



CHARTWELL VIEWS

2015 PLANS PONSOR DC Survey Summary

Annually, PLANS PONSOR magazine conducts a survey of the US defined contribution plan marketplace. In 2015, surveys were sent out to plans of all sizes covering a variety of industries, as well as nonprofit organizations (4,406 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	32%	38%	13%	10%	7%

A summary of the survey findings for all respondents as well as a breakout of the financial services industry prepared by Chartwell Consulting follows. These summary results on pages 4-7 also compare the changes from 2014 to 2015. Notable highlights from this year's survey include:

401(k) Plans Dominate Other DC Plan Types— Broadly and within the financial services, 401(k) plans are the most commonly offered plan type (93%-96%), followed by Profit Sharing/ESOP plans (38%-41%). A high percentage of financial services firms also offer non-qualified deferred compensation plans (30%-41%).

Participation and Deferral Rates are Strong— The average overall *participation rate amongst eligible employees* was 77%. In the financial services industry, participation rates are *higher*, 87% at both large and mid-sized firms. The *average deferral rate* among active participants was 7% at large financial services firms and 8% at mid-sized financial services firms.

Majority are Maximizing the Match — The number of employers offering a match ranged from 85% in mid-sized plans to 89% in large plans. 77% of mid-sized financial firms offer a *match* between 50% - 100% of 6% of salary; and 82.5% with large financial services employers. The number of participants taking advantage of the *maximum match* offered is dispersed. Among large plan respondents, 54% indicate the “vast majority (75% or more)” are taking advantage of the maximum match, while only 40% of mid-sized plans indicate the same.

ROTH is Becoming the New Rage — Overall survey results show that offering a ROTH option in plans has increased from 55% in 2014 to

62% in 2015. Financial services firms offering a ROTH option is even higher; 100% of mid-sized and 80% of large firms.

Auto Features Continue to Cruise -

62% of large financial services plans, and 68% of mid-sized plans have *auto enrollment*. *Auto deferral increases* are also on the rise, at 41% and 35%, respectively. The *implementation of auto enrollment* to new employees, is strong at 100% for large firms and 94% for mid-sized firms. Implementation to *existing employees not enrolled in the plan* is stronger within mid-sized plans (47%) and only 13% in large plans.

Target Date Funds Remain Top Auto Default -

Target date funds remain the clear winner as the *default investment for auto-enrollment*. 50% of large financial services plans and 53% of mid-sized plans use either actively or passively managed TDFs. Traditional balanced accounts come in second, with 13% and 24% of large and mid-sized plans using them as the default.

More is Still the Merrier with Option Offerings-

The average number remains stubbornly high, despite discussions of streamlining investment menus. The average number offered in large financial services plans is 25, and 24 in mid-sized plans. A target date or risk-based *series* of funds is counted as *one* option. The average *number of options held by participants* is 5 (both sizes). 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 2015, the survey asked for the *average number of index fund options offered*. For large financial services firms it was 5, and 6 for mid-sized firms. Actively managed funds still dominate. Offering a real estate option continued to rise, (23% of large plans and 54% of mid-sized). Alternatives are also slowly gaining traction, with 8% of large plans and 27% of mid-sized plans offering these options.

“Do it for Me” Options in High Demand -

Plans continue to expand their offerings of *professionally managed options*. Target date funds lead, followed closely by traditional balanced funds. 73% of mid-sized and 77% of large plans still offer a stable value option, which is considered an acceptable surrogate for "no-return" money market funds. Managed accounts continue to grow (24% and 31%). It remains the second most used vehicle in DC plans. 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.

Bringing in a Pro Helps Participants -

Financial/investment advice is offered in many formats. Within financial services, *proprietary services through the recordkeeper* are the most frequently offered (48% of large firms and 42% of mid-sized firms). The second most used format in the financial services industry is *onsite meetings with an outside advisor* (22% and 39%, respectively). In line with overall survey results, 30% of large and 23% of mid-sized financial services firms do *not* offer financial or investment advice.

