CONCENTRIQ

Culturally aligned talent.

2018 Asset Management Industry Benefits Benchmarking Survey

About Concentriq:

Concentriq is a leading provider of executive recruiting and management consulting services to asset managers, wealth managers, and other financial services firms. With 25-years of asset management industry experience serving in executive roles, Concentriq seeks to create long-term consultative partnerships with its clients to not just find talent, but culturally aligned talent that helps an organization realize its strategic vision. With more than ten years of individual and team placements in front-to-back office roles at all levels (and as a former search buyer), Concentriq knows the pitfalls of search and tailors its expertise using a flexible, low-cost structure aligned with its clients' success. For more information, please visit our website at www.concentriqllc.com

2018 Asset Management Industry Benefits Benchmarking Survey

Overview

In an industry undergoing dramatic change on multiple fronts, employee benefits are an area that many asset managers are increasingly looking to as a way to distinguish themselves from their peers. The ongoing war for talent has highlighted the need for asset managers to not only be competitive from a compensation and career growth standpoint, but also in the benefits and other services they offer their employees. Growth of the millennial workforce has also been cited as a key catalyst given many millennials we have spoken with in regards to understanding their intentions in exploring potential new roles have stated that they are not driven solely by compensation but rather by an organization's culture, transparency of career track, and benefits structure. To address this, firms are now actively marketing their organization's culture, the diversity of their workforce, and the work-life balance that many employees seek. Many firms have gone so far as adding the information to their web site or LinkedIn pages.

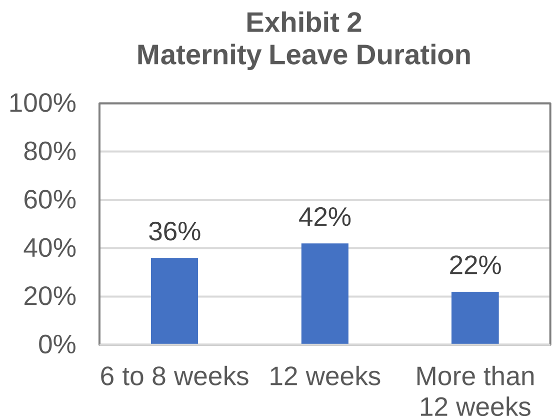
Against that backdrop, many of our clients have expressed interest in a benchmarking exercise to understand how their current benefits offering aligns with broader industry best practices. To address that need, we conducted the benefits benchmarking survey herein, interviewing more than 40 asset management firms of various sizes across the US during the second and third quarters of 2018. The survey encompassed several areas including paid time off (PTO) policies, family leave practices, flexible and remote work options, personality assessment tools, performance management systems, and other coverages. We also spoke separately with more than a dozen additional firms that voiced interest in the survey, however opted not to participate for privacy reasons. This is understandable, though in today's increasingly competitive environment one would think that all firms would want to learn how the benefits they offer stack up relative to the competition, and where incremental improvements could prove helpful. Regardless, the topic of benefits will continue to play an important part in how firms differentiate themselves going forward.

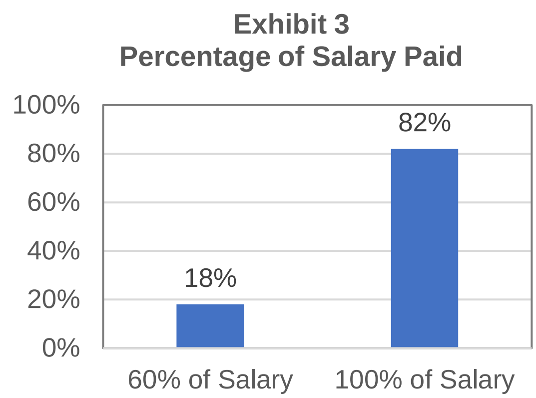
Exhibit 1
Number of Participating Firms by Region and AUM Level

