



2013 PLANSPONSOR DC Survey Summary

Annually, PLANSPONSOR magazine conducts a survey of the US defined contribution plan marketplace. In 2013, surveys were once again sent out to plans of all sizes covering a variety of industries, as well as nonprofit organizations (5,342 responses were received). Micro plans were defined as those with <\$5 million in assets (33% of respondents), small plans as those with \$5 million in assets up to \$50 million in assets (38% of respondents), mid-size as \$50 million - \$200 million in assets (13% of respondents) and large as \$200 million - \$1 billion in assets (10% of respondents). Mega plans, defined as those with over \$1 billion in plan assets represented 6% of respondents. A summary of the survey findings prepared by Chartwell Consulting follows. These summary results also compare the changes from 2012 to 2013. Notable highlights from this year's survey include:

- ✦ The *types of DC Plans offered* changed slightly during the year. The number of *401(k) plans* remained constant at 86.4%. Within the financial services, 401(k) plans are the most commonly offered plan type (97%), followed by Profit Sharing/ESOP plans (38% in large financial services firms and 49% in mid-sized financial firms).
- ✦ The average *participation rate amongst eligible employees* rose (from 72.6% to 76.9%). This could be a sign of participant's feeling/being *less* financially stressed and having the ability to save more. In the financial services industry, participation rates are *higher*, 87% at large firms and 83% at mid-sized firms. Eligibility to participate for the majority of plans (62%) falls between "immediately upon hire" to within 3 months, and is in the 95% range within financial services firms.
- ✦ The *average contribution/deferral rate* among active participants was 6%. Interestingly, it is higher at mid-sized financial services firms (8%) and 7% at large financial services firms.
- ✦ The number of employers offering a match increased, albeit slightly (64% to 68%). Of these employers, 42.8% offer a *maximum match* of 50% - 100% of 6% of salary, while 49.6% offer a match of less than 6%. The number of participants taking advantage of the *maximum match* offered is widely dispersed. Only 22% of respondents indicate "all or nearly all participants" are taking advantage of the maximum match, while 27% indicate "less than half" are.
- ✦ The "auto" features in DC plans (auto-enrollment, auto-deferrals, etc.) fell slightly from 2012 to 2013. *Auto enrollment* decreased from 42% to 41%, and *auto*

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- deferral increases fell* from 29% to 27%. The *implementation of auto enrollment* to new employees, *rose* slightly from 87% to 88%, while implementation to *existing employees not enrolled in the plan fell* slightly from 29% to 27%.
- ☞ The *default investment for auto-enrollment* was little changed during the year. Target date funds showed an increase from 47% to 50%. 10% of respondents offer a custom target date series. Combining the two categories of target date funds shows a 3% increase from 2012 to 2013. GIC's are now the default option in only 5.2% of plans (and zero in mid and large size financial services firms). Balanced accounts (11%) and risk-based asset allocation funds (7%) are the other primary choices. Despite the "zero interest rate environment", the use of a money market fund for the default option for auto-enrollment remains surprisingly high at 7%.
 - ☞ The *type of target date fund being offered* showed that *single-manager funds* (funds from a single firm) were the most used/offered (39%). Other responses were: multi-manager funds (funds from multiple firms), customized and two or more of the above. Interestingly, 30% of the respondents indicated they were *not sure* what type(s) were being offered. Survey participants were asked if they had given *consideration to building custom target date funds*, and 76% indicated "no" at this time, while 13% either answered "yes" and 11% that they were *already in place*.
 - ☞ The average *number of investment options offered* increased from 18 to 21, with the median being 17. A target date or risk-based *series* of funds is counted as *one* option. The average *number of options held by participants* increased (4.7 to 5.7), with the median of 4.3. The increased use of target date funds will keep the number of options held by participants down, as they offer diversification within one option.
 - ☞ The *types of investment options* offered in DC plans showed a few changes in 2013. The offering and usage of target date funds dropped from 76% to 72%. Risk based/life cycle funds increased from 30% to 37%. 20% of DC plans offer a self-directed brokerage option, which is often the least used option in a plan. Offering a real estate option continued to rise from 22% to 28%. The survey did not include a real assets or commodities/natural resources category, but inflation hedging strategies are being included in plan menus. 5% offer alternative investments in their line-up (up from 3% in 2012). Offering an "in plan" guaranteed income option fell from 9.5% to 8.6%. More focus on *retirement income solutions* was added to 2013's survey. Those responses are included at the end of this summary.
 - ☞ The *investment vehicle* of choice in DC plans continues to be mutual funds (94%). 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. The use of separate accounts remained steady at 24%. Managed accounts

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saw a slight increase (33% to 35%), and it remains the second most used vehicle in DC plans, indicating participants are increasingly seeking “professionally managed” options versus managing their own 401(k) accounts.

