

## Benchmark Your 401k Plan - 2015

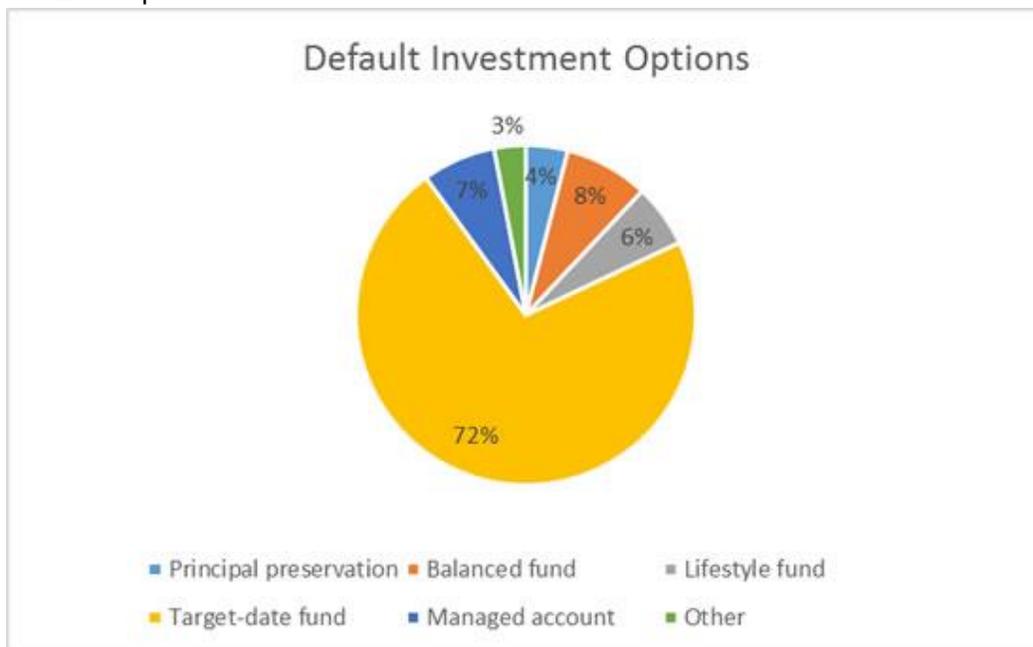
*How does your 401k plan compare with other 401k's?*

Many plan sponsors want to know how their 401k plan stacks up to the typical or average plan. This is often the first question asked when attempting to determine whether an effort should be made to upgrade the features and benefits of the plan.

To help you answer this question, we have identified some of the common performance characteristics and features offered by many 401k plans and compiled the statistics below from a variety of sources\* that will allow you to benchmark your plan.

### **Automatic Enrollment**

Forty-seven point two (47.2) percent of plans have an automatic enrollment feature. The most common default deferral is 3% of pay, present in 51.8% of plans. Fifty-seven point nine (57.9) percent of plans with automatic enrollment automatically increase default deferral rates over time. The most common default investment option is a target-date fund, present in 72% of plans.



Of those that don't have an automatic enrollment feature, 39% say they already have a high participation rate and do not feel they would benefit, and 20% think it would be too expensive due to increased cost of the match.

