

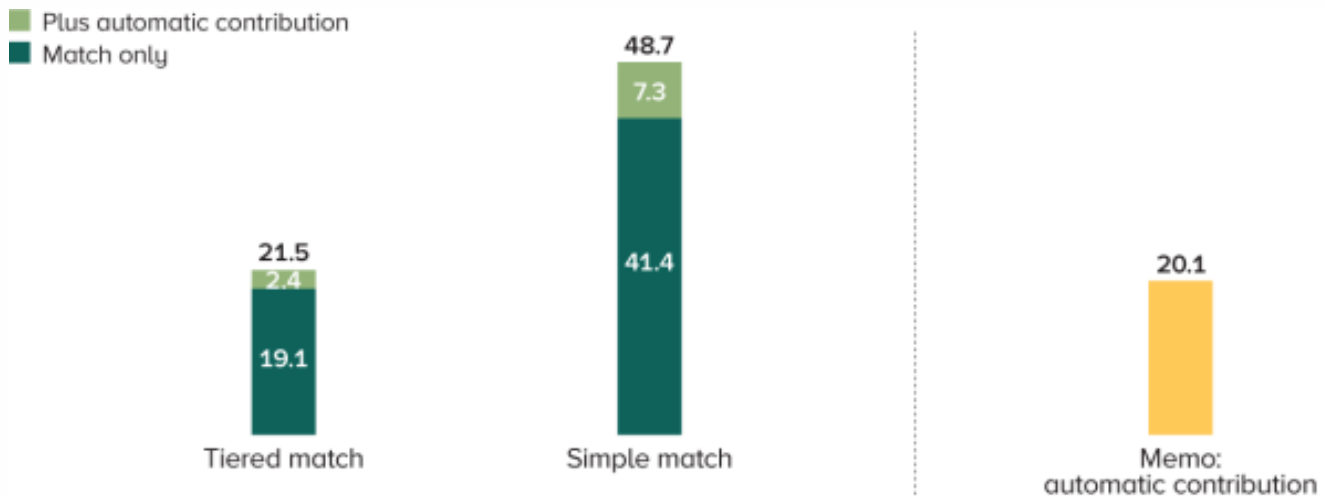
ICI and ISS MI BrightScope Report 401(k) Plan Participants Continue to Benefit from Employer Contributions and Falling Fees

Washington, DC, August 21, 2024—The undeniable strength of the 401(k) system is seen in the report, *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2021*, released today by ISS Market Intelligence (MI) and the Investment Company Institute (ICI). Analyzing automatic enrollment, employer contributions, and participant loans, the report reveals the care with which employers set up their 401(k) plans, and how employer contributions and cost-effective investing bolster the success of the system in helping Americans save for retirement.

“Most 401(k) plans offer employer contributions, often matching employee contributions and providing an immediate return on their savings,” said Sarah Holden, ICI Senior Director of Retirement and Investor Research. “Employers facilitating savings for plan participants, the robust lineup of investment options, and the tax-advantaged compounding are among the many reasons the 401(k) system is so successful. This is why Congress should look to preserve tax-deferred savings in the tax debate next year, rather than penalize this successful system that millions of Americans rely on.”

Employer Contributions Often Incentivize Participant Contributions in 401(k) Plans

Percentage of large 401(k) plans with employer contributions, 2021



Note: The sample is 4,000 large 401(k) plans with 28.1 million participants and \$4.9 trillion in assets, drawn from the 87.0 percent of large 401(k) plans with employer contributions (see Exhibit 1.3). See Exhibit 1.6 for additional detail and a description of the different types of matches. Large 401(k) plans typically have 100 participants or more.

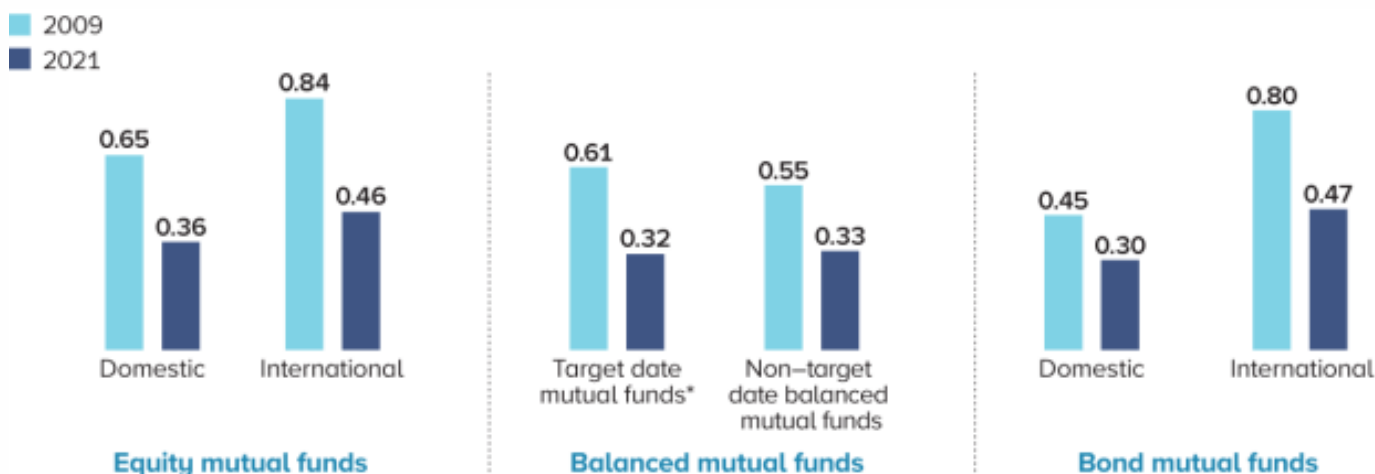
Source: Investment Company Institute tabulations of US Department of Labor 2021 Form 5500 audited reports

