

# 401(k) Benchmarking Survey 2009 Edition

Staying the course through uncertain economic times; employers and employees take a “wait and see” approach towards their 401(k) plans.



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The statements in this survey reflect our analysis of survey respondents and are not intended to reflect facts or opinions of any non-responding entities.

# Executive Summary

It is not a surprise that recent market conditions have heightened retirement concerns for 401(k) plan sponsors and participants alike, especially since 401(k) plans are the primary retirement savings vehicle for many employees in the U.S.

Sponsored jointly by Deloitte, the International Foundation of Employee Benefit Plans, and the International Society of Certified Employee Benefit Specialists, the Annual 401(k) Benchmarking Survey measures the essential aspects of 401(k) plans for major U.S. companies. The results of this Survey point to some interesting findings:

- 401(k) plans are bent, but not broken. Employers surveyed continue to sufficiently support their plans, and consider them strategic tools in their overall benefits program design.
- Consumer confidence levels remain optimistically cautious with most 401(k) plan participants staying the course towards their retirement savings strategy.
- Auto-enrollment and easy enrollment continue to gain popularity among the plan sponsors surveyed, and are helping to boost participation rates and contribution levels.
- Survey results show that employers continue to be concerned regarding employees' financial preparations for retirement.

The ongoing effects of the economic downturn are a source of anxiety for employers and employees alike. Combined with the uncertainty of what recovery will eventually mean to participants, it is understandable that both employers and employees are taking a "wait and see" approach to their 401(k) plans.

However, the economy has forced the hand of some plan sponsors to take action, mainly via reduction or elimination of employer matching contributions. At the same time, employee activities such as hardship withdrawals and loans increased in 2009. For the majority of surveyed employers, plan designs have remained relatively consistent from last year. This is in line with recent Deloitte research findings

suggesting that plan sponsors were shifting their focus to improve tools for retirement planning as opposed to redesigning retirement plans in 2009.<sup>1</sup>

Yet, the news is not all gloomy. Employers surveyed continue to nudge their employees to save for retirement, reporting that the use of automatic enrollment, pre-set deferral amounts, and automatic deferral increases are boosting participation and contribution levels. At the same time, employees are embracing the use of their plan provider's participant Web sites to manage their 401(k) accounts. The survey also indicated that target date funds continue to gain in popularity and may help alleviate some investment confusion for employees despite recent developments that have surfaced.

Administered against the backdrop of unprecedented economic challenges, the 2009 401(k) Benchmarking Survey sheds light on the collective "frame of mind" of employers. In its 8th year, this year's Survey yielded a response rate of over 600 employers. The Survey data reflects 2008 and early 2009 401(k) plan activity, as well as potential changes that plan sponsors are considering. The result of this comprehensive survey offers both a strategic overview and a detailed examination of 401(k) policies and practices, and how plan sponsors and participants intend to maximize these powerful retirement savings instruments.

## Signs of the Times

While the majority of employees (63%) are taking a "wait and see" approach to their retirement savings strategy, this year's Survey did show considerable participant activity related to their 401(k) accounts. For example, 17% of employers indicated they have seen increased volumes of deferral rate changes, hardship withdrawals, loans, and other similar activities. Another third (38%) reported employees decreased deferral rates in 2009, while the majority (60%) held steady at their current level of contribution. In another sign of the times, 12% of employers indicated an upswing in opt-outs from auto-enrollment programs.

<sup>1</sup> 2009 Top Five Total Rewards Priorities Survey, jointly sponsored by Deloitte Consulting LLP and the International Society of Certified Employee Benefit Specialists.

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

Last year's Survey noted a sharp drop in confidence by U.S. workers regarding their future ability to afford retirement. With retirement savings plans losing an estimated \$2 trillion last year<sup>2</sup>, it's not surprising that this confidence has fallen even further. For example, a recent survey of Total Rewards trends showed that many respondents surveyed plan to put retirement plans on hold and remain in the workforce longer.<sup>3</sup>

On the upside, according to this same research, worries about affording retirement seem to be driving positive personal behaviors. Many employees plan to take more personal responsibility for managing their Total Rewards programs, including increasing their contributions to private savings plans. This shift in attitude reinforces the trend towards consumerism. Factor in customization to address the differing generational communication and technology preferences, and retirement plans become an additional opportunity for organizations to meet their strategic business goals.

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## Employees are taking a cautious approach to their retirement savings strategy, although the majority opted to stay the course.

### Lack of Readiness

Though a segment of employees plan on delaying retirement, concerns about overall employee retirement readiness are still gripping employers. This year's Survey data shows diminishing employer optimism that their employees will be able to afford retirement. Almost one-fifth (19%, up 2 percentage points from last year) of plan sponsors believe "very few" of their employees will be financially prepared for retirement. Recent research from

the International Foundation of Employee Benefit Plans indicates that job security has become more of a concern for employees than retirement concerns, suggesting a lower priority for retirement savings.<sup>4</sup>

Given this air of concern, most employers feel that they have a responsibility toward helping employees prepare for retirement. With almost two-thirds (63%) indicating they must take an interest in their employees' readiness for a comfortable retirement and 14% stating they feel "very" responsible for preparing employees, many employers (37%) are considering adding new tactics such as generational segmentation to their future retirement plan design. This sense of responsibility combined with growing pessimism about employee preparedness is prompting over a third (37%) of plan sponsors to consider conducting a retirement readiness assessment.

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## Employers are clearly concerned about employee readiness for retirement and plan to take steps to address the issue.