Leakage: Loans and Hardship Withdrawals -

The survey showed participants with *outstanding loans or those making hardship withdrawals* increased slightly from 2014. 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 78% conducted them annually in large

financial services firms and 77% in mid-sized firms. In most cases, the *employer* pays the fees (directly or with revenue sharing), followed by *participants* (fixed cost billed direct).

Ready, Set, Retire? 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*. Just over half in both large and mid-sized financial services plans indicated "yes" (52% and 58%, respectively). The majority of plans, overall and within financial services, do *not yet offer income-oriented products/services*.

Distribution Details Sneak into Survey - 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, distribution/rollover 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 income distribution at retirement.

Financial Wellness: the New, New Thing – 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 last question on this survey provides the offering percentages.

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Defined Contribution Plans Market Statistics

	Overall Results 2014	Overall Results 2015	Large Financial Services 2015	Mid-Sized Financial Services 2015
TYPES OF DC PLANS OFFERED				
401(k)	87.0%	87.6%	92.6%	96.2%
403(b) - ERISA and Non-ERISA	10.6%	10.5%	14.8%	3.8%
457	10.2%	9.4%	14.8%	3.8%
Money Purchase	2.9%	2.9%	7.4%	7.7%
Profit Sharing/ESOP	20.3%	23.4%	40.7%	38.4%
Non-qualified Deferred Compensation	9.8%	10.2%	40.7%	29.6%
DC PLAN ASSETS OF SURVEY PARTICIPANTS				
<\$5MM	31.1%	32.6%	36.9%	36.9%
\$5MM-\$49MM	40.0%	38.0%	31.8%	31.8%
\$50MM-\$200MM	13.0%	13.2%	10.2%	10.2%
\$200MM-\$1B	9.8%	9.5%	10.6%	10.6%
>\$1B	6.7%	7%	10.6%	10.6%
PARTICIPATION RATE AMONG ELIGIBLE EMPLOYEES				
Average	77.2%	77.1%	86.5%	87.2%
Median	83%	84%	87.2%	88.9%
Average Deferral Rate	6.4%	6.4%	7.0%	7.7%
PLAN DESIGN ELEMENTS				
Auto-enrollment	40.0%	41.1%	61.5%	68.0%
Auto-deferral increases	25.5%	16.5%	40.7%	34.6%
Written Investment Policy Stmt.	64.7%	66.9%	78.9%	93.3%
Employer Match	71.8%	75.1%	88.9%	84.6%
Roth Contribution Option	54.6%	62.0%	80.0%	100.0%
Professional Managed Account	35.6%	30.6%	23.8%	30.8%
Profit Sharing Contribution	NA	48.2%	73.1%	72.0%
IMPLEMENTATION OF AUTO-ENROLLMENT				
To new employees only	90.5%	85.9%	100.0%	94.1%
Existing employees not enrolled	30.1%	28.3%	13.3%	47.1%
Existing employees, contributing below auto deferral rate	14.9%	13.5%	6.7%	11.8%
DEFAULT INVESTMENT FOR AUTO-ENROLLMENT				
Stable Value Fund/GIC	5.8%	4.3%	6.3%	6.1%
Target-Date Funds (active & passive)	51.6%	51.6%	50.0%	52.9%
Custom Target-Date Funds	9%	10%	6.3%	6.1%
Risk-based Fund/Life Cycle	5.1%	4.9%	12.5%	0.0%
Balanced	10.5%	11.3%	12.5%	24.2%
Managed account	3.8%	6.9%	12.5%	9.1%
Money Market	4.1%	4.1%	0.0%	0.0%
Other	6.4%	7.0%	0.0%	3.0%

