

BrightScope/ICI Data Show Employer Commitment to 401(k) Plan Saving

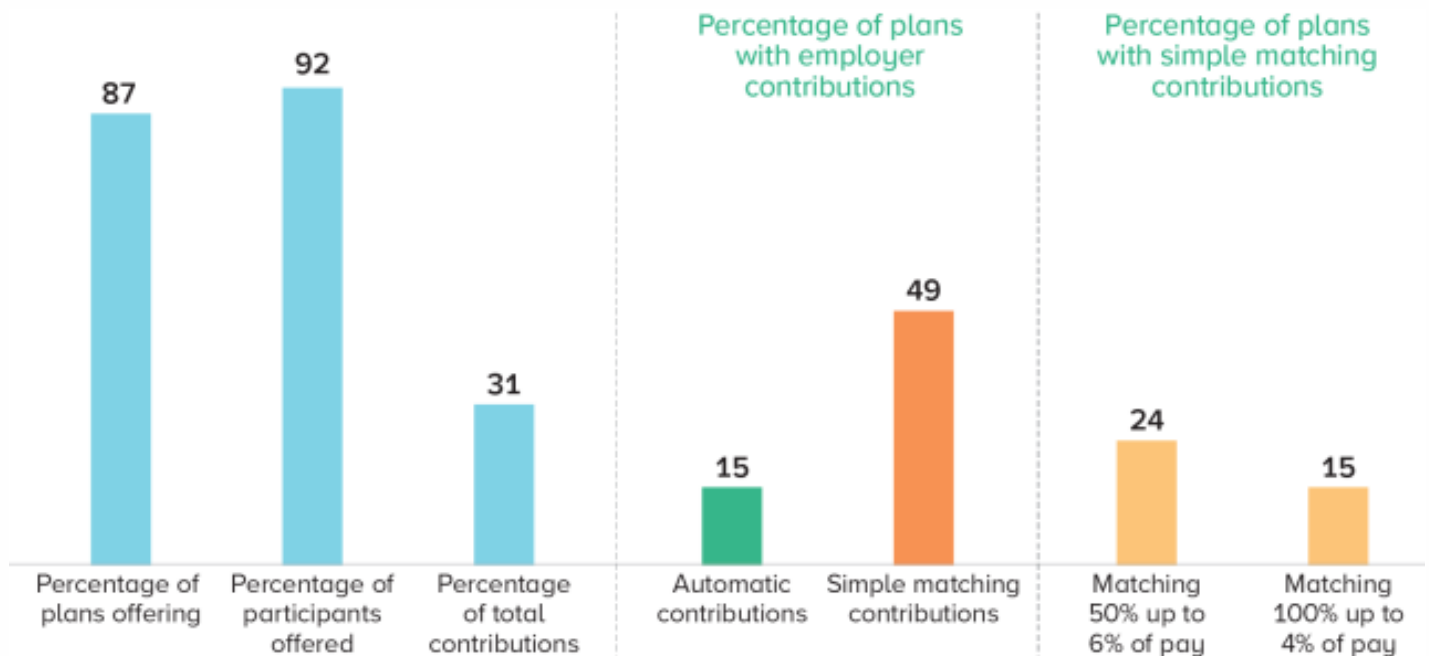
Washington, DC; September 27, 2022—Employer contributions play a significant role in 401(k) plans, according to an updated study on large 401(k) plans from BrightScope and the Investment Company Institute (ICI). The study, *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2019*, found that most 401(k) plans offer employer contributions. In 2019, 87 percent of large 401(k) plans, covering more than 90 percent of 401(k) participants, had employer contributions. Employer contributions represented 31 percent of total contributions going into large 401(k) plans in 2019.

“This study provides insight into the commitment of 401(k) plan sponsors through employer contributions to foster retirement saving,” said Sarah Holden, ICI Senior Director of Retirement and Investor Research. “Our study shows how employer contributions can both encourage participant contributions and enhance them.”

Among large 401(k) plans with employer contributions, 15 percent had automatic contributions, which occur regardless of participant contributions, and nearly half relied on a simple matching contribution. The most common simple match was 50 percent up to a participant contribution of 6 percent of pay, used by 24 percent of 401(k) plans with simple matches. Another 15 percent of simple matches, paid dollar for dollar (100 percent) up to a contribution of 4 percent of pay.

Employer Contributions in 401(k) Plans Promote Retirement Saving

Percentage, 2019



Note: For information about the samples, see Exhibits 1.3, 1.7, and 1.8 in the report. The samples are drawn from the set of plans that filed Form 5500 Schedule H (typically plans with 100 participants or more).

