



CHARTWELL VIEWS

2016 PLANSPONSOR DC Survey Summary

Annually, PLANSPONSOR magazine conducts a survey of the US defined contribution plan marketplace. In 2016, surveys were sent out to plans of all sizes covering a variety of industries, as well as nonprofit organizations (4,219 responses were received). Plans are defined as follows:

Plan	Micro	Small	Mid	Large	Mega
Assets	< \$5 million	\$5-50 million	\$50-200 million	\$200 mil- \$1 bil	> \$1 billion
% of Respondants	35%	35%	13%	10%	7%

A summary of the survey findings for all respondents as prepared by Chartwell Consulting follows. These summary results on pages 4-8 also compare the changes from 2015 to 2016. Notable highlights from this year's survey include:

401(k) Plans Dominate Other DC Plan Types – 401(k) plans are the most commonly offered plan type (86%), followed by Profit Sharing/ESOP plans (23%). Amongst all survey respondents, 11% offer 403(b) plans (ERISA and non-ERISA) and 12% offer 457 plans.

Show Me Participation and Deferrals - The average overall *participation rate amongst eligible employees* was 78.5%, up slightly from 2015 (77%). The *average deferral rate* among active participants was 6.6%.

Match Versus Profit Sharing Contribution – The number of employers offering a match was 74% for all survey respondents .

Additionally, 49% provide a *profit sharing plan contribution*. When asked the *approximate size of the match*, 46% indicated it was something other than the usual range of 100% of 6% to 50% of 6%. Respondents also indicated the majority of participants (> 75%) were taking advantage of the maximum match offered.

ROTH Rage Growing – Overall survey results indicate offering a ROTH option in plans has increased from 62% in 2015 to 65% in 2016.

Auto Features Continue to Cruise - 42% of respondents have *auto enrollment*, up slightly from 2015 (41%). *Auto deferral increases* are also on the rise, at 18% (versus 17% last year).

The *implementation of auto enrollment* to new employees is strong at 89%. Implementation to *existing employees not enrolled in the plan* is low at 9%. Interestingly, responses from some individual industry groups taking the survey showed much *higher* percentages of plans offering auto-enrollment (60%-80%) and auto deferral increases (35%-45%).

Target Date Funds Remain Top Auto Default -

Target date funds remain the clear winner as the *default investment for auto-enrollment* at 56% for actively or passively managed TDFs, and an additional 10% for custom target-date funds. Risk-based/life cycle funds garnered 5% usage and traditional balanced funds another 11%. Participants are showing a preference for these “do it for me” options which are professionally managed and allocated.

More is Still the Merrier with Option Offerings-

The average number of options remains stubbornly high, despite discussions of streamlining investment menus. The average number offered is 23. A target date or risk-based *series* of funds is counted as *one* option. The average *number of options held by participants* is 5. The increased use of target date funds *should* keep the number of options held by participants down, as they offer diversification within one option. In 2016, the survey asked how many respondents offered NO index fund options. 11% indicated they did not offer index funds. Actively managed funds still dominate, but index fund offerings are available in most plans. Offering a real estate option continued to rise, 26%. Other option categories offered include: *balanced funds* (70%), *money market* (62%) and *stable value* (58%).

Leave it to the Professionals - Plans continue to expand their offerings of *professionally managed options*. Managed accounts continue to grow (31% to 33%, year over year). Together

with increased usage of TDF's, it indicates participants are increasingly seeking “professionally managed” accounts or options *instead* of managing their own defined contribution accounts.

Offering Advice - Financial/investment advice is offered in many formats. The most used approach appears to be *on-site meetings with an outside advisor* (41%), followed by *proprietary services through the recordkeeper* (33%) Those plans that do *NOT* offer any type of financial or investment advice comes in at 24%.

Fiduciary Focus - 68% sponsors/trustees indicate they use the services of a consultant or financial adviser. Most plan sponsors favor working with consultants or financial advisers that accept fiduciary responsibility; being either *discretionary* (3(38)) or *non-discretionary* (3(21)) fiduciaries. 41% of respondents work with 3(21) non-discretionary consultants. The survey asked if *the DOL's fiduciary rule will negatively impact services received by plan sponsors or participants*. 34% were concerned at the plan sponsor level, and 25% at the participant level.

Leakage: Loans and Hardship Withdrawals -

The survey showed participants with *outstanding loans or those making hardship withdrawals* remained constant from 2015. 14% of participants have outstanding loans and 2% have taken a hardship withdrawal.

Cost Matters – Fees Reviewed Annually -

With required fee disclosures for both plan sponsors (408(b)2) and participants (furthering 404(c)), the survey included a number of fee/cost related questions. When asked the *frequency of administrative cost/fee reviews*, respondents indicated 72% conducted them annually. In most cases, the *employer* pays the recordkeeping and administration fees (directly or with revenue sharing).