Because 401(k) plans represent the primary retirement savings vehicle at many employers, the plan becomes a key piece in the Total Rewards "package" that employees assess at the point of hire and during their careers. Even with current market conditions possibly dictating adjustments to their 401(k) plans, more than three-quarters (79%) of employers are still fairly confident that their plan is effective for recruiting talent, and 68% say it helps with retention. These numbers are only slightly down from last year. When asked to compare how their plan stacks up to the competition, more than half (57%) stated their plan is as competitive. A confident 32% believe their plan is better.

<sup>2</sup> *The Effects of Recent Turmoil in Financial Markets on Retirement Security*, Congressional Budget Office, October 2008.

<sup>3</sup> *2009 Top Five Total Rewards Priorities Survey*, jointly sponsored by Deloitte Consulting LLP and the International Society of Certified Employee Benefit Specialists.

<sup>4</sup> *Pension Plans: Impact of the Financial Crisis*, International Foundation of Employee Benefit Plans, May 2009 Update.

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## Despite economic conditions, employers continue to view their 401(k) plans as important tools for attracting and retaining key talent.

### **A Boost to Participation and Contributions**

Participation level is consistently identified as a key component of a “successful” 401(k) plan by employers. One way that employers are boosting their participation rate is through ease-of-use features such as auto-enrollment and easy enrollment. Even with current market conditions, respondents indicate a willingness to proceed with these concepts. Auto-enrollment continues to trend up, gaining another 10 percentage points (52%, up from 42% last year) and more than double from four years ago (23%). With extremely high (99%) satisfaction levels and an increase in participation reported by 77% of plan sponsors with auto-enrollment, it’s not surprising that 14% of Survey respondents are considering this plan design feature.

The use of “easy enrollment” programs, like simple authorization postcards sent to new employees and non-contributors, remains constant at 15%. This feature also enjoys a high level of satisfaction (89%).

More than half (60%, down from 68% last year) of Survey respondents auto-enroll participants at a default rate of 3%, while employers reporting a 4% default deferral rate increased (to 11%, from 5%) for 2009. Only 16% of companies report a default rate of 2% or less, which is unchanged from last year. Because deferral rates often remain static at the auto-enrollment level, approximately one-fifth of employers surveyed have implemented a re-enrollment campaign to help increase deferral rates, and more than half (60%) are considering it.

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## Auto-enrollment and ease-of-use plan features continue to be highly effective components in increasing plan participation.

In the same vein, step-up contributions that automatically increase deferral percentages are offered by 42% of Survey respondents, an increase from the 35% reported last year. The average step-up contribution percentage is 1%, and satisfaction levels for this feature remain high (92%).

Another factor driving participation rates is changes to plan eligibility requirements. Perhaps influenced by economic conditions, eligibility requirements have become slightly more provisional with 8% of sponsors reporting they have made their plans more restrictive, up from 1% last year. Meanwhile, only 2% have eased restrictions, down from 12% in 2008. Still, 55% of respondents indicate their employees are eligible for plan participation immediately upon hire, a notable increase from last year’s previously all-time high of 51%.

Following this same trend is the easing of service requirements for employer contributions. In 2008, only 48% of employers surveyed reported their employees were immediately eligible for matching contributions. Today, that number has increased to 57%.

### **The Understanding Gap**

A basic principle of a 401(k) plan is that with a limited amount of information, employees will be able to make knowledgeable investment decisions to save for retirement. However, among organizations that have solicited feedback on their 401(k) plans, a broad level of employee confusion was reported. This confusion is typically around selecting fund options, how much money they will need in retirement, and how to transfer

or reallocate funds. Recent research from the Employee Benefit Research Institute (EBRI) supports the finding that many workers do not have a good sense of how much they will need to save for retirement, and many only guess at that amount.<sup>5</sup>

From the employer perspective, lack of employee understanding, ineffective employee communications, and employee demographics (age, salary, education level, language barrier, etc.) ranked as the top three barriers for increasing their plan's effectiveness. Employee education and communications topped the "other" category in improvements that providers could make to their services. Conversely, employers indicate they are generally satisfied with their provider's employee communication/education. This seems to point to a disconnect between the communication/education resources employees have available and their willingness to access and use the materials. With greater use of the educational tools available to them, employees are likely to enhance their understanding of their 401(k) plan benefit and be in a better position to meet their personal retirement goals.

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## Getting employees engaged with available educational tools and resources may be the stepping stone to improved understanding.

With the popularity of target date funds continuing to grow rapidly, the messaging around investment choices may become less complex. "Target date funds" – considered a one-stop shop for portfolio management – allow participants to "indirectly" cede allocation and rebalancing decisions to fund professionals. As the participant moves closer to the target retirement date, fund allocations become more conservative. Leaping 10 percentage points in this year's survey, target date funds are now offered by 67% of respondents.

Employers provide a variety of tools and resources for their employees to monitor their accounts. As cited by 99% of respondents, the Internet remains the most predominant tool available to employees. Earlier forms of technology, such as Interactive Voice Response (IVR) systems, continue to be broadly offered by 77% of plan sponsors. With the popularity of the Internet as the primary service tool, many transactions such as interfund transfers, investment fund changes, deferral rate changes, and enrollment are going completely paperless.

### Looking Ahead

As the economy continues to work its way into a recovery, the full impact on retirement planning strategies remains to be seen. While many plan sponsors are currently staying the course with respect to their 401(k) plans, this may not be an option for other organizations. Some employers are being forced to make adjustments to investment fund options and contribution matches to remain competitive.

Additionally, the 401(k) regulatory landscape has evolved over the past 35+ years against the backdrop of a mostly rising stock market. Recent economic conditions have changed that landscape dramatically, and may be setting the stage for more regulation around 401(k) plans. What is clear to us is that plan sponsors will maintain a close watch on their 401(k) plans and their role in driving organizational strategy and goals.

