



2010 PLANSPONSOR DC Survey Summary

For the last fifteen years, PLANSPONSOR magazine has conducted a survey of the defined contribution plan marketplace. In 2010, surveys were once again sent out to plans of all sizes covering a variety of industries, as well as nonprofit organizations. Micro plans were defined as those with less than \$5 million in assets (54% of respondents), small plans (\$5 million in assets up to \$50 million in assets, 31% of respondents), mid-size (\$50 million - \$200 million in assets, 8% of respondents) and large (\$200 million - \$1 billion in assets, 7% of respondents). Mega plans are defined as those with over \$1 billion in plan assets. A summary of the survey findings prepared by Chartwell Consulting is attached. These summary results also compare the changes from 2009 to 2010. The following are some interesting and notable highlights from this year's survey:

- ✦ The *types of DC Plans offered* changed slightly during the year. Most notably, the number of *401(k) plans* increased from 88.8% to 90.1% and *Roth 401(k) and Roth 403(b) plans* increased from 18.8% to 20.2%. With the extension of the tax cuts not occurring until late November/early December of 2010, it is not surprising to see the increase in Roth plans. The number of *money purchase, profit sharing/ESOP and deferred compensation plans* all declined during the year (just as they had from 2008 to 2009).
- ✦ The average *participation rate amongst eligible employees* decreased slightly (from 72.3% to 71.5%), with a lower median of 75%. Eligibility to participate for the majority of plans (54%) falls between “immediately upon hire” to within 3 months.
- ✦ Despite difficult economic and market conditions, a number of employers that discontinued their match after 2008 reinstated it, resulting in a 3% *increase* in those plans offering a match (73% to 76%). The majority of employers (53%) offer a *maximum match* of 50% - 100% of 6% of salary, while 30% offer a match of less than 6%. The number of participants taking advantage of the *maximum match* offered is widely dispersed. 25% of respondents indicate “all or nearly all participants” are taking advantage of the maximum match, while 19.5% indicate “less than half” are. There was very little change from 2009 to 2010 across the four categories of responses.
- ✦ Despite the promotion of “auto” features in DC plans (auto-enrollment, auto-deferrals, etc.), the *use* of the auto enrollment feature was virtually flat between 2009 and 2010 (31% versus 29%). The *implementation of auto enrollment* to new

2009 PLANSPONSOR DC Survey Summary, cont.

- employees, however, jumped from 59% to 89%, while implementation to *existing employees not enrolled in the plan* fell from 41% to 33%.
- ☞ For those plans with *auto deferrals*, there was a decrease from 15.5% to 10.3% in those that 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 47% in 2009 to 53% in 2010). GIC's are now the default option in only 6.9% of plans. Despite a "zero" interest rate environment, money market funds gained ground as a default option in 2010, rising from 7.8% to 9.7%.
 - ☞ The average *number of investment options offered* increased slightly from 19.5 to 21.4, with the median being 18. The average *number of options held by participants* also increased slightly (5.3 to 6.3), with the median of 5. The increase 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 signs of change in 2010. As noted earlier, the offering and usage of target date funds had the most notable increase (rising from 43% to 60%). 14% of DC plans offer a self-directed brokerage option. Offering a real estate option jumped from 12% to 19%, and risk-based/life cycle funds increased from 22% to 28%. The survey did not include a real assets or commodities/natural resources category, but those types of options are also being included in plan menus. Only 3% offer alternative investments in their line-up.
 - ☞ The *investment vehicle* of choice in DC plans has increasingly become mutual funds (90%). 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 saw a significant increase (24.7% to 31.9%), indicating participants are increasingly seeking "professionally managed" options versus managing their own 401(k) accounts.
 - ☞ *Financial/investment advice* is offered to participants by the majority plans. 62% of respondents indicate offering a "financial advisor". Mega plans indicated they offered some kind of third party advice provider, while large and mid-size plans were inclined to offer services via their DC plan provider.
 - ☞ Despite a difficult financial environment, the survey showed no significant increase in participants with *outstanding loans or those making hardship withdrawals*. 13% of participants have outstanding loans (versus 12% in 2009) and 2% have taken a hardship withdrawal (compared to 2.7% in 2009).
 - ☞ Looking forward, the most commonly cited *addition to services* noted by participating plan sponsors (and by a large margin) was the *intent to increase participant education and/or content*.

