



# 2014 PLANSPONSOR DC Survey Summary

April 2015

Annual Update

Annually, PLANSPONSOR magazine conducts a survey of the US defined contribution plan marketplace. In 2014, surveys were once again sent out to plans of all sizes covering a variety of industries, as well as nonprofit organizations (4,425 responses were received):

- 31% Micro Plans (<\$5M)
- 40% Small Plans (\$5M to \$50M)
- 13% Mid-sized Plans (\$50M to \$200M)
- 10% Large Plans (\$200M to \$1B)
- 6% Mega Plans (over \$1B)

A summary of the survey findings prepared by Chartwell Consulting follows. These summary results also compare the changes from 2013 to 2014. Notable highlights from this year's survey include:

**401(k) Plans Rule** – 87% of DC plans offered are 401(k) plans. Within large financial services, 401(k) plans are the most commonly offered plan type (95%), followed by Profit Sharing/ESOP plans (51%). Similar results for mid-sized plans, 93% and 38%, respectively.

**Participation and Deferrals on the Rise** - The average participation rate amongst eligible employees within all industries was 77%. In the financial services industry, participation rates are higher, 82% at large firms and 85% at mid-sized firms. The average deferral rate among active participants was 6%. It is 7.7% at mid and large financial services firms.

**Maximizing the Match** – The number of employers offering a match was 72%. In

financial services it ranged from 67% in mid-sized plans, to 86% in large plans. Of these employers, 72% offer a *maximum match* of 50% - 100% of 6% of salary in large plans. The number of participants taking advantage of the *maximum match* offered is widely dispersed. 25% of large plan respondents indicate the “vast majority (75% or more)” are taking advantage of the maximum match, while 41% indicate the vast majority are in mid-sized plans.

**Auto Features on Cruise Control** – Broadly, 40% of respondents offered auto enrollment. 69% of large financial services plans, and 48% of mid-sized plans have *auto enrollment*. *Auto deferral increases* are on the rise, 57% and 28%, respectively. The *implementation of auto enrollment* to new employees, is strong at 97% and 100%, respectively. Implementation to *existing employees not enrolled in the plan* is lacking, 27% in large plans and 0% in small plans.

**Default TDFs** – Target date funds remain the clear winner as the *default investment for auto-enrollment* at 52%. In financial services, 52% of large plans and 43% of mid-sized plans use actively or passively managed TDFs. Traditional balanced accounts come in second, with 14% and 36% of large and mid-sized plans using them as the default.

**Less is More?** – Apparently not when it comes to the *number of investment options offered!* The average number remains stubbornly high (21), despite discussions of streamlining investment menus. The average number offered in large financial services plans is 24,

## 2014 PLANSPONSOR DC Survey Summary, cont.

and 17 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 much lower, 5 and 4, respectively. The increased use of target date funds will keep the number of options held by participants down, as they offer diversification within one option.

**“Do it for Me” Options** - The *types of investment options* offered in DC plans continued to show participant preferences for professionally managed options. Target date funds lead (70%), followed closely by traditional balanced funds and risk-based/life cycle funds. 71% of plans still offer a stable value option, which is an acceptable surrogate for zero-returning money market funds. A real estate offering in the plan continued to rise; 29% in large plans and 43% in mid-sized. Alternatives are also slowly gaining traction, with 8% of large plans and 18% of mid-sized plans offering these options.

**The Feeling is Mutual** - The *investment vehicle* of choice in DC plans continues to be mutual funds (95%). This could be a reflection of participants continued support for name recognition and ready access to data and information. It could also reflect the fact that lower cost share classes of mutual funds have been developed and are being offered in plans. Managed accounts continue to grow (32% and 29%), and it remains the second most used vehicle in DC plans, indicating participants are increasingly seeking “professionally managed” accounts or options versus managing their own 401(k) accounts.

**Bringing in a Pro** - *Financial/investment adviser services* are offered to participants by 62% of respondents; higher in the financial services group (53% of large financial services plans and 69% of mid-sized). From a fee standpoint, most are based on plan assets or a monthly or annual retainer. The survey was not clear on whether the plan or participant (or a combination of the two) are paying for the services.