<sup>5</sup> 2009 Retirement Confidence Survey, conducted by the Employee Benefit Research and Matthew Greenwald Associates.

# Demographics and General Questions

More than 600 employers (606) participated in this year's Survey. Respondents were, on balance, evenly distributed geographically, by size, and by ownership status (publicly or privately held).

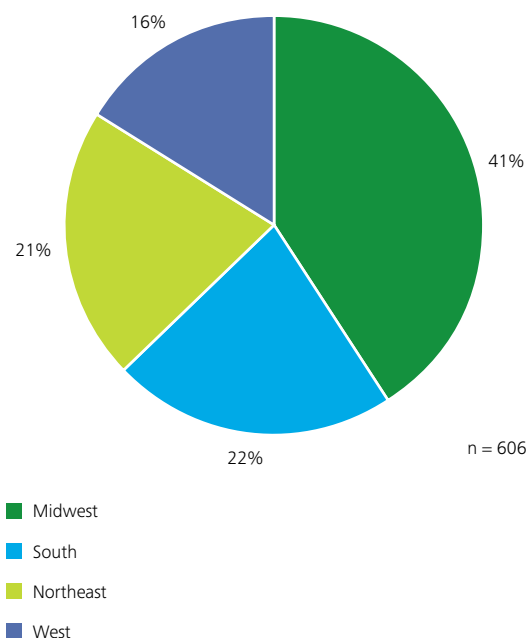
Plan sponsors completed the Survey online in early 2009. The Survey offers a detailed snapshot of the policies, features, objectives, and expectations of the hundreds of diverse employers providing data, although results cannot be projected to the entire population of U.S. employers.

From an industry perspective, the majority of respondents were in two sectors; Consumer & Industrial Products/Services (42%) and Financial Services/Insurance (23%). The largest segment of the Survey respondents were employers with 1,001 to 5,000 employees (32%). The average 401(k) participant age for Survey respondents was 42 years, with 67% of Survey respondents reporting average participants in the 41 to 50 age bracket.

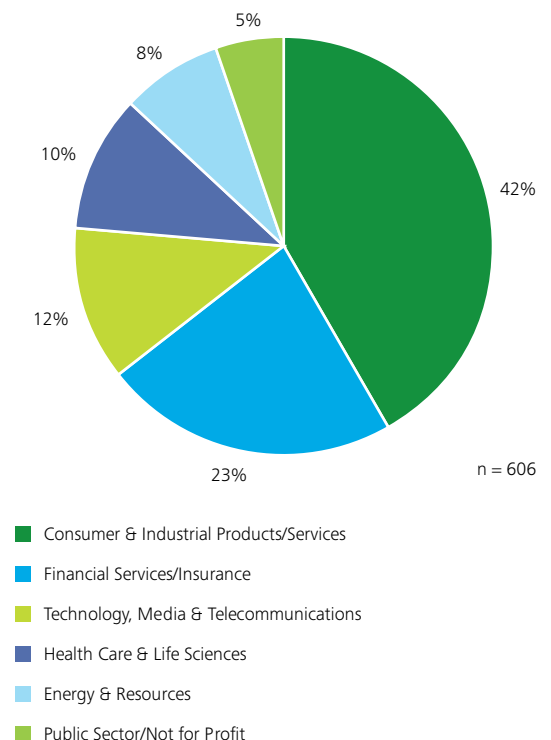
401(k) plans were top of mind during the economic downturn in 2009 as most 401(k) balances felt the negative effects of the market. Given the state of the economy, 17% of respondents reported that there was significant activity in the way of hardship withdrawals, loans, etc; 63% reported only some activity, suggesting that the majority of employees were taking a "wait and see" approach.

Most employers feel that they have a responsibility toward helping employees prepare for retirement. Almost two-thirds (63%) of employers feel that they must take an interest in whether employees are tracking toward a comfortable retirement. Fourteen percent of these employers state a deeper obligation, responding that they feel "very" responsible to prepare employees for retirement. Additionally, new tactics are being considered, with 37% of employers considering generational segments within their workforce as they contemplate future changes to retirement plan design.

**Exhibit 1. Participants by region**

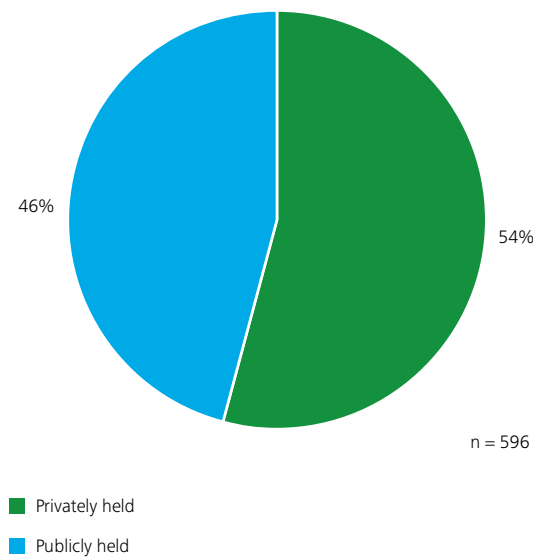


**Exhibit 2. Survey respondents by nature of business**



# Demographics and General Questions (continued)

**Exhibit 3. Survey respondents by ownership structure**



**Exhibit 4. Survey respondents by number of employees**

	Number	Percent
1 - 100 employees	57	9%
101 - 500 employees	106	18%
501 - 1,000 employees	65	11%
1,001 - 5,000 employees	195	32%
5,001 - 10,000 employees	67	11%
10,001+ employees	116	19%
<b>Total</b>	<b>606</b>	<b>100%</b>