Retirement Income Options Not Yet Widely Offered- Retirement income readiness and solutions was introduced in 2013's survey. Sponsors were asked the *if the plan allowed for systematic withdrawals at retirement*. 50% indicated "yes", and 22% indicated they were "unsure". When asked if *other income-oriented products are offered in the plan* (in-plan annuity with guaranteed monthly income, in-plan annuity with guaranteed base benefits, etc.), 57% indicated no income-oriented product/service was currently offered and 29% were "unsure". When asked if *the firm would prefer terminated employees with material balances remain in the Plan*, 34% responded "yes"

Distribution Alternatives Communicated - Alongside planning for retirement income, this year's survey asked about *whether various distribution options offered* by the plan are communicated to participants. This covered rollovers, pre-retirement contributions, options for terminated employees, and income distribution alternatives upon retirement. Respondents indicated education or communications for distribution rollover options at termination were the most covered, followed by rolling over past plan balances into current plan.

Financial Wellness: Gaining Strength – There has been much discussion on offering employee education on topics beyond retirement planning to more holistically support employees with a broad range of financial issues including: saving and budgeting, managing credit/debt, home buying, tax/estate planning, retiree health care, long-term care. The detailed responses to which wellness topics are offered appear on the last page of the survey summary.

Ready, Set, Retire? When asked *if most employees will achieve retirement goals by age 65*, only 31% of respondents concurred.

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Defined Contribution Plans Market Statistics

	Overall Results 2015	Overall Results 2016
TYPES OF DC PLANS OFFERED		
401(k)	87.6%	85.8%
403(b) - ERISA and Non-ERISA	10.5%	11.4%
457	9.4%	11.9%
Money Purchase	2.9%	2.4%
Profit Sharing/ESOP	23.4%	22.5%
Non-qualified Deferred Compensation	10.2%	9.9%
DC PLAN ASSETS OF SURVEY PARTICIPANTS		
<\$5MM	32.6%	35.5%
\$5MM-\$49MM	38.0%	35.3%
\$50MM-\$200MM	13.2%	12.9%
\$200MM-\$1B	9.5%	9.7%
>\$1B	7%	7%
PARTICIPATION RATE AMONG ELIGIBLE EMPLOYEES		
Average	77.1%	78.5%
Median	84%	86%
Average Deferral Rate	6.4%	6.6%
PLAN DESIGN ELEMENTS		
Auto-enrollment	41.1%	41.7%
Auto-deferral increases	16.5%	17.5%
Written Investment Policy Stmt.	66.9%	65.4%
Employer Match	75.1%	74.1%
Roth Contribution Option	62.0%	65.2%
Professional Managed Account	30.6%	33.4%
Profit Sharing Contribution	48.2%	48.5%
IMPLEMENTATION OF AUTO-ENROLLMENT		
To new employees only	85.9%	89.3%
Existing employees not enrolled	28.3%	8.6%
Existing employees, contributing below auto deferral rate	13.5%	4.0%
DEFAULT INVESTMENT FOR AUTO-ENROLLMENT		
Stable Value Fund/GIC	4.3%	3.4%
Target-Date Funds (active & passive)	51.6%	56.1%
Custom Target-Date Funds	10%	10%
Risk-based Fund/Life Cycle	4.9%	5.2%
Balanced	11.3%	10.9%
Managed account	6.9%	7.0%
Money Market	4.1%	3.7%
Other	7.0%	4.0%

	Overall Results 2015	Overall Results 2016
ELIGIBLE TO PARTICIPATE		
Immediately upon hire	34.9%	36.6%
Within 3 months	26.2%	26.8%
After 4 to 11 months	12.8%	12.9%
1 Year or More	26.1%	23.7%
NUMBER OF INVESTMENT OPTIONS OFFERED		
Average	21	22.6
Median	18	20
No Index funds (%)	5.3	11%
Median	4	
NUMBER OF INVESTMENT OPTIONS HELD BY PARTICIPANTS		
Average	5.2	5.3
Median	4	4
TYPES OF INVESTMENT OPTIONS OFFERED		
Employer Stock	7.7%	7.1%
Self-Directed Brokerage	18.1%	18.7%
Real Estate	26.0%	26.2%
Alternative Investments	4.6%	4.5%
Target Date Funds	75.4%	76.6%
Risk-based / life cycle	41.7%	40.1%
Balanced	71.5%	69.7%
Stable Value	59.3%	57.7%
Socially Responsible Investment	10.3%	11.8%
Money Market	62.0%	61.9%
INVESTMENT VEHICLES USED IN DC PLANS		
Mutual Funds	91.7%	91.1%
Separate Account	21%	20%
Professionally Managed Account	30.6%	33.4%
Collective Trust	14.2%	14.2%
ETFs (outside brokerage window)	9.2%	9.0%
APPROXIMATE MAXIMUM MATCH		
>100% of 6% of salary	7.8%	5.2%
100% match of 6%	11.8%	10.7%
51%-99% of 6%	27.7%	11.9%
50% match of 6%	21.2%	18.9%
<50% of 6%	23.3%	7.3%
Other	8.2%	46.0%
PARTICIPANTS TAKING ADVANTAGE OF THE MAXIMUM MATCH		
All or nearly all participants	23.3%	25.2%
Vast Majority (75% or more)	26.6%	27.5%
About half	26.3%	26.0%
Less than half	23.4%	21.5%

