NCSL Foundation Retirement Security Symposium

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Topics for Today

- A Few Words About Transamerica Center for Retirement Studies
- *The Current State of 401(k)s: The Employer’s Perspective* (selected highlights)
- Key Takeaways
Retirement Plan Sponsorship Rates Increase With Company Size

**Retirement Benefits Offered to Employees (%)**

**All Employers (10+ Employees)**

- **NET – Employee-Funded Plan**: 74%
- **Employee-Funded 401(k) Plan**: 68%
- **Other Employee-Funded Plan (e.g., SEP, SIMPLE, Other)**: 12%
- **A Company-Funded Defined Benefit Plan**: 16%
- **A Separate Retirement Program for Select Executives or Senior Management**: 6%
- **None of These**: 20%

**NET- Employee-Funded Plan (%)**

- Micro (10 to 99 EEs): 72%
- Small Non-Micro (100 to 499 EEs): 89%
- Large (500+ EEs): 92%

**An Employee-Funded 401(k) Plan (%)**

- Micro (10 to 99 EEs): 65%
- Small Non-Micro (100 to 499 EEs): 87%
- Large (500+ EEs): 90%

**Company-Funded Defined Benefit Plan (%)**

- Micro (10 to 99 EEs): 14%
- Small Non-Micro (100 to 499 EEs): 24%
- Large (500+ EEs): 26%
Few Part-Time Employees Are Eligible to Participate

<table>
<thead>
<tr>
<th>Employer Base: Offers 401(k) Plan or Similar Plan (Telephone and Online)</th>
<th>Q1650. Are any part-time employees eligible to participate in the employee-funded retirement plan?</th>
</tr>
</thead>
</table>

| Employer Base: Offers 401(k) Plan or Similar Plan, Does Not Extend Eligibility to Part-Time Employees (Telephone and Online) | Q1660. Does your company plan to extend 401(k) eligibility to any part-time employees in the future? |

| Employer Base: Offers 401(k) Plan or Similar Plan, Has No Plans to Extend Eligibility to Part-Time Employees (Telephone and Online) | Q1655. Which of the following reasons apply to your company’s not planning to extend 401(k) eligibility to any part-time workers in the future? Select all that apply. |

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### Extend eligibility to part-time employees to participate in 401(k) or similar plan

<table>
<thead>
<tr>
<th>Extent</th>
<th>Yes (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All (10 or More EEs)</td>
<td>38</td>
</tr>
<tr>
<td>Micro (10 to 99 EEs)</td>
<td>34</td>
</tr>
<tr>
<td>Small Non-Micro (100 to 499 EEs)</td>
<td>50</td>
</tr>
<tr>
<td>Large (500+ EEs)</td>
<td>58</td>
</tr>
</tbody>
</table>

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### Most frequently cited reasons for NOT planning to extend eligibility to their part-time employees (%)

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally impractical</td>
<td>39</td>
</tr>
<tr>
<td>Concerned about cost</td>
<td>37</td>
</tr>
<tr>
<td>High turnover rate among part-time employees</td>
<td>33</td>
</tr>
<tr>
<td>No part-time employees</td>
<td>24</td>
</tr>
<tr>
<td>Employees not interested</td>
<td>21</td>
</tr>
<tr>
<td>Concerned about administrative complexity</td>
<td>15</td>
</tr>
<tr>
<td>Concerned about non-discrimination testing</td>
<td>15</td>
</tr>
<tr>
<td>Some other reason</td>
<td>1</td>
</tr>
</tbody>
</table>

*Note: Responses less than 13% are not shown*
Plan Participation and Salary Deferral Rates

Worker Perspective

Participation Rate in 401(k) or Similar Plan (%)

- All (10+ EEs): 80%
- Micro (10 to 99 EEs): 83%
- Small Non-Micro (100 to 499 EEs): 73%
- Large (500+ EEs): 80%

Median Percentage of Annual Salary Saved in Plan (%)

- All (10+ EEs): 8%
- Micro (10 to 99 EEs): 7%
- Small Non-Micro (100 to 499 EEs): 8%
- Large (500+ EEs): 8%
Adoption of Automatic Features Increases With Company Size

EMPLOYER BASE: OFFERS 401(k) OR SIMILAR PLAN (TELEPHONE AND ONLINE)

Q1025. When a new employee qualifies to join the employee-funded 401(k) plan, are they (A) initially given a choice to participate or not participate in the plan, or (B) automatically enrolled in the plan with the choice to opt out at a later date?

EMPLOYER BASE: AUTOMATICALLY ENROLLS NEW EMPLOYEES INTO THE 401(K) PLAN (TELEPHONE AND ONLINE)

Q1027. What is the default employee-funded 401(k) plan contribution rate (excluding the company match)?

EMPLOYER BASE: AUTOMATICALLY ENROLLS NEW EMPLOYEES INTO THE 401(K) PLAN (TELEPHONE AND ONLINE)

Q1031. Does your plan have a provision to automatically increase participants’ contribution rates annually, such as on their anniversary date of hire?
Q754. Have you ever taken any form of loan or early withdrawal from a qualified retirement account such as a 401(k) or similar plan or IRA?
Q3591. Which of the following professionally managed services or asset allocation suites does your plan’s investments include? Select all that apply.

