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New Survey Shows Employers’ Ongoing Commitment to 401(k) Plans

WASHINGTON, D.C. — Even through volatile economic conditions, employers have demonstrated an unwavering commitment to the 401(k) system according to a study released today by WorldatWork, a global HR association, in partnership with the American Benefits Institute, the research and education affiliate of the American Benefits Council. Despite anecdotal reports of companies suspending or eliminating their 401(k) match to cut costs during the depths of the recession, 88% of respondents said their company maintained matching contributions during the previous five years.

The 2013 Trends in 401(k) Plans and Retirement Rewards survey of 476 American Benefits Council and WorldatWork member companies provides a snapshot of defined contribution plan activity at major American companies. The report summarizes findings on participation and contribution rates, plan design and withdrawal activity. [A two-page fact sheet is available here.] The 2013 Study is a continuation of a survey released first in 2002 and most recently in 2009.

“The survey results show that employers and employees are utilizing 401(k) plans and value these plans as an integral piece of retirement planning. Employers continued investment in 401(k) plans seen though sustained contribution levels, enhanced plan choices and increased usage of automatic enrollment features is further evidence that employers view 401(k) plans as a fundamental part of an employee’s total rewards package,” said Cara Woodson Welch, WorldatWork vice president of policy and public affairs. “Policy makers should take note of the high utilization of these plans and restrain from mandating or regulating changes to the administration of 401(k)s that would jeopardize employees’ participation in these plans.”

“Because 401(k) plans have become such a vital component of employees’ financial security, it is essential that we strengthen the system by building on those successes,” said Lynn Dudley, American Benefits Council senior vice president, retirement and international benefits policy. “This study makes clear that too many workers are ‘leaving money on the table’ by failing to maximize their employer’s match. Employers continue to believe in the 401(k) system. If lawmakers avoid destabilizing tax changes, enhance automatic contribution programs and expand participant education through electronic delivery, 401(k) plans will continue to serve retirees of all income levels.”

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Key Findings:

- 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.

- A strong majority (73%) of companies in the survey reported that 70% or more of their eligible employees currently participate in their organization’s 401(k) plan.

- Compared to 2008, fewer employees are now taking hardship distributions and loans from their 401(k) plans.

The complete report is available here. A two-page fact sheet is available here. For more information on the study or to arrange an interview please contact Jason Hammersla, Council director of communications, at jhammersla@abcstaff.org or 202-289-6700 or Melissa Sharp, WorldatWork manager of public affairs, at melissa.sharp@worldatwork.org or 202-315-5565.

The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council’s members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.

The American Benefits Institute is the education and research affiliate of the American Benefits Council. The Institute conducts research on both domestic and international employee benefits policy matters to help public policy officials and other stakeholders make informed decisions.