



2009 PLANSPONSOR DC Survey Summary

For the last fourteen years, PLANSPONSOR magazine has conducted a survey of the defined contribution plan marketplace. In 2009, surveys were sent out and qualifying results from 5,635 respondents from all industry groups were collected. The majority of respondents (77%) were small and mid-sized plans (defined as having <\$5MM in assets up to \$50MM in assets). 12% of the respondents were large ((\$200MM-\$1B in assets) and mega (over \$1B) plans. The remaining 11% of plans ranged in size from \$50MM-\$200MM in assets. A summary of the survey findings prepared by Chartwell Consulting is attached. These summary results also compare the changes from 2008 to 2009. The following are some interesting and notable highlights:

- ✦ The *types of DC Plans offered* changed slightly during the year. Most notably, the number of *403(b) plans* increased from 16.6% to 18.8% and *401(k) plans* fell from 90.5% to 88.8%. The number of *money purchase, profit sharing/ESOP and deferred compensation plans* all declined during the year.
- ✦ The average *participation rate amongst eligible employees* decreased 1.5% (from 73.8% to 72.3%), with a median of 78%.
- ✦ Despite the promotion of “auto” features in DC plans (auto-enrollment, auto-deferrals, etc.) and the enhanced safe harbor benefits, the *use* of the auto enrollment feature is only 30.8%, however, the *implementation of auto enrollment* to all employees (versus just new employees) increased slightly from 40% to 41.3%.
- ✦ With auto deferrals, 50% of survey respondents indicate they have instituted a *deferral rate* of 3%. Only 15% have instituted auto *increases* of the deferral amount.
- ✦ The *default investment for auto-enrollment* was little changed during the year. Target date funds continued to increase and have become the default option of choice for auto-enrollment (rising from 44.3% in 2008 to 47% in 2009). GIC’s are now the default option in only 8.2% of plans. Despite a “zero” interest rate environment, money market funds gained ground as a default option in 2009, rising from 5.7% to 7.8%. This could be reflective of the “flight to safety” that followed the market and credit crash in 2008.

2009 PLANSPONSOR DC Survey Summary, cont.

- ✉ The average *number of investment options offered* increased slightly from 18.8 to 19.5, with the median being 17. The average *number of options held by participants* remained constant (5.3), with the median rising slightly from 4.2 to 4.5. The increase use of target date funds will keep the number of options held by participants down, as they are diversified offerings.
- ✉ The *types of investment options* offered in DC plans remained very consistent. As noted earlier, the offering and usage of target date funds had the most notable increase (rising from 39.9% to 43%). 15% of DC plans offer a self-directed brokerage option, 12% offer a real estate option and only 2% offer alternative investments in their line-up.
- ✉ The *investment vehicle* of choice in DC plans has increasingly become mutual funds (88%). This could be a reflection of participants continued support for name recognition and ready access to data and information. Managed accounts saw a significant increase (11.1% to 24.7%), indicating participants are increasingly seeking “professionally managed” options versus managing their own 401(k) accounts.
- ✉ An issue which is gaining increased attention in the defined contribution arena is how to offer a guaranteed retirement income option. This year’s survey included a question on that topic. 84.5% of respondents indicate that no guaranteed retirement income option is currently offered, 12% indicated that one was offered “in plan” and another 4% indicated an “out of plan” option is offered. Expect to see/hear more on this important issue in coming years. It is one of the biggest differentiators between defined benefit and defined contribution plan benefits.
- ✉ The *average expense ratio* of investment options falls into a fairly tight range. A small number, 13%, have expense ratios of less than 25 bps, and another 13% have expense ratios greater than 100bps. Interestingly, 21.3% of survey respondents indicate they “don’t know” the average expense ratio of their investment menu.
- ✉ Despite difficult economic and market conditions, the majority of employers (52%) offer a *maximum match* of 50% - 100% of 6%, while 31% offer a match of less than 6%.
- ✉ *Financial/investment advice* is offered to participants by the majority plans. Only 28% of plans indicated no advice was offered. 35% use a financial planner, advisor or third party (such as Financial Engines) to provide advice while 33% use their DC provider’s advice services/capabilities

