



Benchmarks for 401(k) Plans

Plan sponsors face many challenges in managing their 401(k) plans. Compliance issues, expense considerations and employee satisfaction are among the factors with which sponsors wrestle on a daily basis.

Assessing whether or not your plan is in the mainstream is usually pretty far down on the priority list. But, keeping your plan modern and flexible is a key factor in supporting employee recruiting and retention, and contributing to morale and job satisfaction.

It can be time-consuming to read every survey and find the data you need to compare your plan to others. This brochure provides a single resource to use in reviewing where your plan stands in relation to others along a spectrum of major benchmarks. You'll receive a snapshot of survey results regarding key factors. Then you can use the Notes section following each benchmark to record your plan's statistics and any action steps you want to consider.

How does your plan compare?

Plan Features

Eligibility

The trend in recent years is for *shorter service requirements*.

| Survey | % of plans | |
|-----------------------|------------|---------------------|
| | Immediate | Up to 3 mo. service |
| PSCA ¹ | 60% | 76% |
| Vanguard ² | 51% | 76% |
| Deloitte ³ | 55% | 85% |
| Hewitt ⁴ | 52% | — |

Notes: _____

The same is true for the *employer match*.

| Survey | % of plans | |
|-----------------------|---------------------|--------|
| | Up to 3 mo. service | 1 year |
| PSCA ¹ | 59% | 28% |
| Vanguard ² | 61% | 28% |

Notes: _____

Many plans have no *age requirement* for participation.

| Survey | % of plans | | |
|-----------------------|-------------|--------|--------|
| | No min. age | Age 18 | Age 21 |
| PSCA ¹ | 44% | 24% | 21% |
| Deloitte ³ | 43% | 20% | 35% |

Notes: _____

Vesting

Immediate *vesting* of the employer match is becoming increasingly common.

| Survey | % of plans |
|-----------------------|------------|
| PSCA ⁵ | 39% |
| Deloitte ³ | 58% |

Notes: _____

Automatic Enrollment

Of all newer plan features, *automatic enrollment* is the fastest growing.

| Survey | % of plans | New hires only | All |
|-----------------------|------------|----------------|-----|
| PSCA ⁵ | 40% | 84% | 16% |
| Vanguard ² | 21% | — | — |
| Deloitte ³ | 49% | 65% | 33% |
| Hewitt ⁶ | 57% | — | — |

Notes: _____

Automatic Contribution Increases

Automatic deferral rate step-ups are rising in popularity. This feature is often coupled with automatic enrollment.

| Survey | % of plans |
|-----------------------|------------|
| PSCA ⁵ | 35% |
| Vanguard ² | 75% |
| Deloitte ³ | 47% |
| Hewitt ⁶ | 47% |

Notes: _____

Catch Up Contributions

Most plans permit *catch-up contributions* for participants age 50 and over.

| Survey | % of plans | % of partic. used |
|-----------------------|------------|-------------------|
| PSCA ⁵ | 99% | 21% |
| Vanguard ² | 90% | 13% |

Notes: _____

Roth 401(k) Contributions

There has been little change in the last few years in the number of plans offering *Roth contributions*.

| Survey | % of plans | % of partic. used |
|-----------------------|------------|-------------------|
| PSCA ⁵ | 34% | 13% |
| Vanguard ² | 33% | 8% |
| Deloitte ³ | 39% | — |
| Hewitt ⁶ | 34% | — |

Notes: _____

Participation

Average *participation rates* have remained relatively steady in recent years.

| Survey | Average rate |
|------------------------|--------------|
| PSCA ⁵ | 82% |
| Vanguard ² | 75% |
| Hewitt ⁴ | 81% |
| Principal ⁷ | 66% |

Notes: _____

Contributions

Average Deferral Rates

Average *contribution percentages* have changed little over the last few years.

| Survey | Overall avg. | HCE | NHCE |
|------------------------|--------------|-------|-------|
| PSCA ⁵ | — | 6.7% | 5.2% |
| Vanguard ² | 6.8% | — | — |
| Deloitte ³ | — | 6%-8% | 4%-6% |
| Principal ⁷ | 6.9% | — | — |

Notes: _____

Employer Match

Most plans provide a fixed *match*, the most common of which continues to be \$.50 per \$1.00 up to 6% of pay.

| Survey | % of plans with fixed match |
|---------------------|-----------------------------|
| PSCA ⁵ | 52.6% |
| Hewitt ⁴ | 66% |

Notes: _____

Investments

Number of Options

There hasn't been a significant change in the number of *choices* over the last five years or so.

| Survey | Number of options |
|-----------------------|-------------------|
| PSCA ⁵ | 18 |
| Deloitte ³ | 20 |
| Vanguard ² | 25 |
| Hewitt ⁴ | 20 |

The Vanguard study found that on average participants use 3.4 funds.