- ✉ *Financial/investment adviser services* are offered to participants by the majority plans. 60% of respondents indicate offering a “financial advisor”. From a fee standpoint, 42% are based on plan assets and 22% on 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.
- ✉ The survey showed participants with *outstanding loans or those making hardship withdrawals* remained constant. 14% of participants have outstanding loans and 2% have taken a hardship withdrawal.
- ✉ 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 67% conducted them annually and another 11% indicated “every 1-2 years”.
- ✉ Another fee related question asked *who pays administrative/recordkeeping costs?* 42% indicated the *employer* paid the fees, 18% indicated “*share*” payment (participants through investments and employer payment) and 20% indicated participants (fixed cost billed direct).
- ✉ *Retirement income readiness and solutions* was a new theme added to this year’s survey. Broadly, sponsors were asked the *importance of offering a retirement income solution*. The majority of sponsors replied very important (41%) and important (37%). 3% answered not important at all and 2% were unsure.
- ✉ While the majority of sponsors indicated offering retirement income solutions in the plans was important, 60% *do not offer income-oriented products/services*. 24% responded they were *unsure* what type of income products are offered. Of those that do offer an in plan product, 9% *offer annuities/income products with guarantees*, 5% *offer annuities that are not guaranteed*, and 6% *offer non-annuities with no guarantees*.
- ✉ *Does the Plan Allow Systematic Withdrawals at Retirement* – 62% answered yes, 23% indicated no and 15% were unsure.
- ✉ When sponsors were asked *how confident they were that employees would achieve their retirement income goals by age 65*, 33% indicated they were *somewhat* confident, 29% *only a little* confident and 20% *not at all* confident.
- ✉ Sponsors were lastly asked *how they gauged the success of their DC plans*. Most (68%) indicated by *participation rate* and 34% indicated by *deferral rates*. 28% indicated the *percent of participants saving to the match*. 26% indicated they use *external/competitive benchmarking of plan design* and another 26% indicated they have no formal success measures.

**Defined Contribution Plans
Market Statistics**

	2012	2013
TYPES OF DC PLANS OFFERED		
401(k)	86.4%	86.4%
401(a)	5%	NA
403(b) - ERISA and Non-ERISA	12.6%	11.4%
457	9.2%	10.2%
Money Purchase	2.2%	2.9%
Profit Sharing/ESOP	17.2%	23.8%
Non-qualified Deferred Compensation	12.1%	10.8%
DC PLAN ASSETS OF SURVEY PARTICIPANTS		
<\$5MM	35.4%	32.8%
\$5MM-\$49MM	35.5%	37.7%
\$50MM-\$200MM	12.9%	13.5%
\$200MM-\$1B	10.1%	9.9%
>\$1B	6%	6%
PARTICIPATION RATE AMONG ELIGIBLE EMPLOYEES		
Average	72.6%	76.9%
Median	80%	82%
PLAN DESIGN ELEMENTS		
Auto-enrollment	41.7%	40.8%
Auto-deferral increases	28.6%	26.9%
Written Investment Policy Stmt.	65.5%	67.1%
Profit-Sharing Contribution	26.4%	27.5%
Employer Match	64%	68%
Use a Financial Advisor	66.4%	60.3%
Roth Contribution Option	48%	52%
Catch-Up Contribution	NA	95%
IMPLEMENTATION OF AUTO-ENROLLMENT		
To new employees only	87.1%	87.9%
Existing employees not enrolled	29.1%	26.8%
Existing employees, contributing below auto deferral rate	9.9%	11.0%
DEFAULT INVESTMENT FOR AUTO-ENROLLMENT		
Stable Value Fund/GIC	5.7%	5.2%
Target-Date Funds (active & passive)	46.9%	50%
Custom Target-Date Funds	10%	10%
Risk-based Fund/Life Cycle	8%	7%
Balanced	12.8%	11.2%
Managed account	4.3%	3.8%
Money Market	6.9%	6.6%
Other	5.4%	6.9%
ELIGIBLE TO PARTICIPATE		
Immediately upon hire	35.9%	37.6%
Within 3 months	26.5%	25.1%
After 4 to 6 months	8.1%	8.7%
After more than 6 months	29.6%	28.6%

