Fact Sheet: 2013 ‘Trends in 401(k) Plans’ Study

The 2013 “Trends in 401(k) Plans and Retirement Rewards” study, developed by WorldatWork in partnership with the American Benefits Institute (the research and education affiliate of the American Benefits Council), provides a snapshot of defined contribution plan activity within large employer plan sponsors. The report summarizes findings on participation and contribution rates, plan design and withdrawal activity.

The study, which closed in December 2012, is a continuation of a survey first released in 2002. When viewed in comparison with data from the most recent (2009) edition of the study, the results demonstrate that employer-sponsored 401(k) plans continue to be a stable and reliable means of building wealth for retirement – and therefore remain a valuable recruitment and retention tool for employers.

Employers have demonstrated commitment to the 401(k) system through sustained contribution levels, enhanced plan choices and automatic enrollment. Concerns remain over the effectiveness of new reporting requirements.

- Despite anecdotal reports of companies suspending or eliminating their 401(k) matching to cut costs during the depths of the recession, 88% of respondents said their company maintained matching contributions during the previous five years.

- For more than three-quarters (77%) of surveyed companies, there has been no change in the 401(k) matching formula during the past 12 months, nor are they currently considering a change in the near future.

- In 2012, for companies providing investment advice services to employees, 67% reported that advice is provided through an independent adviser. This is a significant increase from the 47% who reported using an independent adviser to provide investment advice in 2008.

- Automatic enrollment features appear to be achieving the goal of increasing take-up rates, as companies that have instituted these measures show demonstrably higher participation levels.

- Only 1 in 5 companies believe that new plan fee disclosure rules have made participant communications more clear than they were before. Of the remaining respondents, 22% said they believe the new rules have made participant communications less clear.

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Employee participation remains robust, even in the face of economic uncertainty.

- A strong majority (73%) of companies in the survey reported that 70% or more of their eligible employees participate in the organization’s 401(k) plan.
- More than three-quarters (77%) of surveyed organizations indicated that the average employee contribution was 5% of salary or more.
- The percentage of employees who elected to contribute the maximum allowable employee contribution under the plan in 2012 was consistent with 2008 data.
- The most common investment choices selected by employees are target-date funds/lifecycle (68%) and domestic equity investments (67%).
- Compared to 2008, fewer employees are now taking hardship distributions and loans from their 401(k) plans.

Methodology:

On Nov. 14, 2012, survey invitations were sent electronically to 4,724 WorldatWork members. Members invited to participate were randomly selected from those who indicated responsibility for benefits or compensation and benefits.

Also on Nov. 14, 2012, survey invitations were sent electronically to 282 plan sponsor members of the American Benefits Council. One person from each member company received the survey invitation; this person was instructed to forward the survey link to the most appropriate person in the organization to complete the survey.

When the survey closed on Dec. 17, 2012, 490 responses were received, a 9.7% response rate. In order to provide the most accurate data possible, data were cleaned and analyzed using statistical software. After cleaning and duplicates were removed, the final data set contained 476 responses.

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