Notes: _____

Target Date Funds

These funds are widely offered.

| Survey | % of plans offering |
|-----------------------|---------------------|
| PSCA ⁵ | 62% |
| Vanguard ⁸ | 79% |
| Deloitte ³ | 83% |
| Hewitt ⁶ | 83% |

Notes: _____

Default Under Automatic Enrollment

Target-date funds are the most common *default* in automatic enrollment plans.

| Survey | % of plans offering |
|------------------------|---------------------|
| PSCA ⁵ | 57% |
| Hewitt ⁴ | 69% |
| Principal ⁷ | 73% |
| Vanguard ⁸ | 90% |

Notes: _____

Average Allocation of Plan Assets

The largest portion of *plan assets* continues to be invested in equities.

| Survey | % in equities |
|------------------------|---------------|
| PSCA ⁵ | 60% |
| Vanguard ² | 66% |
| Principal ⁷ | 60% |

Notes: _____

Average Allocation of Participant Assets

Only the Vanguard study² included an average *participant allocation of assets*.

| Asset class | % of assets |
|--------------------|-------------|
| Diversified equity | 46% |
| Target date | 13% |
| Other balanced | 13% |
| Cash | 13% |
| Bond | 7% |
| Company stock | 8% |

Notes: _____

Investment Policy Statement and Monitoring

The majority of Plan Sponsors have implemented an *Investment Policy Statement*.

| Survey | % having IPS |
|-----------------------|--------------|
| PSCA ⁵ | 86% |
| Deloitte ³ | 88% |
| Hewitt ⁴ | 90% |

Notes: _____

Quarterly *monitoring* of the IPS is the most common frequency.

| Survey | % of plans | | |
|-----------------------|------------|---------------|----------|
| | Quarterly | Semi-annually | Annually |
| PSCA ⁵ | 64% | 14% | 18% |
| Deloitte ³ | 63% | 16% | 17% |

Notes: _____

Investment Advice Offered

The trend of offering *advice* to participants appears to be upward.

| Survey | % of plans |
|-----------------------|------------|
| PSCA ⁵ | 60% |
| Hewitt ⁶ | 56% |
| Deloitte ³ | 55% |

The PSCA survey revealed that 28% of participants used the advice they received.

Notes: _____

Distributions

Loans

The majority of plans continue to offer *loans*.

| Survey | % of plans | % of partic. with loans | Avg. loan balance |
|------------------------|------------|-------------------------|-------------------|
| PSCA ⁵ | 90% | 23% | \$8,760 |
| Vanguard ² | 75% | 16% | \$8,700 |
| Principal ⁷ | — | 6% | — |
| EBRI ⁹ | 59% | — | \$7,191 |

Notes: _____

Hardship Withdrawals

Most plans make *hardship distributions* available.

| Survey | % of plans |
|-----------------------|------------|
| PSCA ⁵ | 91% |
| Vanguard ² | 81% |
| Hewitt ⁴ | 95% |

Notes: _____

Termination Distribution

While many participants roll over their plan assets or have them transferred directly, significant numbers simply take a *cash distribution*.

| Survey | % taking cash |
|------------------------|---------------|
| Vanguard ² | 30% |
| Principal ⁷ | 11% |
| Hewitt ¹⁰ | 46% |

Notes: _____

Additional notes:

Footnotes and References

- ¹ *401(k) and Profit Sharing Plan Eligibility Survey, 2010*, © 2010 Profit Sharing/401(k) Council of America. 529 employers surveyed. <http://tinyurl.com/PSCA2010Eligibility>
- ² *How America Saves 2010*, © 2010 The Vanguard Group, Inc. Survey included 2,200 plans, 3 million participants, \$400 billion in plan assets. <http://tinyurl.com/HowAmericaSaves2010>
- ³ *Annual 401(k) Benchmarking Survey, 2010 Edition*, © 2010 Deloitte Consulting LLP. 653 employers surveyed. <http://tinyurl.com/Deloitte2010Benchmarking>
- ⁴ *Trends and Experience in 401(k) Plans*, © 2009 Hewitt Associates LLC. Survey included 300 employers, 3.8 million participants, \$350 billion in plan assets. <http://tinyurl.com/HewittTrends2009>
- ⁵ *53rd Annual Survey of Profit Sharing and 401(k) Plans*, © 2010 Profit Sharing/401(k) Council of America. Survey included 931 plans, 8.6 million participants, \$628 billion in plan assets.
- ⁶ *2011 Hot Topics in Retirement* © 2011 Aon Hewitt. Survey included 210 employers, 6 million participants. <http://tinyurl.com/AonHewitt2011HotTopics>
- ⁷ *The Total View 2009*, © 2009 Principal Financial Services, Inc. Survey included 43,000 plans, 4.7 million participants. <http://tinyurl.com/PrinTotalView2009>
- ⁸ *Target-date fund adoption in 2010, Research Note*, © 2011 The Vanguard Group, Inc. <http://tinyurl.com/TargetDateFunds2010>
- ⁹ *Loans from 401(k) Plans: How Many, How Large? Fast Facts*, © 2009 Employee Benefit Research Institute. <http://tinyurl.com/EBRILoanAnalysis>
- ¹⁰ Study of 170,000 terminated 401(k) plan participants, Press Release, © 2009 Hewitt Associates LLC. <http://tinyurl.com/401kCashouts>