	Overall Results 2015	Overall Results 2016
PARTICIPANTS WITH OUTSTANDING LOANS		
Average	14.3%	13.7%
Median	12%	11%
PARTICIPANTS MAKING HARDSHIP WITHDRAWALS		
Average	2%	1.6%
Median	0.5%	0.5%
IS FINANCIAL/INVESTMENT ADVICE OFFERED		
Yes; onsite mtgs with outside advisor	40.8%	41.4%
Yes; phone-base with outside advisor	24.4%	23.7%
Yes; 3rd party (Financial Engines, etc.) not recordkeeper	16.1%	16.5%
Yes; proprietary services through recordkeeper	32.4%	32.6%
Yes; another source	5.6%	5.5%
No; not offered	26.0%	23.7%
FREQUENCY OF INVESTMENT OPTION REVIEW		
Quarterly	38.0%	34.1%
Semi-Annual	17.1%	15.9%
Annual	33.9%	35.7%
FREQUENCY OF ADMIN COST/FEE REVIEW		
Annually	75.9%	71.2%
Every 1-2 Years	9.5%	11.4%
Every 2-3 Years	6.0%	8.6%
Every 3-5 Years	1.7%	2.3%
Every 5+ Years	1%	2%
Never	5.7%	5.0%
WHO PAYS ADMIN/RECORDKEEPING COSTS		
Participants - fixed cost billed direct	21.3%	24.6%
Shared - participants through investments and employer payment	22.5%	21.6%
Organization - employer pays fees	35.9%	36.1%
Other/all fees covered by revenue sharing	11.0%	9.5%
Don't Know	9.3%	8.2%
PLAN USE OF FINANCIAL ADVISER/CONSULTANT SERVICES		
Yes	71.7%	68.1%
No	28.3%	31.9%

	Overall Results 2015	Overall Results 2016
IS ADVISER A FIDUCIARY		
No	NA	14.7%
3 (38) - Discretionary	NA	16.0%
3(21) - Non-Discretionary	NA	40.9%
Unsure-Don't Know	NA	27.8%
WHAT IS THE ADVISER/CONSULTANT FEE ARRANGEMENT		
% of Plan Assets	41.1%	42.3%
Per Participant	3.6%	5.0%
Project-based	4.5%	3.8%
Monthly/Annual Retainer	28.8%	29.5%
Performance:Investments	1%	1%
Performance:Participation	0.4%	0.3%
Other/Don't Know	26.2%	24.5%
DOES PLAN ALLOW SYSTEMATIC WITHDRAWALS AT RETIREMENT		
Yes	50.6%	49.8%
No	29.2%	28.6%
Unsure	20.2%	21.6%
WHICH INCOME-ORIENTED PRODUCTS ARE OFFERED IN PLAN		
In-Plan Annuities/income products w/ guaranteed mo. income	6.9%	7.3%
In-Plan Annuities/income products w/ guaranteed base benefit	30.0%	3.6%
In-Plan Annuities NOT offering guarantees	7.9%	5.7%
Out of Plan Annuity Purchase Bidding	3.5%	2.6%
Unsure what type of income products are offered	24.0%	29.2%
None - do not offer income-oriented products/services	58.6%	57.2%

	Overall Results 2015	Overall Results 2016
PROVIDE COMMUNICATIONS/EDUCATION FOR DISTRIBUTIONS		
Rolling over past plan balances into current plan	32.5%	34.5%
Taking a pre-retirement distribution	19.0%	19.8%
Distribution/rollover options upon termination	40.4%	42.5%
Income/distribution options upon retirement	29.6%	28.2%
OFFER GENERAL EDUCATION ON FINANCIAL WELLNESS TOPICS		
Saving & Budgeting	36.0%	36.1%
Investing Strategies	51.7%	42.0%
Managing credit/debt	16.1%	19.7%
Home Buying	8.2%	10.3%
College Saving	12.5%	14.6%
Social Security Options	17.1%	19.2%
Tax/Estate Planning	12.3%	13.4%
Retiree Healthcare costs/savings	19.9%	19.1%
Long-Term Care	9.0%	10.2%
No General Financial Education Offered	40.7%	49.6%
HIGHER/CONTINUING EDUCATION PROGRAMS OFFERED		
Tuition Reimbursement	NA	47.1%
Student Loan Repayment	NA	2.2%
None	NA	50.7%
INDICATE LEVEL OF AGREEMENT (% AGREE OR SLIGHTLY AGREE)		
Firm prefers terminated employees with material balances to remain in Plan	NA	33.6%
Most employees will achieve retirement goals by age 65	NA	31.3%
Concerned that DOL's fiduciary rule will <i>negatively impact service to plan sponsors</i>	NA	33.6%
Concerned that DOL's fiduciary rule will <i>negatively impact service to participants</i>	NA	24.7%