**Catch-up Contribution**

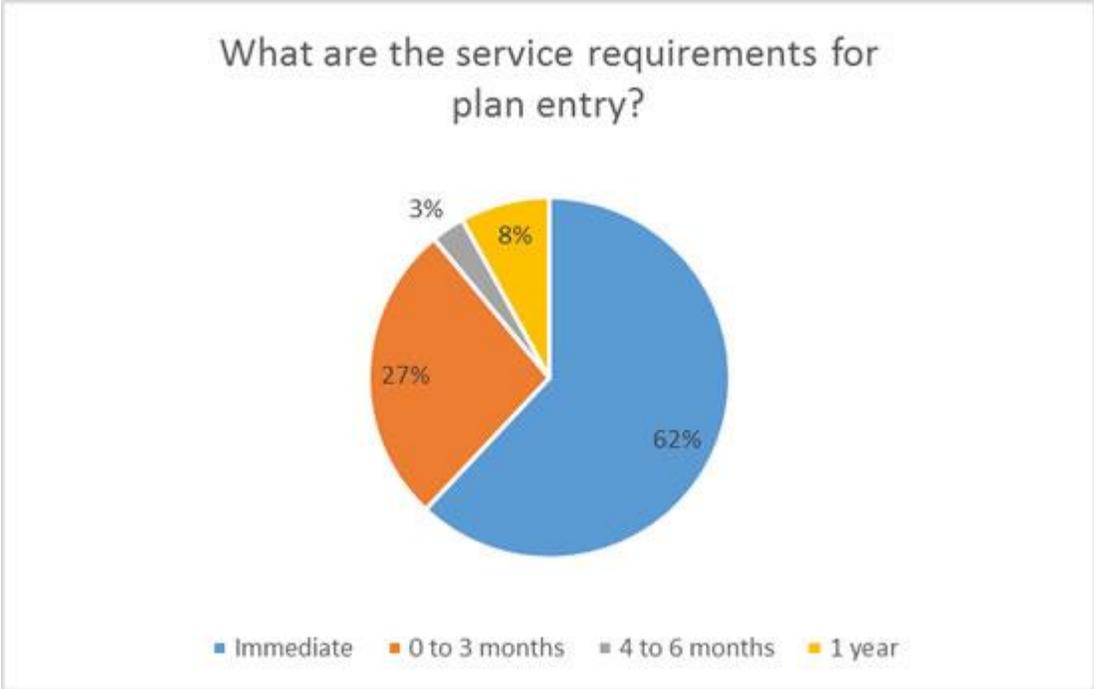
Catch-up contributions for participants aged 50 and older are permitted in 98.6% of plans. Forty-two point seven (42.7) percent of these plans offer a match on the catch-up contributions.

**Company Stock**

Only 18.2% of plans allow company stock as an investment option for both participant and company contributions. Three (3.0) percent of plans allow company stock as an investment option for company contributions only.

**Eligibility**

In 1998, only 24% of plans allowed employees to begin contributing to their 401k plans immediately upon employment. Now, 62% do so. Forty-six point two (46.2) percent of companies that provide a matching company contribution provide immediate eligibility to receive the match, while 29.4% require one year of service prior to eligibility to receive it.



## **Employee Participation Rate**

On average, 87.6% of eligible employees have a balance in the plan. Twenty-one point eight (21.8) percent of plan participants are no longer actively employed by the plan-sponsoring company.

## **Employer Contributions**

The average company contribution in 401k plans is 2.7% of pay. Numerous formulas are used to determine company contributions. The most common type of fixed match, reported by 40% of employer's, is \$.50 per \$1.00 up to a specified percentage of pay (commonly 6%). Thirty-eight (38) percent of all plans match \$1.00 per \$1.00 up to a specified percentage of pay. Forty-three (43) percent of employees said the company match was the primary reason they participate in the plan.

## **Hardship Withdrawals**

Hardship withdrawals are permitted in 83% of 401k plans. Only 4% of participants took a hardship withdrawal when permitted by the plan.

## **Investment Advice**

Investment advice is offered by 35% of plans. Seventeen point six (17.6) percent of participants used advice when it was offered.

