

2015 Benchmark Survey Highlights Plan Trends



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What do plan sponsors feel is their primary role in sponsoring and administering a retirement plan? Why do employees participate (or not participate) in the plan? What plan features and administrative approaches do plan sponsors use to make the plan effective in meeting the goals of the employer and employees?

Deloitte's 2015 Annual Defined Contribution Benchmarking Survey provides a wealth of information gleaned from 401(k) and 403(b) plan sponsors about their reasons for offering a defined contribution plan and how they encourage participation. The survey is sponsored jointly by Deloitte Consulting, LLP and the International Foundation of Employee Benefit Specialists (ISCEBS). 398 companies from a range of industries (manufacturing to professional services) participated in the survey.

Employers reported feeling an increased responsibility to prepare employees for retirement. Notably, 23% of employers consider themselves "very involved" in their employee's retirement planning. Interestingly, a shift in focus by employers was noted from previous surveys as more employers reported being focused on ensuring that employees have the optimal retirement income replacement and fewer employers reported being focused on increasing participant savings rates. 89% of employers also reported that they believed that providing the right investments to plan participants was "very" or "quite" important.



Employers are searching for ways to encourage employees to participate. But how can this be accomplished? It starts with understanding why employees are willing to participate in their employer's retirement plan in the first place. The survey found that employees are motivated by their desire to save for retirement and to receive the company match. The third highest reason employees participated was automatic enrollment.

For plan sponsors considering adding an automatic enrollment feature, it may be helpful to know that 98% of plan sponsors who currently use automatic enrollment reported that they are satisfied with this

feature. With automatic enrollment, the retirement plan becomes a benefit that the employee is automatically provided. The employee's decision becomes "Do I want to decline this benefit?" rather than "Do I want to save for retirement?" It's a subtle difference, but one that seems to resonate as plan sponsors say automatic enrollment is positively impacting their plan across these areas: average contribution rates have increased, plan participation rates have increased and participant awareness about the plan has gone up. The most common default percentage was 3% and the most popular default investment election was the Lifecycle/Target Date Retirement fund. 28% of employers who use automatic enrollment also employ an automatic escalation feature, where a participant's deferral rate is automatically increased annually.

Employers who have chosen not to implement automatic enrollment state concerns about the increased cost of the employer's matching contribution and not wanting to be perceived as forcing employees to save as their two major reasons for not utilizing this plan design.

Relaxed eligibility requirements are another plan design that is gaining steam. Employers are increasingly allowing for immediate entry upon date of hire (66%), and plans with no age restrictions are at 49% - that's up from 42% in the prior year. Employers have also eased limits on employee contributions. Approximately 67% of survey respondents said they allow employees to contribute the maximum allowable under the law. And employers have taken note of the value that employees place on access to a company match - a significant driver of employee participation. Of employers that offer a company match, a relatively high 71% of them report immediate eligibility for the match contribution. The most common matching formula is 50% of the first 6% deferred and 89% of employers deposit the match each pay period. 43% of employers that provide a matching contribution make it immediately fully vested.

Other interesting statistics from the survey include the following:

- 60% of plan sponsors allow employees to contribute on an after-tax Roth basis.
- When employees were asked for feedback about what aspects of the plan they found confusing, 40% indicated that they were confused about how to invest their funds. However, this percentage is lower than 2012 when 85% of employees indicated they were confused about how to invest.
- 34% of employers offered managed accounts.



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