**Leakage** - The survey showed participants with *outstanding loans or those making hardship withdrawals* remained constant. 14% of participants have outstanding loans and 1%

have a hardship withdrawal. Many sponsors have *taken actions to limit pre-retirement access to plan assets*; by imposing limits on loan amounts, on the number of loans, raising processing charges and discouraging early access in communications.

**Cost Matters** - 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 79% conducted them annually in large financial services firms and 69% in mid-sized firms. *Who pays administrative or recordkeeping costs?* In most cases, the *employer* paid the fees (directly or with revenue sharing), followed by “*share*” *payment* (participants through investments and employer payments). 16% indicated participants paid (fixed cost billed direct).

**Ready, Set, Retire** - *Retirement income readiness and solutions* were introduced in last year’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” (58% and 52%, respectively). The majority (76% and 71%, respectively) do *not currently offer income-oriented products and services*.

When sponsors were asked *how confident they were that employees would achieve their retirement income goals by age 65*, 28% slightly agreed, and 20% *slightly disagreed*.

**Financial Wellness** – there has been much discussion on offering employee education on topics beyond retirement planning to more holistically support employees on 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.

\* *Data Source: 2014 PLANSPONSOR Defined Contribution Plan Survey*

## Defined Contribution Plans Market Statistics

	2013	2014	Large Financial Services	Mid-Sized Financial Services
<b>TYPES OF DC PLANS OFFERED</b>				
401(k)	86.4%	87.0%	94.9%	93.1%
403(b) - ERISA and Non-ERISA	11.4%	10.6%	23.1%	3.4%
457	10.2%	10.2%	17.9%	0.0%
Money Purchase	2.9%	2.9%	15.4%	3.4%
Profit Sharing/ESOP	23.8%	20.3%	51.3%	37.9%
Non-qualified Deferred Compensation	10.8%	9.8%	38.5%	17.2%
<b>DC PLAN ASSETS OF SURVEY PARTICIPANTS</b>				
<\$5MM	32.8%	31.1%	32.6%	32.6%
\$5MM-\$49MM	37.7%	40.0%	32.6%	32.6%
\$50MM-\$200MM	13.5%	13.0%	10.9%	10.9%
\$200MM-\$1B	9.9%	9.8%	14.6%	14.6%
>\$1B	6%	6%	9.4%	9.4%
<b>PARTICIPATION RATE AMONG ELIGIBLE EMPLOYEES</b>				
Average	76.9%	77.2%	82.1%	84.8%
Median	82%	83%	88.0%	90.0%
Average Deferral Rate	NA	6.4	7.7%	7.7%
<b>PLAN DESIGN ELEMENTS</b>				
Auto-enrollment	40.8%	40.0%	69.2%	48.3%
Auto-deferral increases	26.9%	25.5%	56.8%	27.6%
Written Investment Policy Stmt.	67.1%	64.7%	73.7%	86.2%
Employer Match	68.3%	71.8%	85.7%	66.7%
Roth Contribution Option	52.4%	54.6%	78.4%	78.6%
Professional Managed Account	35.2%	35.6%	31.6%	28.6%
<b>IMPLEMENTATION OF AUTO-ENROLLMENT</b>				
To new employees only	87.9%	90.5%	96.7%	100.0%
Existing employees not enrolled	26.8%	30.1%	26.7%	0.0%
Existing employees, contributing below auto deferral rate	11.0%	14.9%	20.0%	0.0%
<b>DEFAULT INVESTMENT FOR AUTO-ENROLLMENT</b>				
Stable Value Fund/GIC	5.2%	5.8%	0.0%	0.0%
Target-Date Funds (active & passive)	50%	51.6%	51.7%	42.8%
Custom Target-Date Funds	10%	9%	3.4%	0.0%
Risk-based Fund/Life Cycle	7%	5.1%	10.3%	7.1%
Balanced	11.2%	10.5%	13.8%	35.7%
Managed account	3.8%	3.8%	13.8%	0.0%
Money Market	6.6%	4.1%	0.0%	14.3%
Other	6.9%	6.4%	6.9%	0.0%
<b>ELIGIBLE TO PARTICIPATE</b>				
Immediately upon hire	37.6%	36.7%	59.0%	55.2%
Within 3 months	25.1%	26.3%	33.3%	24.1%
After 4 to 6 months	8.7%	9.0%	0.0%	3.4%
After more than 6 months	28.6%	28.0%	7.7%	17.2%

