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Plan Sponsor Council of America Releases Annual Survey Results

The Plan Sponsor Council of America recently released the results of its annual survey of profit-sharing and 401(k) plans, reflecting retirement plans in 2012. Some good news emerged among the data: 87.6% of eligible employees had balances in their plans, and on average, 80.7% of eligible employees contributed to them. More companies offer a Roth 401(k) feature than in the past, and more than 95% of companies contributed to their employee accounts. In addition, allocations to company stock seem to be on the decline.

Business owners may want to review the following selection of survey data to see how their plan features and participation rates compare to other retirement plan sponsors. For a copy of the full report, visit www.psca.org.

Eligibility, contributions, enrollment, and deferral rates

Six out of ten companies surveyed allow employees to begin contributing to their plans immediately upon hire. Of the companies that offer a matching contribution, almost half (46.2%) provide immediate eligibility to receive the match, while 29.4% require one year of service.

Pretax contributions are the most prevalent type of employee contribution, with 97.3% of plans permitting them. After-tax contributions (including Roth 401(k)) are allowed by 62.6% of plans; 53.8% allow Roth 401(k) contributions. The number of plans offering a Roth feature has risen 18% since 2010 and nearly 50% since 2008. Last year, more than 19% of participants eligible to make Roth contributions chose to do so.

Nearly all (98%) plans allow catch-up contributions, but just 23.8% of eligible participants took advantage of this feature.

The average employee contribution rate for both pre- and post-tax plans was 6.8%. Among non-highly compensated employees, the pretax deferral rate has changed very little over the past two decades. From 1991 to 2012, it rose from 4.2% to 5.2%, peaking at 5.6% in 2007.

Auto-enrollment occurs in 47.2% of plans, and is most common among large plans. Although the most common deferral rate for auto-enrolled participants is 3%, about a third of plans have default rates higher than that. Nearly three-quarters of plans invest the default contributions into a target-date fund, an increase of almost 40% since 2010. More than half of plans offer auto-escalation of deferral rates (contributions that are automatically increased over time); however, 18% of these plans require participant authorization.

Company contributions help many participants accumulate funds for the future. The survey found that the average contribution amounts are 8.8% for profit-sharing plans, 2.7% for 401(k) plans, and 5.4% for combination plans. The most common type of match is a fixed match in which the company contributes $0.50 on the dollar up to 6% of pay. Immediate vesting is provided in 40.6% of plans for matching contributions and 25.6% for profit-sharing contributions.

Investments

On average, retirement plans offer 19 funds to choose from. The typical plan offers 6 domestic stock funds, 2 international stock funds, 2 bond funds, and 1 balanced fund. More than 6 out of 10 plans offer target-date funds. Eighteen percent of plans allow company stock as an investment option; more than half of firms with 5,000 or more employees offer company stock as an option.

In the typical plan, 23.8% of assets are allocated to actively managed stock funds, 13.4% to target date funds, 10.2% to indexed domestic stock funds, 9.6% to stable value funds, and 8.0% to actively managed bond funds.

The average allocation to company stock in 2012 was 17.3%. Just 5% of plans had more than half of their assets invested in company stock, down from 17% ten years ago. Nearly 41% of plans had less than 10% of their assets invested in company stock, up from 29% ten years ago.

Nine out of ten plans have an investment policy statement, up from 70% in 2003. Most plans monitor their investments on a quarterly basis, and nearly 7 out of 10 companies use an independent advisor to help with fiduciary responsibility.

Investment advice and education

Investment advice is offered by 35% of companies, and within these firms, 17.6% of eligible participants take advantage of the service. The most common type of advice provider is a web-based platform (38.2%), followed by a Registered Investment Advisor (25.5%), a financial advisor affiliated with the plan provider (25%), and a Certified Financial Planner™ professional (13.7%).

Small companies are more likely to offer one-on-one counseling, while large companies lean toward a web-based provider. When more than one type of advice is offered, one-on-one is generally the most popular.

The most common forms of plan education include enrollment kits (69.5%), seminars/workshops (62.5%), e-mail (53%), web-based education (52.2%), and fund performance sheets (45.2%). Thirteen percent of plans use mobile apps and 3.6% use social media. The most common reasons for providing education include increasing plan participation (78.8%), increasing contribution rates (74.8%), and increasing appreciation for the plan (72.6%). Four out of ten plans provide education to help reduce their fiduciary liability.

About the survey

The 56th annual survey reflects the experiences of 686 401(k), profit-sharing, and "combination" plans with 10.3 million plan participants and $769 billion in plan assets in 2012. Respondent firms represented a wide range of industries, such as construction, financial, health care, manufacturing, real estate, services, and utility/energy.
