



2008 PLANSPONSOR DC Survey Summary

For the last thirteen years, PLANSPONSOR magazine has conducted a survey of the defined contribution plan marketplace. In 2008, surveys were sent out in July and August (to approximately 35,000 plans). Qualifying results from 6,000 respondents were collected by the September deadline. The results of the survey compare the changes from 2007 to 2008. A summary of the survey findings prepared by Chartwell Consulting is attached. The following are some interesting and notable highlights:

- ✦ The *types of DC Plans offered* changed little during the year, with the exception of a significant increase in the number of *Roth 401(k) and 403(b) plans*, which increased (from 11.5% to 16.6%).
- ✦ The *number of participants and assets in DC plans* continues to be dominated by *small to mid-sized plans*. Those plans with less than 500 employees account for 64% of DC plans (with 35% having less than 100 employees) and 72% of DC plans have assets of under \$50MM.
- ✦ The average *participation rate amongst eligible employees* continued to increase (from 73% to 74%), with a median of 80%.
- ✦ Despite the success of “auto” features in DC plans (auto-enrollment, auto-deferrals, etc.) and the enhanced safe harbor benefits, the *implementation of auto enrollment* to new employees dropped slightly from 62% to 60%. Employees *opting out* of auto-enrollment also increased slightly (from 7.7% to 7.9%).
- ✦ The *default investment for auto-enrollment* changed significantly, reflecting the change in the PPA’s designated options for qualified default investment alternatives (QDIA’s). Stable value funds/GIC’s dropped from 20% to 9%, while target date (rising from 33% to 44%) and risk-based lifecycle funds (rising from 8% to 14%) were beneficiaries. Money market funds dropped from 9.5% to 5.7%.
- ✦ The average *number of investment options offered* decreased from 21 to 19, with the median being 16. The average *number of options held by participants* remained constant at 5.2, but the median dropped from 5 to 4. It is not surprising for participants to rein in the number of investment options they maintain during down market periods.

2008 PLANSPONSOR DC Survey Summary, cont.

- ✦ The *types of investment options* offered in DC plans remained very consistent. More plans offered target date funds, as a result of the PPA's inclusion of them as QDIA's. 15% of DC plans offer a self-directed brokerage option, and only 2% offer alternative investments in their line-up.
- ✦ The *investment vehicle* of choice in DC plans has increasingly become mutual funds (up to 88% from 66% in 2007). This could be a reflection of participants continued support for name recognition and ready access to data and information. Collective trusts dropped from 11% to 4.5%, while separate accounts rose from 10% to 15%.
- ✦ 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.
- ✦ The majority of employers (52%) offer a *maximum match* of 50% - 100% of 6%, while 31% offer a match of less than 6%. Should we be in the midst of a prolonged recession and bear market, it will be interesting to see if the level of matching contributions declines.
- ✦ *Financial/investment advice* is offered to participants by the majority plans. Only 29% of plans indicated no advice was offered (a decrease of 6% from 2007). 37% use a financial planner, advisor or third party to provide advice while 32% use their DC provider's advice services/capabilities. The primary reasons for not offering advice center on fiduciary concerns (60%), fees (25%) and lack of employee interest (25%).

