changes in market rates available from a smaller subset of stable value contract issuers can be more important than diversifying stable value guarantors.

Stable Value Poised for Growth

By any important measure, stable value represents a core element in the fabric of our DC system. Stable value has a 40-year track record of performing exceptionally well – no matter what the market conditions. Against a backdrop of market volatility, regulatory reform and litigation, we believe that plan sponsors will continue to sharpen their focus on the important role that a well-designed stable value program can play for plan participants. As a result, the authors of this report believe that stable value is poised for growth in the years ahead.

METHODOLOGY

Plan Sponsors

The plan sponsor questionnaire was developed by staff at MetLife in collaboration with its research partners: Greenwald & Associates and Asset International. Asset International provided the sample of plan sponsors and emailed the survey invitations and reminders. Greenwald hosted the online survey and processed the results. A total of 205 plan sponsor interviews were completed among plan sponsors who offer a 401(k), 457, or 403(b) plan. Previous MetLife Stable Value studies had focused on plans with 100 or more participants, but the 2015 study did not screen out smaller plans. Quotas were set to ensure plans across all size ranges, as measured by plan participants, were represented. Assets under management for plans included in the study ranged from under $10 million to $2.5 billion or more. 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 plans. All plan sponsor survey responses were received in June 2015.

Stable Value Fund Providers and Advisors

Qualitative interviews of SVF providers and advisors were conducted by Greenwald & Associates. A total of 20 SVF provider interviews and nine advisor interviews were conducted by telephone. All interviews were held during July 14 to August 28, 2015 and averaged about 30 minutes in length. The interviews were conducted to assess providers' and advisors' current views on stable value issues and to provide insight on where shifts may be occurring based on a comparison with the prior study results.

APPENDIX

Plan Profile

NUMBER OF PARTICIPANTS IN PLAN	All Plan Sponsors (n=205)
Under 100 participants	24%
100 to 499 participants	25%
500 to 999 participants	10%
1,000 to 4,999 participants	21%
5,000 to 9,999 participants	10%
10,000 or more participants	10%
PARTICIPATION RATE IN PLAN	
Less than 50%	9%
50% to 69%	8%
70% to 79%	17%
80% to 89%	23%
90% to 99%	25%
100%	14%
Don’t know	3%
Mean participation rate	*80%*
PERCENTAGE OF PLAN PARTICIPANTS USING STABLE VALUE	**Plan Sponsors with SV** (n=169)
Less than 25%	32%
25% to 49%	18%
50% to 74%	15%
75% or higher	6%
Don’t know	29%
Mean percentage using stable value	*32%*

Plan Profile (continued)

ASSETS UNDER MANAGEMENT IN DC PLANS	All Plan Sponsors (n=205)
Under $10 million	27%
$10 million to $49 million	15%
$50 million to $99 million	13%
$100 million to $249 million	13%
$250 million to $499 million	9%
$500 million to $999 million	6%
$1 billion to $2.49 billion	5%
$2.5 billion or more	4%
Don't know	7%
Mean	*$362 million*
ASSETS UNDER MANAGEMENT IN DC PLANS IN STABLE VALUE	**Plan Sponsors with SV (n=169)**
Under $5 million	26%
$5 million to $19 million	16%
$20 million to $49 million	14%
$50 million to $99 million	2%
$100 million to $499 million	5%
$500 million or more	2%
Don't know	34%
Mean	*$47 million*

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