AUM Level	Northeast	Southeast	Midwest	West	TOTAL
$5-15 billion	5	3	4	3	15
$16-25 billion	5	2	3	2	12
$26-50 billion	6	1	1	-	8
Greater than $50B	8	-	-	-	8
TOTAL	**24**	**6**	**8**	**5**	**43**

Family Leave

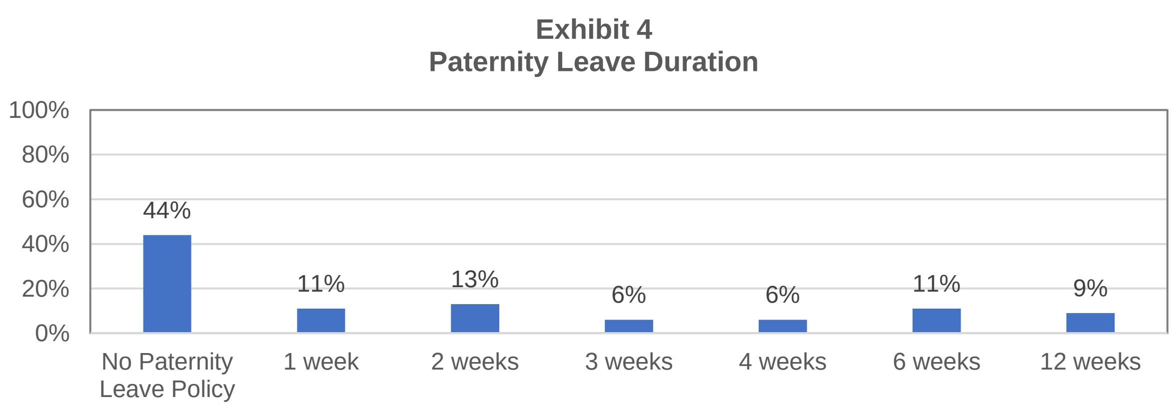
Family leave policies as it relates to the birth of a child have taken on new importance in recent years. Traditionally, most firms have followed the guidelines specified as part of the federal government's Family and Medical Leave Act of 1993 (FMLA) which in nearly all cases requires employers to provide up to 12 weeks of unpaid leave to new mothers in the event of a birth of a child. More than 90% of the firms we spoke with reported having a short-term disability insurance policy in place which provides for some portion of an employee's salary to be paid for a specified period during their leave. In the event that a firm did not have such short-term disability coverage, it was paid to the employee directly. The duration of this coverage most often runs six weeks in the event of natural delivery and eight weeks in the event of cesarean section. There were also two other groupings of firms that indicated they offer 12 weeks of coverage, and others that offered up to 20 weeks of coverage. Of the group polled, payments during leave ranged between 60% and 100% of salary. Anecdotally, several firms indicated that they are considering moving to a 100% of salary coverage schedule over the next 12 months.





Paternity Leave

While maternity leave has long been the focus of family leave, paternity leave is a relatively recent benefit that is growing in prevalence. Of the firms Concentriq surveyed, 64% percent responded that they either have an established paternity leave policy or that they plan to offer one in the next 12 months. In terms of duration, ranges cited typically fell between one week and six weeks length, though there were two firms that offered up to 12 weeks of paternity leave given they don't distinguish between maternity and paternity leave arrangements. A number of firms that offer paternity leave also expressed potential reservations about the need to increase the amount of leave they currently offer as employees that have become new fathers in the past have not historically requested additional leave time in the event of the birth of a child. In terms of the level of salary coverage for new fathers taking paternity leave, in all cases it mirrored the level which the firm offered new mothers, again ranging from 60%-100%.