**Defined Contribution Plans  
Market Statistics**

	2013	2014	Large Financial Services	Mid-Sized Financial Services
<b>NUMBER OF INVESTMENT OPTIONS OFFERED</b>				
Average	21	20.6	24.2	17.2
Median	17	19	21	16.5
<b>NUMBER OF INVESTMENT OPTIONS HELD BY PARTICIPANTS</b>				
Average	5.7	5.1	5.4	5
Median	4.3	4	5	4
<b>TYPES OF INVESTMENT OPTIONS OFFERED</b>				
Employer Stock	7.9%	7.7%	31.6%	10.7%
Self-Directed Brokerage	19.5%	18.3%	21.6%	17.2%
Real Estate	28.2%	27.8%	28.9%	42.9%
Alternative Investments	5.5%	4.8%	7.9%	17.9%
Target Date Funds	71.9%	69.8%	71.1%	67.9%
Risk-based / life cycle	36.8%	39.5%	31.6%	28.6%
Balanced	73.8%	73.1%	63.2%	67.9%
Stable Value	63.3%	59.7%	71.1%	71.4%
Socially Responsible Investment	NA	11.3%	7.9%	0.0%
<b>INVESTMENT VEHICLES USED IN DC PLANS</b>				
Mutual Funds	94.2%	92.3%	94.6%	96.9%
Separate Account	24%	22%	21.6%	17.2%
Managed Account	35.2%	35.6%	31.6%	28.6%
Collective Trust	14.4%	14.9%	35.1%	24.1%
ETFs (outside brokerage window)	NA	7.1%	5.4%	10.3%
<b>CONSIDERATION GIVEN TO BUILDING CUSTOM TDF's</b>				
Yes - Considering	13.2%	13.0%	12.5%	15.8%
No - Have not considered	76.1%	77.0%	83.3%	68.4%
Already in place	10.8%	10.0%	4.2%	15.8%
<b>APPROXIMATE MAXIMUM MATCH</b>				
>100% of 6% of salary	7.6%	7.7%	5.6%	7.1%
100% match of 6%	12.2%	9.6%	22.2%	21.4%
51%-99% of 6%	30.6%	19.8%	27.8%	14.3%
50% match of 6%	27.2%	27.1%	22.2%	35.7%
<50% of 6%	22.4%	28.8%	22.2%	21.4%
Fixed Dollar	NA	7.0%	0.0%	0.0%
<b>PARTICIPANTS TAKING ADVANTAGE OF THE MAXIMUM MATCH</b>				
All or nearly all participants	22.5%	24.7%	25.0%	27.3%
Vast Majority (75% or more)	29%	25.1%	25.0%	40.9%
About half	26.2%	25.1%	33.3%	22.7%
Less than half	27.2%	25.2%	16.7%	9.1%