Source: Investment Company Institute tabulations of US Department of Labor 2019 Form 5500 research file and audited reports

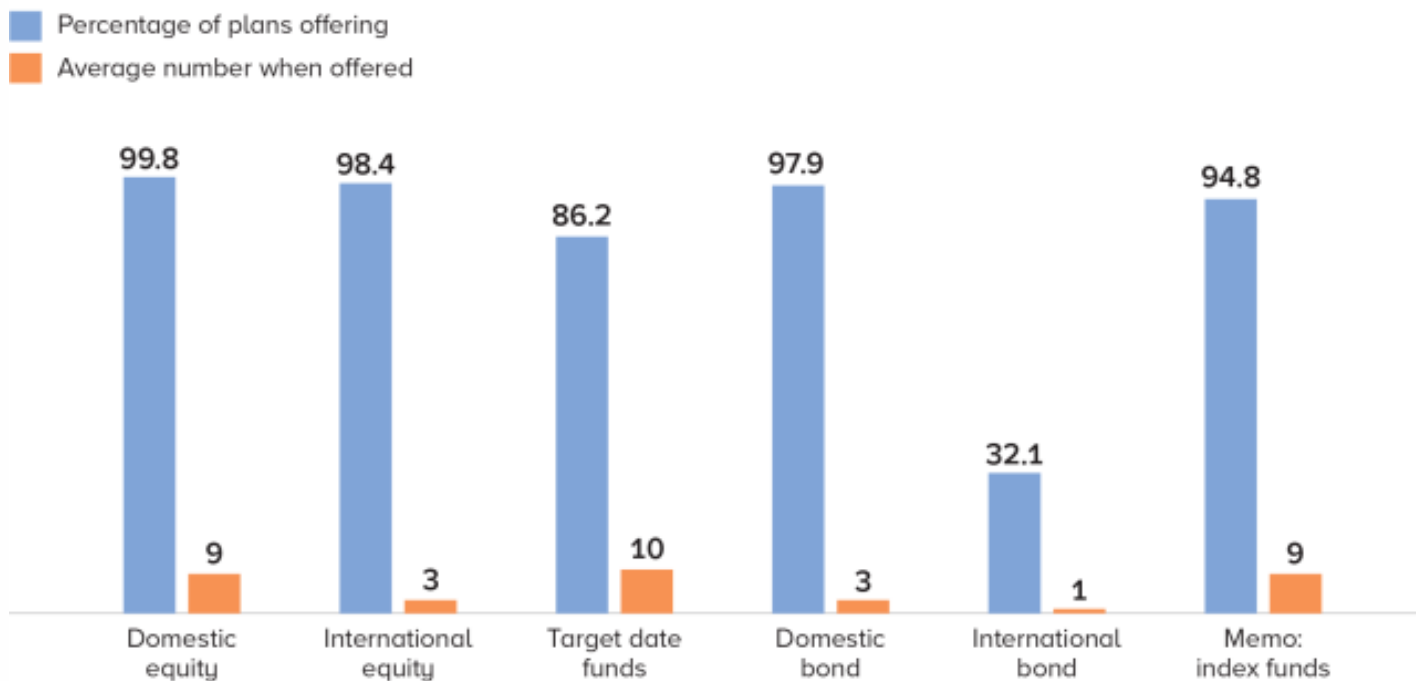
401(k) plan sponsors also encourage retirement saving by offering a broad lineup of investment options in their 401(k) plans. The study finds that large 401(k) plans offer participants, on average, 28 investment options. Nearly all large 401(k) plans offered domestic equity funds (typically, nine on average, when offered), international equity funds (three, on average), and domestic bond funds (three, on average). In 2019, 86 percent of large 401(k) plans offered target date funds (10, on average). Funds include mutual

funds, collective investment trusts (CITs), separate accounts, and other pooled investment products.

“The BrightScope/ICI Defined Contribution Plan Profile is the retirement industry’s best-in-class research report,” said Brooks Herman, Executive Director for Data & Research at ISS Market Intelligence, a unit of investment advisor Institutional Shareholder Services. “By looking at time-series and trended-data, it provides valuable insights into key plan design features—such as the great variety of investment options available, for plan participants, plan sponsors, and service providers in the 401(k) space.”

401(k) Plans Offer a Wide Array of Investment Options

Percentage of plans with audited 401(k) filings in the BrightScope database offering the specified investment option and average number of investment options among plans offering the investment option, 2019



*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.

Note: Funds include mutual funds, collective investment trusts, separate accounts, and other pooled investment products. See Exhibit 2.6 in the report for additional investment categories and sample details.

Source: BrightScope Defined Contribution Plan Database

Other key findings of the study include:

- Index funds make up a significant component of 401(k) assets, holding 39 percent of large 401(k) plan assets in 2019. Index funds held a slightly greater share of assets in larger 401(k) plans, rising from about one-third of assets in plans with less than \$250 million in plan assets to 43 percent of assets in plans with more than \$1 billion. Index funds are widely available across all plan sizes. More than 95 percent of 401(k) plans with more than \$10 million in plan assets offered index funds in their plan lineups in 2019, while 85 percent of 401(k) plans with less than \$1 million did. Index funds, which tend to be equity index funds, generally have lower expense ratios than actively managed equity funds.
- Mutual fund expense ratios in 401(k) plans tend to be lower in larger plans and have trended down over time. For example, the average asset-weighted expense ratio for domestic equity mutual funds (including both index and actively managed funds) was 0.59 percent for plans with less than \$1 million in plan assets, compared with 0.35 percent for plans with more than \$1 billion in plan assets in 2019. Mutual fund expense ratios also tended to decrease in 401(k) plans between 2009 and 2019.

To read more from the BrightScope/ICI study, [click here](#).