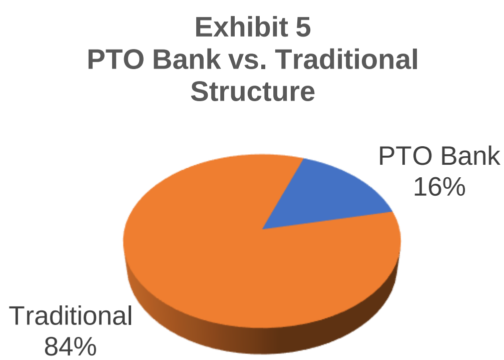


Adoption Assistance

Another topic that has been closely linked to family leave is adoption assistance. 79% of managers surveyed indicated they are not providing financial assistance to employees in the event of they adopt a child and do not have plans to do so in the near-term. Of the 21% of managers that confirmed they do offer such assistance, the level of assistance provided varied considerably by firm and who is sponsoring the coverage. For example, where asset managers were sponsoring the benefit directly, the most commonly-cited assistance amounts ranged between $3,000 and $10,000 per adoption. One firm stood out from the pack by offering $20,000 in assistance per adoption which was far higher than all other firms. In other cases where the firm was utilizing the services of a third-party benefits provider such as a professional employer organization ("PEO") for their benefits, the level of assistance was typically lower, ranging between $1,000 and $1,500 per adoption where available.

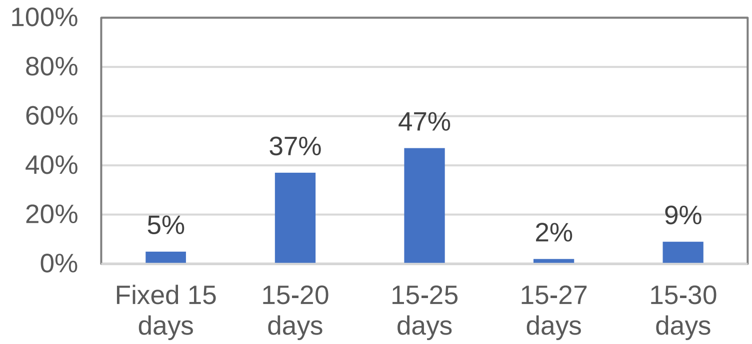
Sick Days/Vacation Days

When it comes to paid time off for sick days and vacations, asset managers appear to be increasingly re-thinking their approaches. While 84% of firms surveyed continue to offer a more traditional bucketed approach which segments vacation days and sick days for their employees, 16% of firms indicated that they had moved to a general bank of PTO days for each employee rather than distinguishing them into separate categories. Of the "traditional" group, 1 in 4 firms stated that they were exploring potentially moving to a PTO bank structure also.



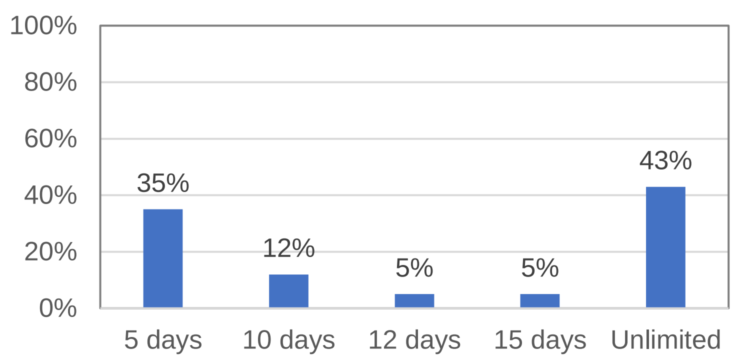
While change appears to be gradually taking shape, most firms continue to utilize the more traditional bucket approach for now, with the most common responses for vacation days either 15 days or 20 days to start, usually tied to the seniority level of the role. In the vast majority of cases, the number of vacation days grows over time tied to the years of service of the employee. In cases where employees begin at 15 vacation days, that number typically grows to 20 vacation days after five years of service, and in some cases grows to 25 vacation days upon 10 years of service. At the firms that begin with 20 vacation days, that amount can increase to 25 vacation days after either five years or 10 years of service. Still, other firms in both those buckets take a third approach with more gradual increases for every 2 to 3 years of service. While most firms set a maximum of either 20 or 25 vacation days per year, there were a few managers that went as high as 30 days. Another small group expressed a desire to keep things relatively simple by using a fixed amount of 15 vacation days for all employees regardless of years of service.