**Defined Contribution Plans  
Market Statistics**

	2013	2014	Large Financial Services	Mid-Sized Financial Services
<b>PARTICIPANTS WITH OUTSTANDING LOANS</b>				
Average	14.4%	14.0%	14.4%	12.3%
Median	11%	12%	15.0%	10.0%
<b>PARTICIPANTS MAKING HARDSHIP WITHDRAWALS</b>				
Average	2%	1%	1.6%	1.2%
Median	1%	1%	1.0%	1.0%
<b>ACTIONS TO LIMIT PRE-RETIREMENT ACCESS TO PLAN ASSETS</b>				
Impose limits on loan amounts	NA	69.9%	78.1%	60.9%
Impose limits on number of loans	NA	69.4%	84.4%	67.1%
Instituted/raised processing charges	NA	14.7%	12.5%	13.0%
Enrolled plan in rollover management services	NA	2.5%	3.1%	0.0%
Discourage early access in communications	NA	14.1%	15.6%	8.7%
No steps taken to limit access	NA	19.1%	9.4%	26.1%
<b>FREQUENCY OF INVESTMENT OPTION REVIEW</b>				
Quarterly	37%	31.7%	50%	48.3%
Semi-Annual	16.5%	13.9%	10.3%	10.5%
Annual	31.5%	40.3%	36.8%	31.0%
<b>FREQUENCY OF ADMIN COST/FEE REVIEW</b>				
Annually	66.5%	70.5%	78.9%	69.0%
Every 1-2 Years	10.5%	8.9%	5.3%	10.3%
Every 2-3 Years	9.9%	7.0%	15.8%	13.8%
Every 3-5 Years	6.4%	3.6%	0.0%	6.9%
Every 5+ Years	3%	11%	0.0%	0.0%
Never	4.1%	8.4%	0.0%	0.0%
<b>WHO PAYS ADMIN/RECORDKEEPING COSTS</b>				
Participants - fixed cost billed direct	19.7%	20.7%	15.8%	17.2%
Shared - participants through investments and employer	17.8%	20.6%	18.4%	17.2%
Organization - employer pays fees	41.5%	36.4%	42.1%	55.2%
Other/all fees covered by revenue sharing	12.8%	12.0%	23.7%	3.4%
Don't Know	8.3%	10.3%	0.0%	6.9%
<b>DOES PLAN OFFER FINANCIAL ADVISER SERVICES</b>				
Yes	60.3%	61.7%	52.6%	69.0%
No	39.7%	37.5%	47.4%	31.0%
<b>WHAT IS THE ADVISER'S FEE ARRANGEMENT</b>				
% of Plan Assets	41.5%	42.8%	25.0%	50.0%
Per Participant	4.3%	3.3%	0.0%	0.0%
Project-based	2.9%	4.0%	15.0%	5.0%
Monthly/Annual Retainer	21.7%	26.5%	45.0%	30.0%
Performance:Investments	1%	1%	0.0%	0.0%
Performance:Participation	0.4%	0.2%	0.0%	0.0%
Other/Don't Know	32.2%	26.4%	25.0%	20.0%

**Defined Contribution Plans  
Market Statistics**

	2013	2014	Large Financial Services	Mid-Sized Financial Services
<b>DOES PLAN ALLOW SYSTEMATIC WITHDRAWALS AT RETIREMENT</b>				
Yes	62.3%	55.7%	58.3%	51.9%
No	23.0%	23.9%	36.1%	40.7%
Unsure	14.7%	20.3%	5.6%	7.4%
<b>WHICH INCOME-ORIENTED PRODUCTS ARE OFFERED IN PLAN</b>				
In-Plan Annuities/income products w/ guaranteed mo. incor	8.6%	9.1%	10.5%	0.0%
In-Plan Annuities/income products w/ guaranteed base ben	NA	4.0%	2.6%	0.0%
In-Plan Annuities NOT offering guarantees	5.3%	8.2%	5.3%	7.1%
Out of Plan Annuity Purchase Bidding	NA	4.7%	0.0%	0.0%
Unsure what type of income products are offered	24.0%	33.1%	7.9%	21.4%
None - do not offer income-oriented products/services	60.2%	47.2%	76.3%	71.4%
<b>WILL EMPLOYEES ACHIEVE THEIR RETIREMENT INCOME GOALS BY 65</b>				
Agree	3.0%	8.8%	12.0%	4.8%
Slightly Agree	9.0%	20.4%	28.0%	28.6%
Undecided	32.5%	22.2%	24.0%	19.0%
Slightly Disagree	28.6%	28.2%	20.0%	19.0%
Disagree	20%	20%	16.0%	28.6%
<b>PLAN TO OFFER RETIREMENT INCOME PRODUCTS IN FUTURE</b>				
Yes, next 12-24 months	NA	2.3%	0.0%	5.0%
Maybe, considering	NA	20.3%	17.2%	20.0%
Researched option, decided NO	NA	8.8%	17.2%	35.0%
No research, decided NO	NA	42.5%	31.0%	15.0%
Unsure	NA	26%	34.5%	25.0%
<b>OFFER GENERAL EDUCATION ON FINANCIAL WELLNESS TOPICS</b>				
Saving & Budgeting	NA	34.4%	59.0%	34.5%
Investing Strategies	NA	51.8%	69.2%	62.1%
Managing credit/debt	NA	14.5%	28.2%	24.1%
Home Buying	NA	7.2%	17.9%	10.3%
College Saving	NA	11.7%	30.8%	10.3%
Social Security Options	NA	11.6%	17.9%	20.7%
Tax/Estate Planning	NA	10.6%	30.8%	17.2%
Retiree Healthcare costs/savings	NA	19.0%	25.6%	31.0%
Long-Term Care	NA	9.0%	17.9%	13.8%
No General Financial Education Offered	NA	40.3%	17.9%	24.1%