**Exhibit 5. What is the average age of your participating group?**

	Number	Percent
< 30 years	9	2%
31 - 40 years	162	28%
41 - 50 years	375	67%
51+ years	16	3%
<b>Total</b>	<b>562</b>	<b>100%</b>

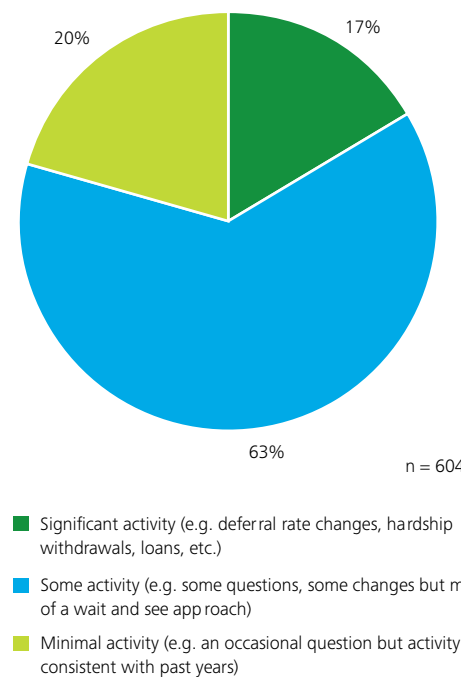
Note: Average age of the participating group was 42.4

**Exhibit 6. What is the average length of service of your participating group?**

	Number	Percent
1 - 5 years	128	24%
6 - 10 years	233	44%
11 - 15 years	129	24%
16 - 20 years	31	6%
21 - 25 years	12	2%
26+ years	0	0%
<b>Total</b>	<b>533</b>	<b>100%</b>

Note: Average length of service was 9.2 years

**Exhibit 7. Given the state of the economy, please indicate the nature of your current participant activity related to their 401(k) accounts within your plan.**

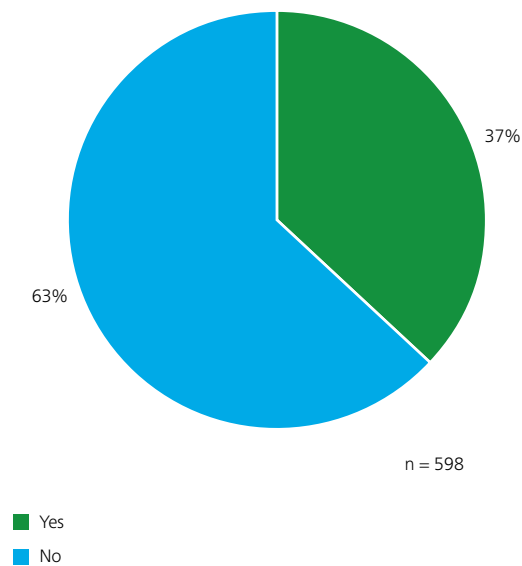


# Demographics and General Questions (continued)

**Exhibit 8. Do you feel an obligation to prepare your employees for retirement?**

	Number	Percent
We feel that our only responsibility is to offer a competitive retirement plan	141	23%
We feel that our responsibility includes taking an interest whether our employees are tracking towards a comfortable retirement (i.e., offering options that allow participants to plan for a reasonable replacement ratio)	376	63%
We feel very responsible to prepare our employees for retirement (i.e., taking a very involved approach such as monitoring utilization of financial planning tools, etc.)	84	14%
<b>Total</b>	<b>601</b>	<b>100%</b>

**Exhibit 9. Have you considered generational segmentation (e.g., baby boomers, generation X, etc.) in your overall retirement plan development?**



# Eligibility and Enrollment

The 2009 Survey shows that efforts by the employers to boost participation rates have not changed much; 89% of employers did not change the eligibility requirements in the past year. What continues to be an important trend, despite current market conditions, is the push toward auto-enrollment. The proportion of Survey respondents with auto-enrollment in place went up another 10% over last year to 52%. This is more than double the number from only four years ago. Another 14% are considering it as a plan feature. The default deferral rate under auto-enrollment plans remained relatively stable from the previous year, with 60% using a 3% default rate, and the proportion with a default rate of 2% remaining at 16%.

Market conditions seem to have an effect on participant behavior: 12% of respondents did see an increase in auto-enrollment opt outs, while 80% reported no changes. This “do-nothing” approach of the latter group set the stage for 19% of employers to try to “re-enroll” participants through targeted campaigns to increase deferral rates above the default auto-enrollment rates; another 60% are considering similar efforts.

**Exhibit 10. How many employees are eligible to participate in your plan?**

	Number	Percent
1 - 100 employees	59	10%
101 - 500 employees	114	19%
501 - 1,000 employees	74	12%
1,001 - 5,000 employees	199	34%
5,001 - 10,000 employees	64	11%
10,001+ employees	81	14%
<b>Total</b>	<b>591</b>	<b>100%</b>