## **Investment Advisors**

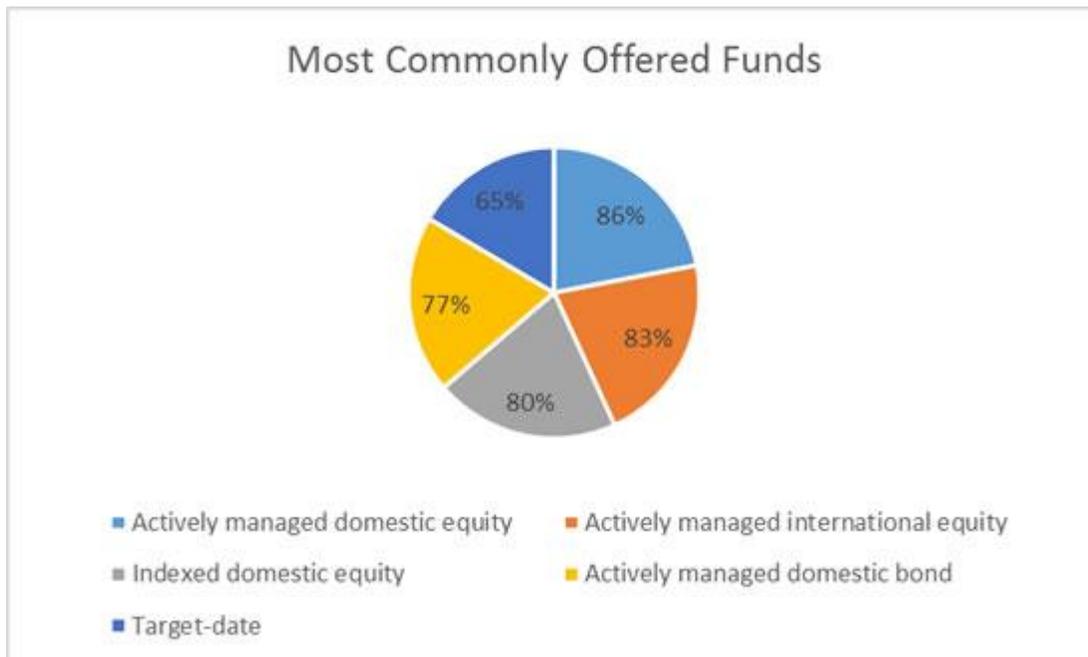
Sixty-eight point seven (68.7) percent of companies retain an independent investment advisor to assist with fiduciary responsibility.

## **Investment Committee**

Thirty-three (33) percent of plan sponsors have no investment committee, though it varies heavily by plan size. More than half the plans with less than \$5 million in assets did not. Fewer than one in 10 of plans with more than \$5 million in assets did not have such a working group.

## **Investment Options**

The number of funds offered to plan participants has leveled off after many years of steady increase. Plans now offer an average of 19 funds for both participant contributions and for company contributions.



### Investment Policy Statement

Eighty-nine point one (89.1) percent of all plans have a written investment policy statement, but only about half of those with less than \$5 million in assets do.

### Loans

Loans are permitted in 87.8% of 401k plans. Fifty point nine (50.9) percent of plans that allow loans permit only one loan at a time. Ninety point one (90.1) percent of plan that allow loans charge some type of loan fee. Twenty-one (21) percent of all 401k participants who were eligible for loans had loans outstanding against their accounts.

### Roth 401k Feature

Fifty-one (51) percent offer a Roth feature. The primary reason cited for implementing a Roth was to maintain a competitive plan. When offered the opportunity, 19.5% of participants made Roth contributions.

### Roth Conversion Option

Sixteen (16) percent of plan sponsors offer in-plan Roth conversions. When asked why in-plan Roth conversion has not been introduced to date, the leading reason was "not enough interest" at 47%.

## **Self-directed Brokerage Accounts**

Self-directed brokerage accounts are offered in 28% of plans and another 8% are considering offering them.

## **Safe Harbor Plan Design**

Thirty-eight (38) percent of plans have a Safe Harbor plan design in lieu of ADP/ACP testing.

## **Vesting**

Forty point six (40.6) percent of plans provide immediate vesting for matching contributions. Among plans that do not have immediate vesting, graduated vesting is the most common arrangement for all contribution types.

\* The most current studies and reports available have been used to compile the information. The following is a list of source material:

1. "56th Annual Survey of Profit Sharing and 401k Plans," published by Plan Sponsor Council of America
2. "Annual Defined Contribution Benchmarking Survey," published in 2014 by Deloitte Consulting
3. "A Report on Vanguard 2013 Defined Contribution Plan Data," published in 2014 by Vanguard
4. "401k Plan Asset Allocation, Account Balances, and Loan Activity in 2013," published in 2014 by Employee Benefit Research Institute and the Investment Company Institute

*This is for educational purposes only. The information provided here is intended to help you understand the general issue and does not constitute any tax, investment or legal advice. Consult your financial, tax or legal advisor regarding your own unique situation and your company's benefits representative for rules specific to your plan.*