Plan sponsors’ design choices also include the number and types of investment options in the 401(k) plan. In 2021, the average large 401(k) plan offered 28 investment options, typically including domestic equity funds, international equity funds, domestic bond funds, and target date funds. These investments can be actively managed or index offerings. More than 95 percent of large 401(k) plans in 2021 included index funds in their investment lineups.

“Plan sponsors clearly focus on curating their investment lineups, offering a wide range of diversified investment options. Notably, our analysis found that mutual fund expenses in ongoing, or consistent, 401(k) plans, have declined significantly since 2009,” said Brooks Herman, Managing Director, BrightScope at ISS MI. “These results highlight that ongoing participants are benefitting from fee reductions within their 401(k) plans.”

401(k) Plan Mutual Fund Fees in Consistent Plans Fell Between 2009 and 2021

Asset-weighted average expense ratio as a percentage of plan assets among plans with audited 401(k) filings in the ISS MI BrightScope database in every year by mutual fund investment objective.



*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: The sample is 16,565 plans in the ISS MI BrightScope Defined Contribution Plan Database in each year between 2009 and 2021 with \$0.6 trillion in mutual fund assets in 2021. ISS MI 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 ISS MI audited 401(k) filings for this analysis. Additional investment categories are included in Exhibit 4.8 in the report, and the box on page 53 contains a description of the fee analysis.

Sources: ISS Market Intelligence BrightScope Defined Contribution Plan Database, Morningstar, and Lipper

Other key findings of the study include:

- **Larger 401(k) plans are more likely to automatically enroll workers into the plan.** More than half of large 401(k) plans in the sample with more than \$100 million in plan assets reported that they automatically enrolled their participants, and more than six in 10 plans with more than \$1 billion in plan assets did, compared with less than one-quarter of plans in the sample with \$10 million or less in plan assets.
- **Most 401(k) plans offer employer contributions.** In 2021, 87 percent of large 401(k) plans, covering more than nine out of 10 401(k) participants, had employer contributions. Nearly all of the largest plans—more than 95 percent of large 401(k) plans with 5,000 participants or more—had employer contributions. Employer contributions are also common even among smaller 401(k) plans—88 percent of 401(k) plans in the sample with 100 to 499 participants had them in 2021.
- **401(k) plans offer participants a wide variety of investment options.** In 2021, the average large 401(k) plan offered 28 investment options, of which about 13 were equity funds, three were bond funds, and nine were target date funds. Nearly all plans offered at least one domestic equity fund, international equity fund, and domestic bond fund, and 89 percent of plans offered target date funds. Funds include mutual funds, collective investment trusts (CITs), separate accounts, and other pooled investment products.

About the Study

The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2021 analyzes plan-level data gathered from audited Form 5500 filings of private-sector defined contribution (DC) plans, providing unique, new insights into private-sector DC plan design. The research draws from information collected in the ISS MI BrightScope Defined Contribution Plan Database. The database is designed to shed light on DC plan design across many dimensions, including the number and type of investment options offered; the presence and design of employer contributions; the types of recordkeepers used by DC plans; and changes to plan design over time. This study analyzes automatic enrollment, employer contributions, and participant loans outstanding in a sample of more than 65,000 large private-sector 401(k) plans—typically plans with 100 participants or more in 2021.

About ISS Market Intelligence

ISS Market Intelligence (MI) is a leading provider of data, insights, and market engagement solutions to the global financial services industry. ISS MI empowers asset and wealth management firms, insurance companies, distributors, service providers, and technology firms to assess their target markets, identify and analyze the best opportunities within those markets, and execute on comprehensive go-to-market initiatives to grow their business. Clients benefit from our increasingly connected global platform that leverages a combination of proprietary data, powerful analytics, timely and relevant insights, in-depth research, as well as an

extensive suite of industry-leading media brands that deliver unmatched market connectivity through news and editorial content, events, training, ratings, and awards.

Complete results of the annual BrightScope/ICI study are posted on www.ici.org/research/retirement/dc-plan-profile. To learn more about ISS Market Intelligence, visit www.issmarketintelligence.com.

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