**Defined Contribution Plans
Market Statistics**

	2012	2013
NUMBER OF INVESTMENT OPTIONS OFFERED		
Average	17.6	21
Median	16	17
NUMBER OF INVESTMENT OPTIONS HELD BY PARTICIPANTS		
Average	4.7	5.7
Median	4	4.3
TYPES OF INVESTMENT OPTIONS OFFERED		
Employer Stock	8.8%	7.9%
Self-Directed Brokerage	19.8%	19.5%
Real Estate	22.6%	28.2%
Alternative Investments	2.8%	5.5%
Target Date Funds	76.3%	71.9%
Risk-based / life cycle	29.8%	36.8%
Balanced	NA	73.8%
"In plan" Guaranteed Income Option	9.5%	8.6%
Stable Value	NA	63.3%
INVESTMENT VEHICLES USED IN DC PLANS		
Mutual Funds	96.7%	94.2%
Separate Account	24%	24%
Managed Account	32.9%	35.2%
Commingled Account	7.7%	6.0%
Collective Trust	13.2%	14.4%
WHAT TYPES OF TARGET DATE FUNDS OFFERED		
Single-Manager Funds (funds from a single firm)	39.8%	38.8%
Multi-Manager Funds (funds from multiple firms)	11.8%	13.2%
Customized (from funds in current line-up)	9.0%	7.4%
Two or more of the above	8.2%	7.2%
Not sure	26.9%	30.3%
CONSIDERATION GIVEN TO BUILDING CUSTOM TDF's		
Yes - Considering	12.4%	13.2%
No - Have not considered	75.3%	76.1%
Already in place	12.3%	10.8%
APPROXIMATE MAXIMUM MATCH		
>100% of 6% of salary	5.4%	7.6%
100% match of 6%	15.4%	12.2%
51%-99% of 6%	19.2%	30.6%
50% match of 6%	28.1%	27.2%
<50% of 6%	23.5%	22.4%
Fixed Dollar	8.4%	NA
PARTICIPANTS TAKING ADVANTAGE OF THE MAXIMUM MATCH		
All or nearly all participants	29.7%	22.5%
Vast Majority (75% or more)	22%	29%
About half	25.6%	26.2%
Less than half	22.7%	27.2%

**Defined Contribution Plans
Market Statistics**

	2012	2013
PARTICIPANTS WITH OUTSTANDING LOANS		
Average	14.2%	14.4%
Median	11%	11%
PARTICIPANTS MAKING HARDSHIP WITHDRAWALS		
Average	2%	2%
Median	1%	1%
FREQUENCY OF INVESTMENT OPTION REVIEW		
Quarterly	39%	37%
Semi-Annual	19.1%	16.5%
Annual	29.1%	31.5%
FREQUENCY OF ADMIN COST/FEE REVIEW		
Annually	71.8%	66.5%
Every 1-2 Years	9.5%	10.5%
Every 2-3 Years	7.1%	9.9%
Every 3-5 Years	4.3%	6.4%
Every 5+ Years	2%	3%
Never	5.3%	4.1%
WHO PAYS ADMIN/RECORDKEEPING COSTS		
Participants - fixed cost billed direct	NA	19.7%
Shared - participants through investments and employer payment	21.6%	17.8%
Organization - employer pays fees	41.7%	41.5%
Other/all fees covered by revenue sharing	3.1%	12.8%
Don't Know	9.4%	8.3%
DOES PLAN OFFER FINANCIAL ADVISER SERVICES		
Yes	66.4%	60.3%
No	33.6%	39.7%
WHAT IS THE ADVISER'S FEE ARRANGEMENT		
% of Plan Assets	53.6%	41.5%
Per Participant	8.3%	4.3%
Project-based	4.8%	2.9%
Monthly/Annual Retainer	25.7%	21.7%
Performance:Investments	3%	1%
Performance:Participation	0.6%	0.4%
Other/Don't Know	11.7%	32.2%
IS A PROFESSIONALLY MANAGED ACCOUNT OPTION OFFERED		
Yes	NA	35.2%
No	NA	57.2%
Unsure	NA	7.6%
IMPORTANCE OF OFFERING A RETIREMENT INCOME SOLUTION		
Very Important	NA	41.1%
Important	NA	36.8%
Somewhat Important	NA	16.9%
Not at all Important	NA	2.7%
Unsure	NA	2%

**Defined Contribution Plans
Market Statistics**

	2012	2013
DOES PLAN ALLOW SYSTEMATIC WITHDRAWALS AT RETIREMENT		
Yes	NA	62.3%
No	NA	23.0%
Unsure	NA	14.7%
WHICH INCOME-ORIENTED PRODUCTS ARE OFFERED IN PLAN		
In-Plan Annuities/income products w/ guarantees	NA	8.6%
In-Plan Annuities NOT offering guarantees	NA	5.3%
Non-Annuity in-plan income products NOT offering guarantees	NA	5.9%
Unsure what type of income products are offered	NA	24.0%
None - do not offer income-oriented products/services	NA	60.2%
WILL EMPLOYEES ACHIEVE THEIR RETIREMENT INCOME GOALS BY 65		
Very Confident	NA	3.0%
Confident	NA	9.0%
Somewhat Confident	NA	32.5%
Only a Little Confident	NA	28.6%
Not at all Confident	NA	20%
Unsure	NA	6.4%