**Defined Contribution Plans
Market Statistics**

| | 2009 | 2008 |
|--|----------------------------------|-------------|
| TYPES OF DC PLANS OFFERED | | |
| 401(k) | 88.8% | 90.5% |
| 401(a) | 4.8% | 4.5% |
| 403(b) | 8.3% | 13.1% |
| 457 | 6.8% | 13.4% |
| Roth 401(k)/Roth 403(b) | 18.8% | 16.6% |
| Money Purchase | 2.8% | 3.1% |
| Profit Sharing/ESOP | 18.3% | 20.1% |
| Non-qualified Deferred Compensation | 8.6% | 12.1% |
| DC PLAN ASSETS OF SURVEY PARTICIPANTS | | |
| <\$5MM | 46.5% | 37.0% |
| \$5MM-\$49MM | 30.6% | 34.8% |
| \$50MM-\$200MM | 11.0% | 13.4% |
| \$200MM-\$1B | 7.5% | 9.5% |
| >\$1B | 4.3% | NA |
| IS THE DC PLAN A "safe harbor" PLAN? | | |
| Yes | 48.8% | NA |
| No | 51.2% | NA |
| PARTICIPATION RATE AMONG ELIGIBLE EMPLOYEES | | |
| Average | 72.3% | 73.8% |
| Median | 78.0% | 80.0% |
| USE OF AUTO-ENROLLMENT | | |
| Yes | 30.8% | NA |
| No | 69.2% | NA |
| IMPLEMENTATION OF AUTO-ENROLLMENT | | |
| To new employees only | 58.7% | 60.0% |
| To all employees | 41.3% | 40.0% |
| DEFAULT INVESTMENT FOR AUTO-ENROLLMENT | | |
| Stable Value Fund/GIC | 8.2% | 9.2% |
| Target-Date Fund | 47.0% | 44.3% |
| Risk-based Fund/Life Cycle | 10.6% | 14.1% |
| Balanced | 14.4% | 15.6% |
| Managed account | 4.3% | 5.0% |
| Money Market | 7.8% | 5.7% |
| Other | 7.7% | 5.9% |
| MOST COMMON AUTO-DEFAULT DEFERRAL RATE | | |
| | 50% of survey respondents use 3% | |
| IMPLEMENTATION OF AUTO DEFERRAL INCREASES | | |
| Yes | 15.5% | NA |
| No | 85 | NA |

**Defined Contribution Plans
Market Statistics**

| | 2009 | 2008 |
|---|-------|-------|
| NUMBER OF INVESTMENT OPTIONS OFFERED | | |
| Average | 19.5 | 18.8 |
| Median | 17.0 | 16.0 |
| NUMBER OF INVESTMENT OPTIONS HELD BY PARTICIPANTS | | |
| Average | 5.3 | 5.2 |
| Median | 4.5 | 4.2 |
| TYPES OF INVESTMENT OPTIONS OFFERED | | |
| Employer Stock | 8.0% | 9.5% |
| Self-Directed Brokerage | 14.5% | 15.2% |
| Real Estate | 12.1% | 13.3% |
| Alternative Investments | 2.3% | 1.8% |
| Target Date Funds | 43.1% | 39.9% |
| Risk-based / life cycle | 21.7% | 22.2% |
| Managed accounts | 22.7% | 20.7% |
| ETF's | 1.1% | 1.0% |
| INVESTMENT VEHICLES USED IN DC PLANS | | |
| Mutual Funds | 87.4% | 88.3% |
| Separate Account | 13.6% | 15.0% |
| Managed Account | 24.7% | 11.1% |
| Commingled Account | 5.9% | 2.9% |
| Collective Trust | 10.2% | 4.5% |
| AVERAGE EXPENSE RATION OF ALL THE INVESTMENT OPTIONS | | |
| Less than 25 bps | 13.2% | 13.3% |
| 25-50 bps | 17.7% | 18.9% |
| 51-75 bps | 16.7% | 17.4% |
| 75-100 bps | 18.4% | 21.1% |
| More than 100 bps | 12.5% | 13.0% |
| Don't know | 21.3% | 16.3% |
| GUARANTEED RETIREMENT INCOME OPTION PROVIDED? | | |
| In-Plan | 11.8% | NA |
| Out of Plan | 3.7% | NA |
| None Provided | 84.5% | NA |
| APPROXIMATE MAXIMUM MATCH | | |
| >100% of 6% of salary | 7.0% | 5.4% |
| 100% match of 6% | 10.3% | 9.6% |
| 51%-99% of 6% | 23.3% | 25.7% |
| 50% match of 6% | 28.3% | 28.5% |
| <50% of 6% | 31.1% | 30.8% |
| FINANCIAL/INVESTMENT ADVICE OFFERED TO PARTICIPANTS | | |
| No | 28.2% | 28.9% |
| Via financial planner/advisor | 26.7% | 26.7% |
| Via third party (Financial Engines) | 8.4% | 9.5% |
| Via DC Provider | 33.3% | 31.6% |
| Via Another Source | 3.3% | 3.3% |