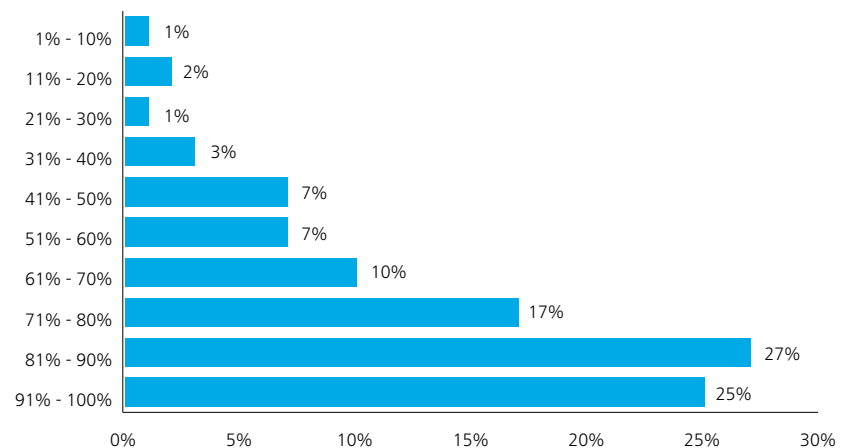
**Exhibit 11. How many of your eligible employees actually participate in your plan?**

	Number	Percent
1 - 100 employees	79	14%
101 - 500 employees	118	20%
501 - 1,000 employees	83	14%
1,001 - 5,000 employees	194	33%
5,001 - 10,000 employees	50	9%
10,001+ employees	61	10%
<b>Total</b>	<b>585</b>	<b>100%</b>

**Exhibit 12. What is the total number of participant accounts with a balance > \$0 in your plan (including active and terminated employees)?**

	Number	Percent
1 - 100 employees	74	14%
101 - 500 employees	93	17%
501 - 1,000 employees	59	11%
1,001 - 5,000 employees	170	31%
5,001 - 10,000 employees	67	12%
10,001+ employees	81	15%
<b>Total</b>	<b>544</b>	<b>100%</b>

**Exhibit 13. What is your plan's participation rate?**



Average participation rate: 75%

n = 583

# Eligibility and Enrollment

## (continued)

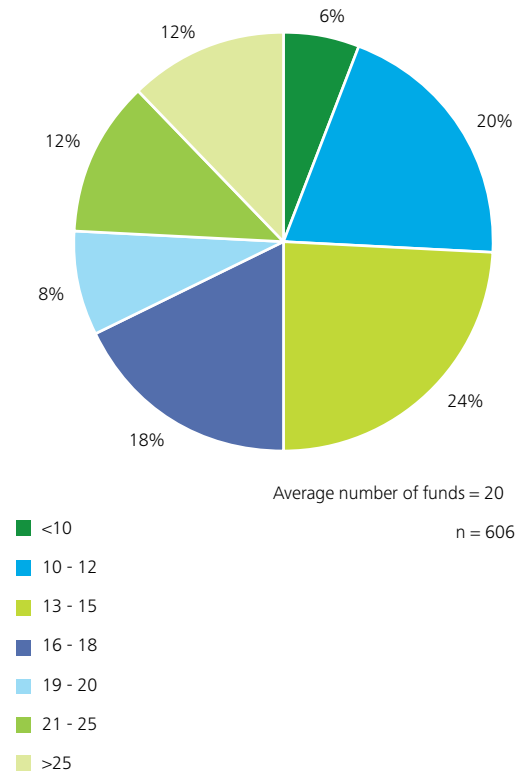
**Exhibit 14. What are the total plan assets in your plan?**

	Number	Percent
\$0 - \$5 mil	83	14%
\$5,000,001 - \$10 mil	33	6%
\$10,000,001 - \$25 mil	66	11%
\$25,000,001 - \$50 mil	71	12%
\$50,000,001 - \$100 mil	75	13%
\$100,000,001 - \$500 mil	168	29%
\$500,000,001 - \$1 bil	30	5%
\$1,000,000,001 - \$5 bil	41	7%
Over \$5 bil	14	3%
<b>Total</b>	<b>581</b>	<b>100%</b>

**Exhibit 15. Average account balance**

	Number	Percent
\$0 - \$10,000	28	5%
\$10,001 - \$25,000	92	17%
\$25,001 - \$50,000	170	32%
\$50,001 - \$75,000	111	21%
Over \$75,000	136	25%
<b>Total</b>	<b>537</b>	<b>100%</b>

**Exhibit 16. What is the total number of investment options in your plan?**



# Eligibility and Enrollment

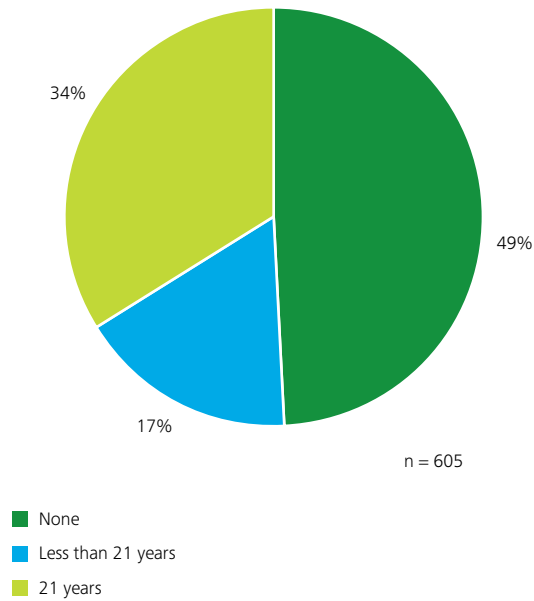
## (continued)

**Exhibit 17. Please indicate your primary provider for administration services.**

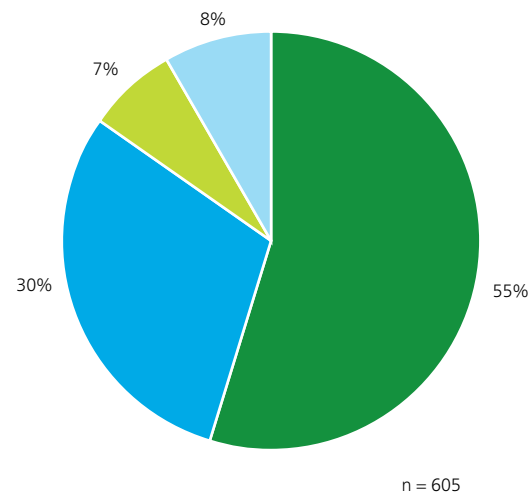
	Percent
Diversified	2%
Fidelity	26%
Great West	2%
Hewitt	3%
ING/Citistreet	4%
JP Morgan	2%
John Hancock	2%
M&I	2%
Mass Mutual	2%
Merrill Lynch/Bank of America	4%
Principal	5%
Prudential	3%
Schwab	3%
T. Rowe Price	6%
Vanguard	8%
Wells Fargo/Wachovia	6%

Note: We only listed the 16 most frequently cited providers.

