

A LOOK INSIDE THE AVERAGE 401(K) PLAN: HOW YOUR PLAN COMPARES

As an employer, you face a challenge: attracting and retaining the right talent is necessary to drive your business forward. At the same time, you likely feel a responsibility to help your employees achieve retirement financially prepared. Your 401(k) plan can help manage both of these goals.

Keeping an eye on the latest trends and tactics in the 401(k) arena is one way you can keep your plan competitive. Let's take a peek into defined contribution plan design and activities across a wide variety of industries and company sizes, with data drawn from a recent survey.

Contributions

In 2016, 84.9% of participants made contributions to their plans, up from 81.9% in the prior year. Lower-paid participants (as determined by the plan's ADP test) contributed to their plan an average of 6.1% of their pre-tax pay. Higher-paid participants contributed more, at 7.0% of their pre-tax pay on average.

Company contributions have shown a relatively steady increase over time, since dropping to 3.5% of payroll in 2010. In 2015, company contributions amounted to 4.7% of payroll, rising to 4.8% in 2016.1 Just 5.6% of companies participating in the survey did not make contributions to the plan. 82% made matching contributions, and 45.4% made non-matching contributions. For companies whose match is a fixed percentage, 41.3% match \$.50 for each dollar contributed by the participant, up to the first 6% of pay. A further 31.8% of these employers match participant deferrals dollar-for-dollar up to 6% of pay.

Investments

Just where is the money going? Plans continue to offer between 17 and 19 investment options for company contributions, and between 18 and 20 for participant contributions, figures which have remained relatively steady for the last 10 years. Most frequently, assets in 2016 were invested in actively managed domestic equity funds, with 22.9% of assets directed there. Target-date funds (TDFs) were the investment of choice for 22.2% of assets, followed by indexed domestic equity funds at 13.5% and stable value funds with 8.1% of assets

Almost 40% of the surveyed plans offered a professionally managed portfolio to participants. 70% of plans use a Qualified Default Investment Alternative, or QDIA, which for 77.5% of them is a TDF.

Target-date funds continue to increase in both availability and usage. Compared to 2007, availability of TDFs rose from 44.4%, reaching 73.1% in 2016. Average allocation was just 6.4% in 2007, compared to 22.2% by 2016.

You can read more about 2016 trends in defined contribution plan in the PSCA's Annual Survey of Profit Sharing and 401(k) Plans, 60th Annual Survey. Order through their website, psca.org.



ANDREW BAYLISS

Vice President | Retirement Services

Marsh & McLennan Agency LLC

Andrew.Bayliss@MarshMMA.com

Tel: 617 587-2342 | Mobile: 617 460-1541

1 Figures include 401(k) plans and profit sharing plans of surveyed employers.