Exhibit 6
Vacation Days



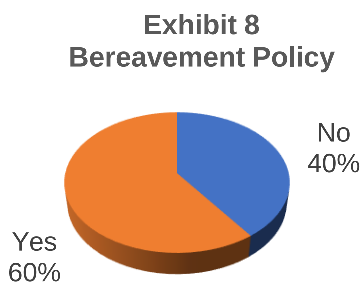
As it pertains to sick days, nearly half of firms surveyed indicated that they offer a 5-day or 10-day limit. A smaller group representing 10% of the total went as high as 12-15 days. Something that stood out to us as rather unexpected was that 43% of firms surveyed stated that they don't have a stated limit on the number of sick days that employees can take. After further consideration, that high figure led us to ask a requisite follow-up question concerning potential employee abuse of such an approach, however none cited any as of yet. Six firms noted that they had updated their sick day policies in the past two years. There were no discernable differences as far as firm size or location, which indicates that the change could be part of a more competitive benefits offering meant to attract additional millennial workers or the result of an organizational culture shift.

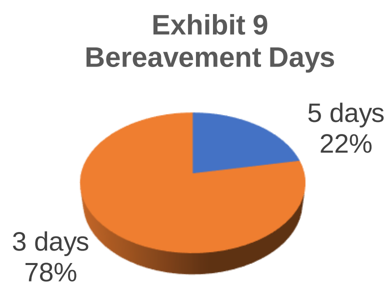
Exhibit 7
Sick Days



Bereavement Policies

One of the more sensitive PTO areas for HR professionals is the topic of bereavement policies. Roughly 60% of the firms surveyed indicated that they currently have a written bereavement policy in effect or were planning to introduce one. The other remaining 40% either had no formal policy or limit around bereavement time off or that it was ultimately left at the discretion of the employee's manager. Of the firms that do have a bereavement policy in place, 78% indicated that their policy was three days of paid leave for bereavement, while 22% indicated theirs was five days of paid leave, typically tied to the death of an immediate family member.





When asked to define "immediate" family, 6 in 10 firms stated that their definition included parents, siblings, and children. Grandparents, aunts, uncles, and nieces, and nephews were most often excluded from this definition, though there a number of firms that did include them. Four firms we spoke with broke the "excluded" group out into a separate category that provided two days of bereavement leave for the employee. Three other firms also indicated that while their typical bereavement leave is three days, their policies were situational depending on the amount of travel required by the employee. In the end, nearly all firms emphasized the need for a flexible approach that takes into account the individual needs of their employees.

Flex Hours / Work from Home Options

If there was one area of our survey that we would term a "gray area" it was the topic of flexible work schedules and work from home options. In very few cases did managers indicate having a formal policy outlining such arrangements. Based on feedback, many firms appear to be somewhat skittish about outlining a formal policy given the potential impact on an organization's culture, communication effectiveness, and productivity of having employees consistently out of the office. Potential abuse of such a policy by employees was also mentioned in several cases however appears to be a lesser concern.

In the vast majority of firms, work from home arrangements are allowed and occur on a case-by-case basis depending on the employee's role as well as the reason for their request to do so. There are signs on the horizon that firms may be reevaluating their approach on this topic as commutes in many locations continue to become ever more challenging, taking a toll on employee morale and work life balance. Two firms mentioned work from home policies they have in place for specific situations such as new mothers that have recently returned to the workplace.

Tuition Reimbursement / Student Debt Repayment Assistance

Another area that managers were surveyed was in regards to the types of education assistance they provided their employees. 67% of firms surveyed offer a tuition reimbursement benefit, with 65% of those firms offering reimbursement up to the IRS annual tax-deductible limit of $5,250, while 35% offer reimbursement with no stated maximum. One in three firms that offer tuition assistance stated that their reimbursement was applicable only to those classes that had direct relevance or application to their role. Virtually all firms provided sponsorship for professional designations such as CFA, CPA, CAIA, etc. as well as sponsorship for FINRA licenses.