**Exhibit 19. What is the minimum age requirement for plan entry?**

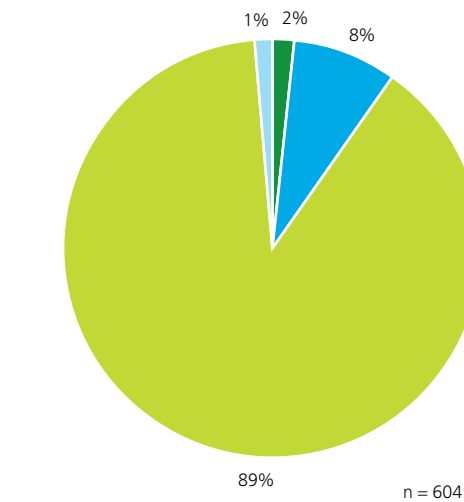


**Exhibit 18. What are the service requirements for plan entry?**



- Immediate
- 0 to 3 months
- 4 to 6 months
- 1 year

**Exhibit 20. Have you changed your eligibility requirements in the last year?**



- Yes, made them less restrictive
- Yes, made them more restrictive
- No
- No, but considering a change

# Eligibility and Enrollment

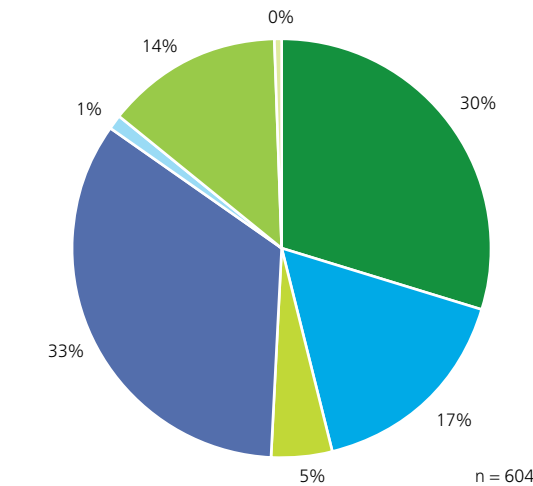
## (continued)

### Automatic Enrollment

Auto-enrollment provisions remain focused primarily at new hires, but continue to be used for the entire employee population by some employers. A majority (77%) of Survey respondents, a 5% decrease from the year before, reported that auto-enrollment had increased participation rates, leading to a very high (99%) satisfaction rate with auto-enrollment. In addition to other market responses, 38% of respondents reported improved non-discrimination test results as a result of implementing auto-enrollment.

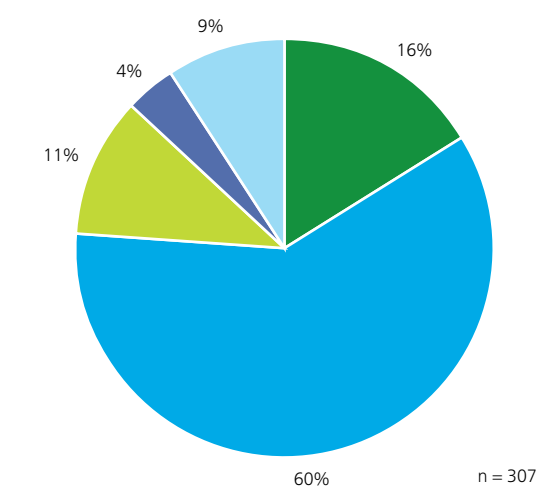
Fifteen percent of employers surveyed – the same as last year – use “easy enrollment” programs that employ a simple postcard or similar authorization form to induce nonparticipants to begin participating. Step-up contribution features (whereby participant deferrals are automatically increased each year) are on the rise with a 92% satisfaction rate. Eighteen percent tie the step-up feature to the auto- or easy-enrollment feature, while 24% offer it as a stand-alone option. With the majority of step-up programs increasing deferrals by 1% each year (up to certain maximums), the opportunity to save incrementally in 401(k) programs is becoming easier for participants.