- NET – Managed Account Services or Asset Allocation Suites
- Target date funds that are designed to change allocation percentages for participants as they approach their target retirement year
- Target risk funds that are designed to address participants’ specific risk tolerance profiles
- An account (or service) that is managed by a professional investment advisor so participants do not have to make investment or allocation decisions
- None of the above
- Not sure / refused
### Plan Sponsors Can Do More to Assist With Retirement Transition

<table>
<thead>
<tr>
<th>Action</th>
<th>All Employers (10 or More EEs)</th>
<th>Micro Companies (10 to 99 EEs)</th>
<th>Small Non-Micro Companies (100 to 499 EEs)</th>
<th>Large Companies (500+ EEs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allow terminated retirement plan participants to leave their money in the plan*</td>
<td>52</td>
<td>49</td>
<td>62</td>
<td>65</td>
</tr>
<tr>
<td>Provide information about the distribution options available in your retirement plan*</td>
<td>42</td>
<td>39</td>
<td>56</td>
<td>64</td>
</tr>
<tr>
<td>Distribute retirement planning materials</td>
<td>39</td>
<td>37</td>
<td>44</td>
<td>49</td>
</tr>
<tr>
<td>Provide referrals to your company’s current retirement plan provider</td>
<td>36</td>
<td>34</td>
<td>48</td>
<td>43</td>
</tr>
<tr>
<td>Provide educational resources</td>
<td>35</td>
<td>32</td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>Allow systematic withdrawals by terminated plan participants</td>
<td>27</td>
<td>25</td>
<td>39</td>
<td>44</td>
</tr>
<tr>
<td>Offer education about transitioning into retirement</td>
<td>22</td>
<td>19</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Offer seminars about transitioning into retirement</td>
<td>14</td>
<td>12</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>Offer an income annuity as a payout option in your retirement plan</td>
<td>13</td>
<td>11</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Provide referrals to an IRA provider that is not your current retirement plan provider</td>
<td>8</td>
<td>7</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>Something else</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Nothing</td>
<td>21</td>
<td>23</td>
<td>13</td>
<td>10</td>
</tr>
</tbody>
</table>

*While regulations concerning terminated participants may require that companies perform these actions, these statistics only reflect companies’ responses to the survey.

**EMPLOYER BASE:** OFFERS 401(k) PLAN OR SIMILAR PLAN (TELEPHONE AND ONLINE) Q770. Does your company do any of the following to help its employees transition their savings and finances into retirement? Select all that apply.
Key Takeaways

1. Small / micro businesses and part-time workers are where opportunity to expand coverage is greatest – and they are a highly dynamic environment with high turnover among both businesses and workers.

2. Many employers are concerned about cost and administrative complexity with regards to plan sponsorship and design features (e.g., eligibility for part-time workers, automatic features).

3. Target date funds, target risk funds, and professionally managed accounts have proven popular among both employers and plan participants.

4. Retirement plan education that is easy to understand is needed for workers to make informed decisions about participation, contribution rates, investments, goal-setting. Provide added emphasis on promoting an understanding about the implications and potential negative consequences taking plan loans and early withdrawals.

5. Facilitate portability so that job changers can keep either their accounts within the arrangement or roll over into an IRA and/or successor plan – and anticipate a high volume of small balance accounts.

6. Offer pre-retirees with assistance in planning their transition into retirement.

7. Promote opportunities incentives to save, including myRA (for workers not offered a plan), the Saver's Credit and catch-up contributions.

Please visit www.transamericacenter.org for the full survey report, Senate testimony, and additional research.
Appendix
Methodology: Employer Survey

• A 29-minute survey was conducted between September 15 – December 3, 2015 among a nationally representative sample of 1,022 employers by Harris Poll for Transamerica Center for Retirement Studies. Potential respondents were targeted based on job title at for-profit companies and met the following criteria:
  – Business executives who make decisions about employee benefits at his or her company
  – Those with appropriate job titles
  – Their company employs 10 employees or more across all locations

• Quotas were set for large and small companies and results were weighted as needed by employee size using weighting targets from the Dun & Bradstreet database to ensure each quota group had a representative sample based on the number of companies in each employee size range. A full methodology is available upon request.

• Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.

• In 2015, the survey transitioned from phone to online mode and some results have been filtered to minimize differences between the phone and online mode.

• The base includes:
  – 426 employers of micro companies
  – 206 employers of small non-micro companies
  – 390 employers of large companies
  – Other reduced bases have been noted throughout the report
Methodology: Worker Survey

• A 25-minute online survey was conducted between February 18 – March 17, 2015 among a nationally representative sample of 4,550 workers by Harris Poll for Transamerica Center for Retirement Studies. Respondents met the following criteria:
  – U.S. residents, age 18 or older
  – Full-time or part-time workers in a for-profit company employing 10 or more people

• Data were weighted as follows:
  – To account for differences between the population available via internet versus by telephone.
  – To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.

• Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.

• This report focuses on full-time and part-time workers combined

• The base includes:
  – 1,145 workers of micro companies
  – 911 workers of small non-micro companies
  – 2,494 workers of large companies
Terminology

This report uses the following terminology:

Company Size

• *Small company*: 10 to 499 employees
  – *Micro company*: 10 to 99 employees
  – *Small non-micro company*: 100 to 499 employees
• *Large company*: 500 or more employees