Exhibit 10
Tuition Reimbursement Benefit

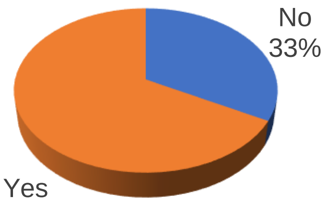
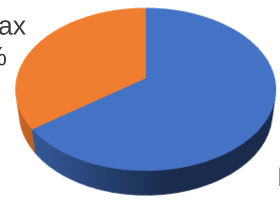


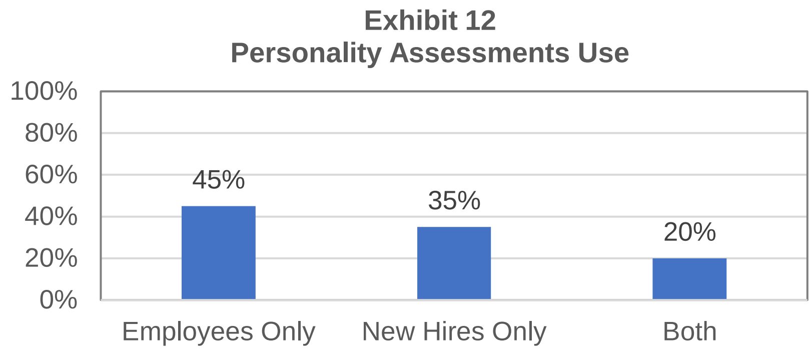
Exhibit 11
Tuition Reimbursement Maximum

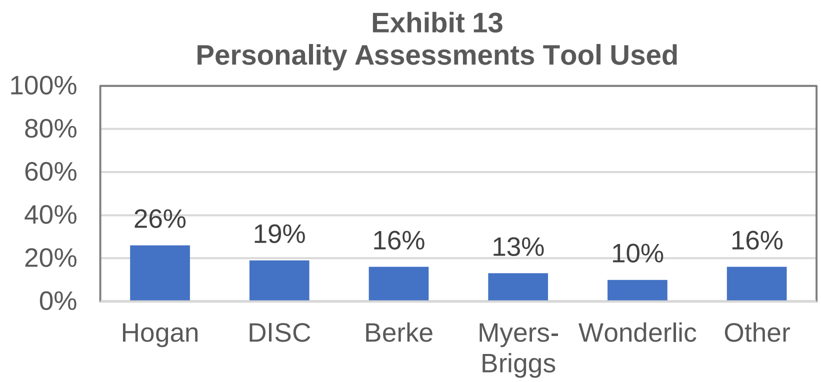


A related topic that has received increased media attention in recent months has been student debt repayment assistance. Of all firms surveyed, none were currently offering student debt assistance and only a few indicated that it was something they were considering however have not made a commitment in terms of a timeframe. There were two firms that indicated they offer advice through a third-party consulting firm on how to reduce student loan debt. What became increasingly clear through our discussions was that those firms considering the introduction of such a benefit would be doing so by utilizing dollars sourced from other existing benefits such as 401(k) matches, profit shares, or other incentive programs. In essence, the employee would be receiving virtually no additional financial benefit above what was already in place, but rather just changing the composition of the compensation buckets they were assigned to.

Personality Assessments

Although they have been around for years, personality assessment tools have exhibited strong growth in terms of their numbers and use across the asset management industry. Our survey respondents indicated that 72% percent of firms currently utilize a personality assessment solution and that nearly all of them have introduced assessments within the last three years. While use of assessment tests has increased significantly, how the tests are being used differs by firm. For example, 45% of firms using assessments responded that they use them only with their existing employees, 35% use them for new hires only, and the remaining 20% use them for both new hires and existing employees. In the cases where managers are using assessments with their existing employees, respondents most often indicated that they utilize the tests broadly across their employee base whether management or individual contributors, however in some circumstances it is used only with key contributors and employees from specific business units such as investments, research, and sales and marketing. Additionally, three firms stated that they limit use to only those employees who have direct reports or functional management responsibilities.