Defined Contribution Plans Market Statistics

	Overall Results 2014	Overall Results 2015	Large Financial Services 2015	Mid-Sized Financial Services 2015
ELIGIBLE TO PARTICIPATE				
Immediately upon hire	36.7%	34.9%	70.4%	80.0%
Within 3 months	26.3%	26.2%	22.2%	12.0%
After 4 to 6 months	9.0%	12.8%	3.7%	0.0%
After more than 6 months	28.0%	26.1%	3.7%	8.0%
NUMBER OF INVESTMENT OPTIONS OFFERED				
Average	21	21	24.8	24.1
Median	19	18	21	23
Average Number of Index funds	NA	5.3	5.1	5.9
Median	NA	4	4	5
NUMBER OF INVESTMENT OPTIONS HELD BY PARTICIPANTS				
Average	5.1	5.2	4.8	4.8
Median	4	4	5	4
TYPES OF INVESTMENT OPTIONS OFFERED				
Employer Stock	7.7%	7.7%	34.6%	15.4%
Self-Directed Brokerage	18.3%	18.1%	29.6%	48.0%
Real Estate	27.8%	26.0%	23.1%	53.8%
Alternative Investments	4.8%	4.6%	7.7%	26.9%
Target Date Funds	69.8%	75.4%	65.4%	80.8%
Risk-based / life cycle	39.5%	41.7%	46.2%	42.3%
Balanced	73.1%	71.5%	50.0%	76.9%
Stable Value	59.7%	59.3%	76.9%	73.1%
Socially Responsible Investment	11.3%	10.3%	3.8%	3.8%
Money Market	NA	62.0%	53.8%	73.1%
INVESTMENT VEHICLES USED IN DC PLANS				
Mutual Funds	92.3%	91.7%	96.3%	96.0%
Separate Account	22%	21%	14.8%	12.0%
Managed Account	35.6%	30.6%	23.8%	30.8%
Collective Trust	14.9%	14.2%	37.0%	8.0%
ETFs (outside brokerage window)	7.1%	9.2%	0.0%	12.0%
APPROXIMATE MAXIMUM MATCH				
>100% of 6% of salary	7.7%	7.8%	0.0%	18.2%
100% match of 6%	9.6%	11.8%	4.3%	13.6%
51%-99% of 6%	19.8%	27.7%	65.2%	31.8%
50% match of 6%	27.1%	21.2%	13.0%	31.8%
<50% of 6%	28.8%	23.3%	8.7%	0.0%
Other	7.0%	8.2%	8.7%	4.5%
PARTICIPANTS TAKING ADVANTAGE OF THE MAXIMUM MATCH				
All or nearly all participants	24.7%	23.3%	16.7%	22.3%
Vast Majority (75% or more)	25.1%	26.6%	37.5%	18.2%
About half	25.1%	26.3%	37.5%	36.4%
Less than half	25.2%	23.4%	8.4%	18.2%

Defined Contribution Plans Market Statistics

	Overall Results 2014	Overall Results 2015	Large Financial Services 2015	Mid-Sized Financial Services 2015
PARTICIPANTS WITH OUTSTANDING LOANS				
Average	14.0%	14.3%	15.0%	13.4%
Median	12%	12%	14.1%	12.0%
PARTICIPANTS MAKING HARDSHIP WITHDRAWALS				
Average	1%	2%	1.5%	1.8%
Median	1%	0.5%	0.7%	0.8%
IS FINANCIAL/INVESTMENT ADVICE OFFERED				
Yes; onsite mtgs with outside advisor	NA	40.8%	22.2%	38.5%
Yes; phone-base with outside advisor	NA	24.4%	11.1%	7.7%
Yes; 3rd party (Financial Engines, etc.) not recordkeeper	NA	16.1%	11.1%	23.1%
Yes; proprietary services through recordkeeper	NA	32.4%	48.1%	42.3%
Yes; another source	NA	5.6%	7.4%	0.0%
No; not offered	NA	26.0%	29.6%	23.1%
FREQUENCY OF INVESTMENT OPTION REVIEW				
Quarterly	31.7%	38.0%	73.3%	57.9%
Semi-Annual	13.9%	17.1%	13.3%	26.3%
Annual	40.3%	33.9%	13.3%	10.5%
FREQUENCY OF ADMIN COST/FEE REVIEW				
Annually	70.5%	75.9%	77.8%	76.9%
Every 1-2 Years	8.9%	9.5%	7.4%	7.7%
Every 2-3 Years	7.0%	6.0%	3.7%	7.7%
Every 3-5 Years	3.6%	1.7%	3.7%	3.8%
Every 5+ Years	11%	1%	3.7%	3.8%
Never	8.4%	5.7%	3.7%	0.0%
WHO PAYS ADMIN/RECORDKEEPING COSTS				
Participants - fixed cost billed direct	20.7%	21.3%	23.1%	26.9%
Shared - participants through investments and employer payment	20.6%	22.5%	11.5%	23.1%
Organization - employer pays fees	36.4%	35.9%	42.3%	46.2%
Other/all fees covered by revenue sharing	12.0%	11.0%	23.1%	0.0%
Don't Know	10.3%	9.3%	0.0%	3.8%
PLAN USE OF FINANCIAL ADVISER/CONSULTANT SERVICES				
Yes	61.7%	71.7%	73.3%	68.4%
No	37.5%	28.3%	26.7%	31.6%