**Defined Contribution Plans
Market Statistics**

	2007	2008
TYPE(S) OF DC PLAN(S) OFFERED		
401(k)	91.0%	90.5%
401(a)	5.6%	4.5%
403(b)	5.8%	6.2%
457	6.6%	6.8%
Roth 401(k) / Roth 403 (b)	11.5%	16.6%
Money Purchase	3.3%	3.1%
Profit Sharing / ESOP	21.3%	20.1%
Non-qualified Deferred Comp	9.9%	12.1%
NUMBER OF PARTICIPANTS IN DC PLANS		
< 100	34.5%	35.5%
100 – 499	30.3%	28.5%
500 – 999	9.6%	9.7%
1,000 – 4,999	15.2%	15.6%
5,000 – 9,999	4.4%	4.6%
> 10,000	5.9%	6.2%
TOTAL DC PLAN ASSETS		
< \$5MM	35.8%	37.0%
\$5MM - \$50MM	36.1%	34.8%
> \$50MM - \$200MM	13.2%	13.4%
> \$200MM	15.0%	14.8%
PLAN DESIGN ELEMENTS		
Auto-enrollment	23.1%	29.8%
Auto- deferral increases	11.5%	13.6%
Written IPS	72.6%	71.0%
Profit-sharing contribution	41.3%	41.0%
Employer match	76.5%	73.6%
Use a financial adviser	55.2%	61.2%
Recommend DC provider	89.0%	86.1%
PARTICIPATION RATE AMONG ELIGIBLE EMPLOYEES		
Average	72.7%	73.8%
Median	78.0%	80.0%
IMPLEMENTATION OF AUTO-ENROLLMENT		
To new employees only	62.1%	60.0%
To all employees	37.9%	40.0%
EMPLOYEES OPTING OUT OF AUTO-ENROLLMENT		
Average	7.7%	7.9%
Median	3.0%	4.0%

Defined Contribution Plans
Market Statistics (continued)

	2007	2008
DEFAULT INVESTMENT FOR AUTO-ENROLLMENT		
Stable value fund / GIC	20.0%	9.2%
Target-date fund	33.3%	44.3%
Risk-based lifecycle fund	8.1%	14.1%
Balanced fund	15.6%	15.6%
Managed account	4.3%	5.0%
Money market fund	9.5%	5.7%
Other (please specify)	9.2%	5.9%
NUMBER OF INVESTMENT OPTIONS OFFERED		
Average	21.1	18.8
Median	16.0	16.0
NUMBER INVESTMENT OPTIONS HELD BY PARTICIPANTS		
Average	5.2	5.2
Median	5.0	4.2
TYPES OF INVESTMENT OPTIONS OFFERED		
Employer stock	9.1%	9.5%
Self directed brokerage	15.0%	15.2%
Real estate	14.0%	13.3%
Alternative investments	2.0%	1.8%
Target-date fund	36.1%	39.9%
Risk-base lifestyle funds	22.3%	22.2%
Managed accounts	23.2%	20.7%
ETFs	0.9%	1.0%
INVESTMENT VEHICLES USED IN DC PLAN		
Mutual funds	66.1%	88.3%
Separate account	10.0%	15.0%
Managed account	11.0%	11.1%
Commingled account	1.6%	2.9%
Collective trust	11.4%	4.5%
AVERAGE EXPENSE RATIO OF ALL THE INVESTMENT OPTIONS		
Less than 25 bps	13.3%	
25 – 50 bps	18.9%	
51 – 75 bps	17.4%	
75 – 100 bps	21.1%	
More than 100 bps	13.0%	
Don't know	16.3%	
PARTICIPANT BALANCES IN ASSET ALLOCATION / TARGET-DATE FUNDS		
Average	21.3%	24.3%
Median	14.0%	15.0%

Defined Contribution Plans
Market Statistics (continued)

	2007	2008
APPROXIMATE MAXIMUM MATCH		
> 100% of 6% of salary	5.2%	5.4%
100% match of 6%	9.1%	9.6%
51% - 91% of 6%	23.1%	25.7%
50% match of 6%	29.5%	28.5%
< 50% of 6%	33.2%	30.8%
FINANCIAL / INVESTMENT ADVICE OFFERED TO PARTICIPANTS		
No	34.9%	28.9%
Via financial planner / advisor	23.4%	26.7%
Via third party	9.8%	9.5%
Via DC provider	28.5%	31.6%
Via another source	3.5%	3.3%
REASON FOR NOT OFFERING ADVICE		
Fees	22.8%	25.0%
Fiduciary concerns	63.1%	59.9%
Lack of employee interest	24.2%	25.1%
Lack of management support	13.8%	14.9%
Other	11.5%	15.1%