For the firms using personality assessments for incoming new hires, managers noted a desire to determine that person's potential fit with the organization's culture and team they would be joining as well as potential stressors and areas of strength/weakness. Additionally, four of the firms that do not currently use assessments mentioned interest in exploring their use for job candidates also.

A lingering question as it applies to personality assessments relates to the accuracy of their candidate classifications and predictive analytics. While managers were unable to share data on their employees for confidentiality reasons, most indicated anecdotally that while personality assessments can be good indicators of how employees may react to stress and or contribute on a team, the accuracy of their predictions about an employee's strengths or weaknesses based on personality type was inconsistent. Most felt that the benefits outweigh the drawbacks though and plan to continue their use going forward. Among the more commonly-used tests are Hogan's Development Survey, DISC's Profile, and The Berke Assessment. More traditional tests such as Myers-Briggs and the Wonderlic test were also mentioned by several firms, however their use among asset managers appears to be declining. Most assessments can be completed in 30 minutes or less depending on depth, while cost varies by test and can run as little as $100 per test administered or sold in bundles of 10, 20, or more.

Talent Management Systems

As asset managers have increasingly sought to streamline internal processes in recent years, talent management systems have shown greater adoption among asset managers and are currently in use at 67% percent of the firms we surveyed. Of the firms that do use them, many indicated that they had implemented a new system over the past five years. While our data did not identify a dominant provider, the two more commonly-used third party systems mentioned were Cornerstone and Saba's Halogen TalentSpace, followed by SAP's SuccessFactors, and Workday. Interestingly, proprietary systems developed in-house tied for third place with SuccessFactors in terms of frequency. For those firms using proprietary solutions, reasons most frequently-cited were the complexity level of their business, lack of satisfaction with third party offerings, or a reluctance to move away from an existing legacy system.

While talent management systems have become more commonplace in the industry, very few asset managers had favorable impressions of the systems they currently use regardless of vendor. Two areas that were identified as frequent challenges were lack of quality reporting and insufficient ability to customize the system design to suit their business. All systems feature some type of standard, out-of-the-box reporting however challenges can arise when trying to develop customized reporting. Unfortunately, asset managers do not typically become aware of this issue until post-deployment. A second issue relating to customization is the ability to re-purpose existing fields or features of the systems. Examples mentioned were the inability to adjust the frequency of employee performance reviews or simple items such as system notifications. A final frustration cited is the cost associated with the purchase and ongoing maintenance of the system. In addition to the upfront implementation cost and ongoing licensing fees, there can also be periodic development costs should design adjustments or additional reporting be required. This facet has led some firms to remain on the sidelines until more budget-friendly solutions are available.

Exhibit 14
Performance Management System Use

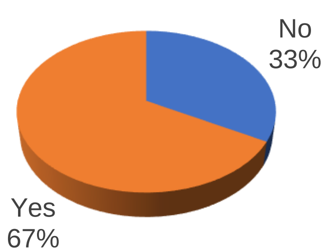
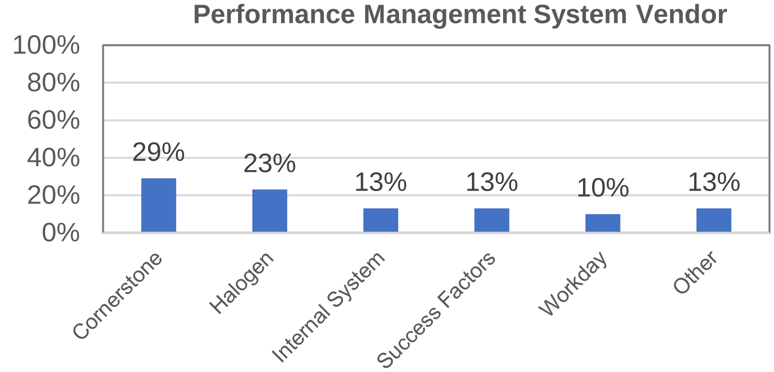
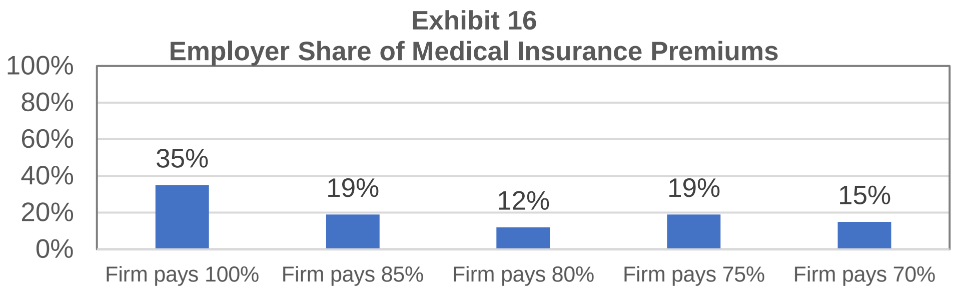