**Defined Contribution Plans
Market Statistics**

	2009	2010
TYPES OF DC PLANS OFFERED		
401(k)	88.8%	90.1%
401(a)	4.8%	4.4%
403(b)	8.3%	8.3%
457	6.8%	6.3%
Roth 401(k)/Roth 403(b)	18.8%	20.2%
Money Purchase	2.8%	3.2%
Profit Sharing/ESOP	18.3%	15.1%
Non-qualified Deferred Compensation	8.6%	7.6%
DC PLAN ASSETS OF SURVEY PARTICIPANTS		
<\$5MM	46.5%	53.6%
\$5MM-\$49MM	30.6%	30.9%
\$50MM-\$200MM	11.0%	8.2%
\$200MM-\$1B	7.5%	7.3%
>\$1B	4.3%	NA
PARTICIPATION RATE AMONG ELIGIBLE EMPLOYEES		
Average	72.3%	71.5%
Median	78.0%	75.0%
PLAN DESIGN ELEMENTS		
Auto-enrollment	30.8%	29.4%
Auto-deferral increases	15.5%	10.3%
Written Investment Policy Stmt.	70.2%	56.1%
Profit-Sharing Contribution	53.0%	46.9%
Employer Match	73.6%	76.6%
Use a Financial Advisor	62.5%	62.4%
IMPLEMENTATION OF AUTO-ENROLLMENT		
To new employees only	58.7%	89.1%
To all employees not enrolled	41.3%	32.6%
DEFAULT INVESTMENT FOR AUTO-ENROLLMENT		
Stable Value Fund/GIC	8.2%	6.9%
Target-Date Funds (active & passive)	47.0%	52.9%
Risk-based Fund/Life Cycle	10.6%	4.5%
Balanced	14.4%	15.5%
Managed account	4.3%	5.6%
Money Market	7.8%	9.7%
Other	7.7%	4.8%
ELIGIBLE TO PARTICIPATE		
Immediately upon hire	31.90%	28.3%
Within 3 months	25.00%	25.8%
After 4 to 6 months	9.80%	9.4%
After more than 6 months	33.30%	36.5%

**Defined Contribution Plans
Market Statistics**

	2009	2010
NUMBER OF INVESTMENT OPTIONS OFFERED		
Average	19.5	21.4
Median	17.0	18.0
NUMBER OF INVESTMENT OPTIONS HELD BY PARTICIPANTS		
Average	5.3	6.3
Median	4.5	5.0
TYPES OF INVESTMENT OPTIONS OFFERED		
Employer Stock	8.0%	6.5%
Self-Directed Brokerage	14.5%	14.2%
Real Estate	12.1%	19.1%
Alternative Investments	2.3%	3.6%
Target Date Funds	43.1%	60.5%
Risk-based / life cycle	21.7%	28.4%
ETF's	1.1%	1.2%
INVESTMENT VEHICLES USED IN DC PLANS		
Mutual Funds	87.4%	90.1%
Separate Account	13.6%	13.3%
Managed Account	24.7%	31.9%
Commingled Account	5.9%	6.6%
Collective Trust	10.2%	10.7%
APPROXIMATE MAXIMUM MATCH		
>100% of 6% of salary	7.0%	5.9%
100% match of 6%	10.3%	10.5%
51%-99% of 6%	23.3%	24.4%
50% match of 6%	28.3%	28.9%
<50% of 6%	31.1%	30.3%
PARTICIPANTS TAKING ADVANTAGE OF THE MAXIMUM MATCH		
All or nearly all participants	24.8%	24.9%
Vast Majority (75% or more)	32.4%	33.4%
About half	22.6%	22.2%
Less than half	20.2%	19.5%
PARTICIPANTS WITH OUTSTANDING LOANS		
Average	12.3%	12.8%
Median	10.0%	10.0%
PARTICIPANTS MAKING HARDSHIP WITHDRAWALS		
Average	2.7%	2.1%
Median	1.0%	1.0%