**Exhibit 21. Does your plan contain an automatic enrollment/negative election feature?**



- Yes, satisfies safe harbor conditions defined by the Pension Protection Act of 2006
- Yes, does not satisfy the safe harbor conditions defined by the Pension Protection Act of 2006
- Yes, unsure of safe harbor conditions
- No, we never had it
- No, we discontinued it
- No, but considering it
- No, we were unaware of this feature

**Exhibit 22. What is the default deferral percentage for automatic enrollment?**



- 2% or less
- 3%
- 4%
- 5%
- 6% or more

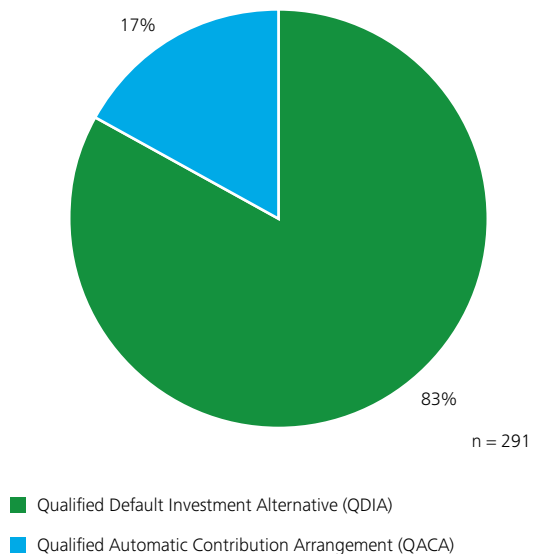
# Eligibility and Enrollment

## (continued)

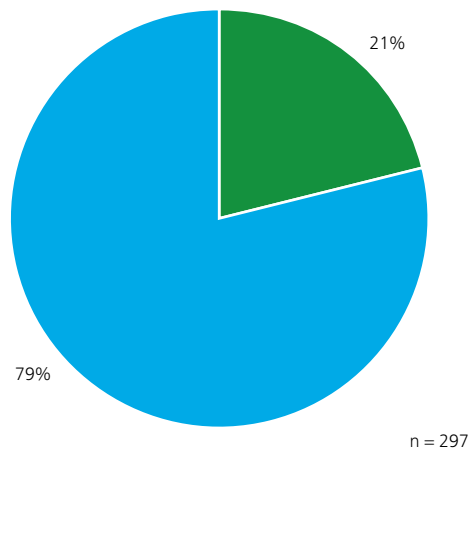
**Exhibit 23. What is the default investment election for automatic enrollment?**

	Number	Percent
Principal Preservation (stable value, money market, etc.)	26	9%
Balanced Fund	31	10%
Lifestyle Fund (risk based)	36	12%
Lifecycle / Target Retirement Date Fund	201	65%
Managed Account	9	3%
Other	4	1%
<b>Total</b>	<b>307</b>	<b>100%</b>

**Exhibit 24. Within the automatic enrollment feature, does your plan offer a standard Qualified Default Investment Alternative or a Qualified Automatic Contribution Arrangement?**



**Exhibit 25. Have you considered a change to the default investment election for automatic enrollment based on the most recent regulations regarding Qualified Default Investment Alternatives?**



**Exhibit 26. How much time do you allow for eligible employees to opt-out/cancel auto-enrollment?**

	Number	Percent
Less than 30 days	53	17%
30 - 60 days	159	52%
60 - 90 days	51	17%
More than 90 days	42	14%
<b>Total</b>	<b>305</b>	<b>100%</b>

Note: Average percentage of employees that opt out/cancel automatic enrollment: 6.8%

# Eligibility and Enrollment

## (continued)

**Exhibit 27. When you implemented automatic enrollment, which population was targeted?**

	Number	Percent
New hires only	192	62%
Entire population	103	34%
Other	12	4%
<b>Total</b>	<b>307</b>	<b>100%</b>

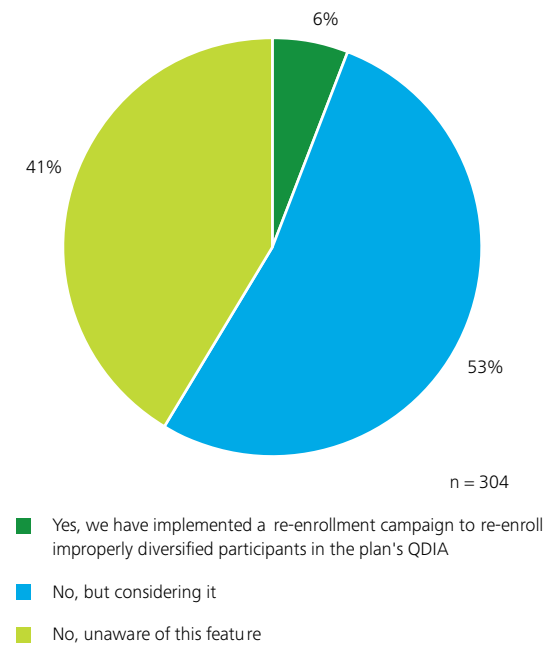
**Exhibit 28. Given current economic conditions, what action if any have participants taken specific to automatic enrollment?**

	Number	Percent
No changes	248	80%
Increased opt outs	37	12%
Decreases in the designated deferral rate	26	8%
<b>Total</b>	<b>311</b>	<b>100%</b>

**Exhibit 29. Given that historically high percentages of employees automatically enrolled into 401(k) plans remain at the default contribution rate, have you implemented a re-enrollment campaign to increase deferral rates?**

	Number	Percent
Yes, we have implemented a re-enrollment campaign	57	19%
No, but considering it	184	60%
No, unaware of this feature	65	21%
<b>Total</b>	<b>306</b>	<b>100%</b>

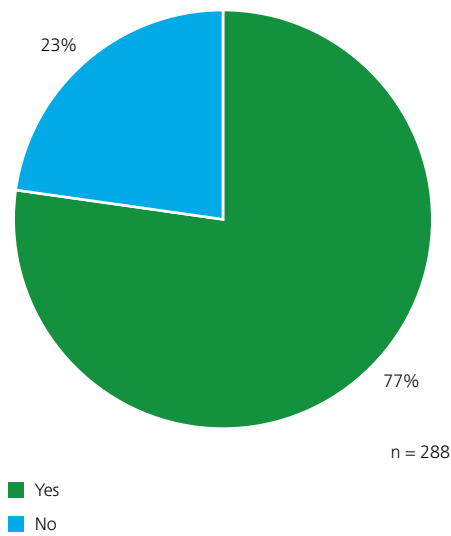
**Exhibit 30. Considering market conditions and the need to appropriately diversify investments, have you implemented a re-enrollment campaign to re-enroll improperly diversified participants in the plan's QDIA?**