Defined Contribution Plans Market Statistics

	Overall Results 2014	Overall Results 2015	Large Financial Services 2015	Mid-Sized Financial Services 2015
WHAT IS THE ADVISER/CONSULTANT FEE ARRANGEMENT				
% of Plan Assets	42.8%	41.1%	9.1%	30.8%
Per Participant	3.3%	3.6%	0.0%	7.7%
Project-based	4.0%	4.5%	18.2%	7.7%
Monthly/Annual Retainer	26.5%	28.8%	81.8%	38.5%
Performance:Investments	1%	1%	0.0%	0.0%
Performance:Participation	0.2%	0.4%	0.0%	0.0%
Other/Don't Know	26.4%	26.2%	0.0%	30.8%
DOES PLAN ALLOW SYSTEMATIC WITHDRAWALS AT RETIREMENT				
Yes	55.7%	50.6%	52.0%	58.3%
No	23.9%	29.2%	48.0%	29.2%
Unsure	20.3%	20.2%	0.0%	12.5%
WHICH INCOME-ORIENTED PRODUCTS ARE OFFERED IN PLAN				
In-Plan Annuities/income products w/ guaranteed mo. income	9.1%	6.9%	0.0%	10.5%
In-Plan Annuities/income products w/ guaranteed base benefit	4.0%	30.0%	0.0%	5.3%
In-Plan Annuities NOT offering guarantees	8.2%	7.9%	0.0%	5.3%
Out of Plan Annuity Purchase Bidding	4.7%	3.5%	0.0%	5.3%
Unsure what type of income products are offered	33.1%	24.0%	6.7%	10.5%
None - do not offer income-oriented products/services	47.2%	58.6%	93.3%	68.4%
PROVIDE COMMUNICATIONS/EDUCATION FOR DISTRIBUTION				
Rolling over past plan balances into current	NA	32.5%	44.4%	34.6%
Taking a pre-retirement distribution	NA	19.0%	33.3%	8.0%
Distribution/rollover options upon terminat	NA	40.4%	51.9%	44.0%
Income/distribution options upon retiremei	NA	29.6%	40.7%	40.0%
OFFER GENERAL EDUCATION ON FINANCIAL WELLNESS TOPICS				
Saving & Budgeting	34.4%	36.0%	59.3%	61.5%
Investing Strategies	51.8%	51.7%	66.7%	92.3%
Managing credit/debt	14.5%	16.1%	29.6%	34.6%
Home Buying	7.2%	8.2%	7.4%	7.7%
College Saving	11.7%	12.5%	18.5%	23.1%
Social Security Options	11.6%	17.1%	33.3%	23.1%
Tax/Estate Planning	10.6%	12.3%	33.3%	34.6%
Retiree Healthcare costs/savings	19.0%	19.9%	37.0%	42.3%
Long-Term Care	9.0%	9.0%	14.8%	11.5%
No General Financial Education Offered	40.3%	40.7%	25.9%	3.8%