

BrightScope/ICI: New Data Reveal How Employers Customize Their 401(k) Plans to Encourage Saving

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Target Date Funds Are Becoming Increasingly Available, and Employer Contributions, Auto-Enrollment, and Loans Are Prevalent

Washington, DC, March 12, 2018—An analysis from BrightScope and the Investment Company Institute of newly available 401(k) data shows that employers are using a range of plan features and a diverse mix of investment options to encourage retirement saving among their employees. The latest edition of the comprehensive study, *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2015*, shows that large plans have ramped up target date fund offerings in their investment lineups, and that most plans are offering employer contributions and loan features. Plans also are increasingly using auto-enrollment to boost participation.

“One of the strengths of the 401(k) system is that it allows employers to customize their plans to meet the needs of their unique workforces,” said Sarah Holden, ICI’s senior director of retirement and investor research. “Employers use that flexibility to offer features that can encourage participation. Employer contributions, auto-enrollment, loans, and diverse investment options—including target date funds—can make it easier for 401(k) participants to plan and save.”

BrightScope and ICI update their study annually, following the Department of Labor’s publication of the Form 5500 data filed by each of the approximately 550,000 401(k) plans. The study also incorporates data from the BrightScope Defined Contribution Plan Database, which includes information from nearly 20,000 large 401(k) plans that filed detailed audited reports with the Department of Labor.

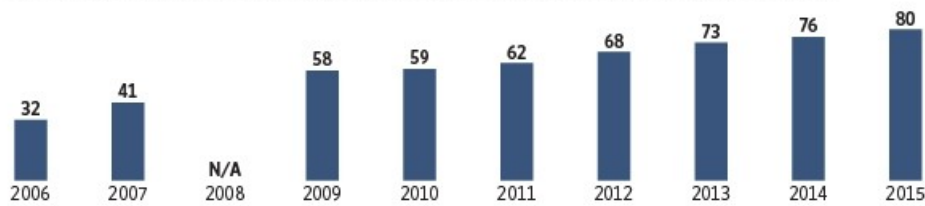
“This study helps analyze data and trends in the evolving 401(k) marketplace, providing excellent insights into the considerations and features driving plan development,” said Brooks Herman, Vice President of Data & Research at BrightScope, a unit of Strategic Insight. “Examining the cost of investing in a 401(k) is an important aspect of our work and our detailed analysis shows that fees and expenses have decreased for plan participants over time. There are many factors driving declining expense ratios, including increased competition and the growing size of the 401(k) marketplace, as well as public disclosure of plan costs.”

Key Findings of the BrightScope/ICI Study of 2015 Large 401(k) Plan Data

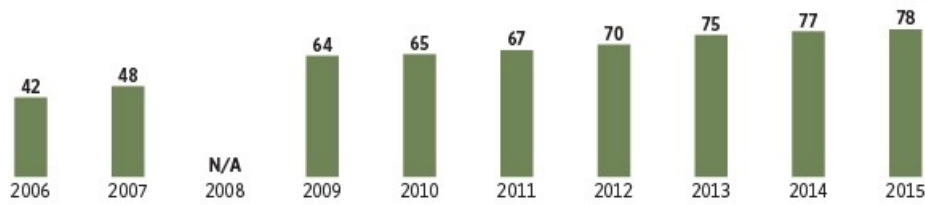
Eight out of 10 401(k) plans offer target date funds: In 2015, the average large 401(k) plan offered 29 investment options, of which about 14 were equity funds, three were bond funds, and eight were target date funds. The 80 percent of plans offering target date funds in 2015 is up from 32 percent in 2006. Investors who prefer to set their own asset allocation and rebalance their own portfolios can use a mix of equity and bond funds. Target date funds, on the other hand, are designed for investors who prefer a more simplified approach.

Target Date Fund Use Has Increased in 401(k) Plans

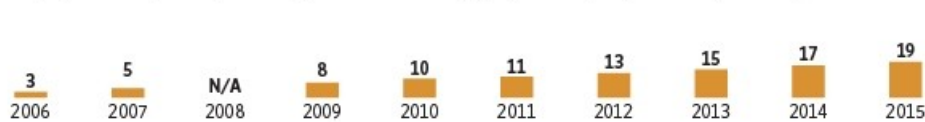
Percentage of plans offering target date funds* among plans with audited 401(k) filings in the BrightScope database (2006-2015)



Percentage of participants offered target date funds* among plans with audited 401(k) filings in the BrightScope database (2006-2015)



Percentage of assets in target date funds* among plans with audited 401(k) filings in the BrightScope database (2006-2015)



*A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name. Funds include mutual funds, collective investment trusts, separate accounts, and other pooled investment products.

N/A = not available

Note: BrightScope audited 401(k) filings generally include plans with 100 participants or more. Plans with fewer than four investment options, more than 100 investment options, or less than \$1 million in plan assets are excluded from BrightScope audited 401(k) filings for this analysis. In 2015, the sample is 19,422 plans with 41.5 million participants and \$3.3 trillion in assets.

Source: BrightScope Defined Contribution Plan Database

The great majority of 401(k) plans offer employer contributions: In 2015, nearly 90 percent of large 401(k) plans, covering more than nine out of 10 plan participants, had employer contributions. Employer contributions are common even among smaller 401(k) plans—about 80 percent of 401(k) plans in the sample with \$1 million to \$10 million in plan assets had them in 2015.

Most larger 401(k) plans use auto-enrollment: More than half of the larger 401(k) plans in the sample with more than \$100 million in plan assets reported that they automatically enrolled their participants. For plans with more than \$1 billion in plan assets, more than six in 10 used auto-enrollment, compared with fewer than 20 percent of plans using auto-enrollment in the \$1 million to \$10 million range of plan assets.

More than eight in 10 401(k) plans offer loans: Overall, 82 percent of 401(k) plans in the sample, covering 88 percent of participants, had participant loans outstanding in 2015. For plans with more than \$50 million in assets, more than 90 percent had participant loans outstanding.

Total plan cost and mutual fund expense ratios have continued trending downward: BrightScope has developed a total plan cost measure that includes all fees on the audited Form 5500 reports as well as fees paid through investment expense ratios. Based on this measure, in 2015 the average total plan cost was 0.88 percent of assets, down from 1.02 percent in 2009. The study shows that mutual fund expense ratios in 401(k) plans tended to decrease during this time as well.