Exhibit 15
Performance Management System Vendor



Medical Insurance

With premiums for medical insurance plans continuing to rise at an alarming rate, firms have been diligently re-assessing their plan designs and the extent of financial assistance they can offer their employees. With plan costs having exponentially increased for asset managers, many firms have been forced to either scale back their plans, shift the plan's economics, or adopt lower-cost options such as high deductible plans. Much has been made in the media as well regarding the greater share of financial responsibility that employees have been required to assume as a result of the rising costs of medical insurance premiums. Within Concentriq's survey group, the employer/employee split of insurance premiums ranged from a low of 70%/30% split up to companies paying 100% of medical insurance premiums. 35% of firms surveyed responded that they are paying 100% of insurance premiums while there was a fairly even distribution among the remaining firms paying between 70-85%. While managers were not asked about specific changes undertaken, many of the firms regardless of coverage level confirmed that changes had been made, whether the economics split, plan design or the insurance broker/carrier they use. Most also expressed that they do not anticipate making further changes in the near term going forward.



Managers were not formally surveyed regarding their use of either of fully-insured or self-funded plan structure, but based on feedback it appears that a majority continue to use the more traditional, fully-insured approach which relies on the insurance carrier to assume responsibility for claims payment. Roughly 25% of managers though noted that they had either recently switched to a self-funded structure or were evaluating doing so with the hopes of achieving the potential cost savings they can offer. Another 15% of firms surveyed indicated that they were actively using a third-party professional employer organization (PEO) provider for their medical plan coverage, again with cost savings and customization of plan design being the overarching reasons. Firms using PEOs reported that while cost savings had been achieved in most cases, there were unexpected complexities related to co-employment as well as typical PEO requirements to transition other functions such as payroll and 401(k) administration.

401(k) Matches

One additional benefits area that doesn't always receive as much industry attention is asset managers' approaches to 401(k) matches. In Concentriq's survey, the maximum match amounts most typically cited ranged from 3-6% of annual cash compensation, with 37% of the group at 6% or greater, and three of those firms offering a generous match of up to 9% subject to federal limits. The second largest group, comprising 28% of the total, consisted of those managers offering a 3.0-3.5% match, while the remaining 35% of firms fell between a 4.0-5.5% match. Over 70% of respondents structure their matches on a 100% dollar-for-dollar basis, while the remaining 30% use a tiered structure that scales down over a certain threshold (e.g. 100% match on the first 3%, then 50% on next 3%). No firms mentioned plans to increase their match, however three firms noted that they recently transitioned their match to a formulaic schedule tied to the employee's contribution amount rather than a percent of cash compensation, with a goal of incentivizing employees to save more. For example, rather than contributing a match of up to 3%, they would instead contribute a pre-established rate of 100-250% of whatever amount the employee contributed, again subject to federal limits. Although a few managers indicated they temporarily suspended 401(k) matches for a short period following the 2008 financial crisis, none indicated any plans to scale back from their current match amount levels.