# Eligibility and Enrollment

## (continued)

**Exhibit 31. Have you seen an increase in participation due to the automatic enrollment feature?**



**Exhibit 32. How has automatic enrollment impacted your non-discrimination test results?**

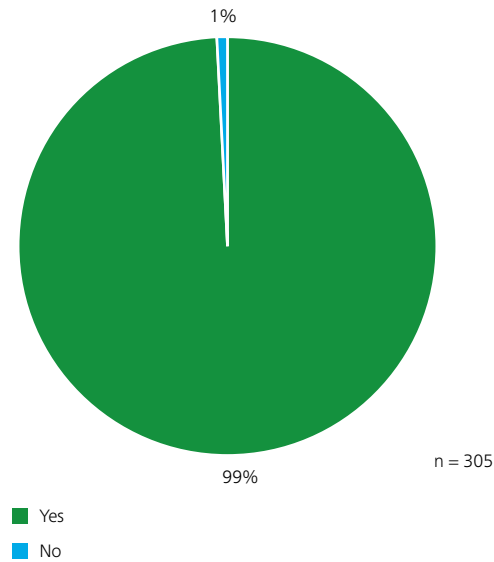
	Number	Percent
Too soon to tell	69	23%
No change to test results	115	39%
Improved test results	112	38%
Worsened test results	0	0%
<b>Total</b>	<b>296</b>	<b>100%</b>

**Exhibit 33. Please rank your motivation for adding automatic enrollment (1 being the strongest motivational factor and 3 being the least motivational factor).**

	Average Rank	No. of respondents ranking #1	Percent ranking #1
Improve non-discrimination test results	2.47	58	21%
Increase overall participation	1.72	100	36%
Encourage retirement savings	1.81	119	43%

n = 277

**Exhibit 34. Are you satisfied with automatic enrollment?**



# Eligibility and Enrollment

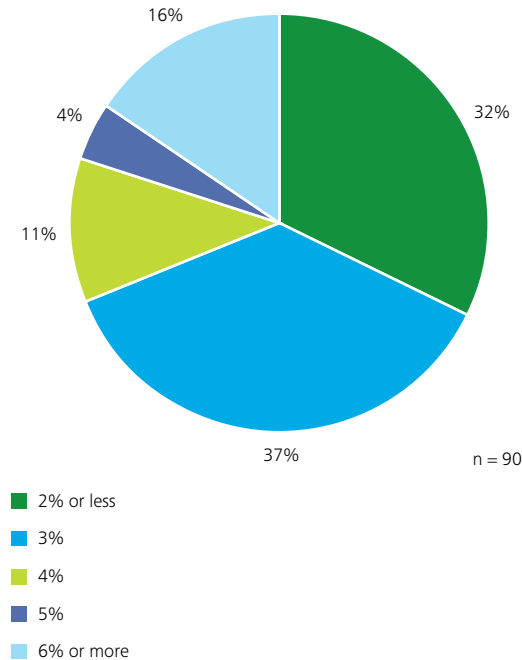
## (continued)

### Easy Enrollment

**Exhibit 35. Does your plan contain an easy enrollment feature?**

	Number	Percent
Yes	92	15%
No, we never had it	382	64%
No, we discontinued it	20	3%
No, but considering it	64	11%
No, we were unaware of this feature	42	7%
<b>Total</b>	<b>600</b>	<b>100%</b>

**Exhibit 36. What is the default deferral percentage for easy enrollment?**



**Exhibit 37. What is the default investment election for easy enrollment?**

	Number	Percent
Principal Preservation (stable value, money market, etc.)	8	9%
Balanced Fund	11	12%
Lifestyle Fund (risk based)	8	9%
Lifecycle / Target Retirement Date Fund	59	65%
Managed Account	1	1%
Other	4	4%
<b>Total</b>	<b>91</b>	<b>100%</b>

**Exhibit 38. When you implemented easy enrollment, what population was targeted?**

	Number	Percent
New hires only	35	39%
Entire population	45	49%
Other	11	12%
<b>Total</b>	<b>91</b>	<b>100%</b>

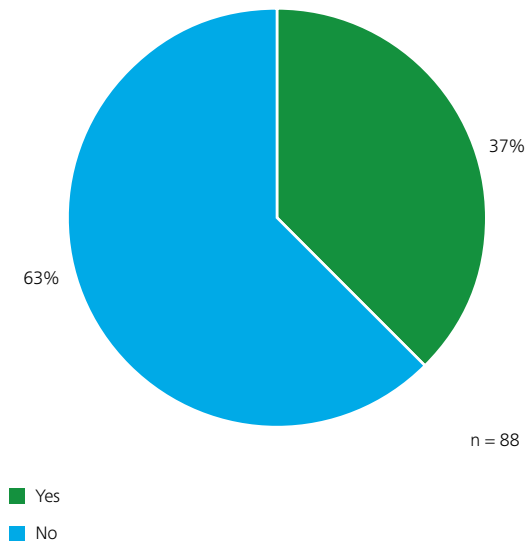
**Exhibit 39. How has easy enrollment impacted your non-discrimination test results?**

	Number	Percent
Too soon to tell	24	27%
No change to test results	44	50%
Improved test results	20	23%
Worsened test results	0	0%
<b>Total</b>	<b>88</b>	<b>100%</b>

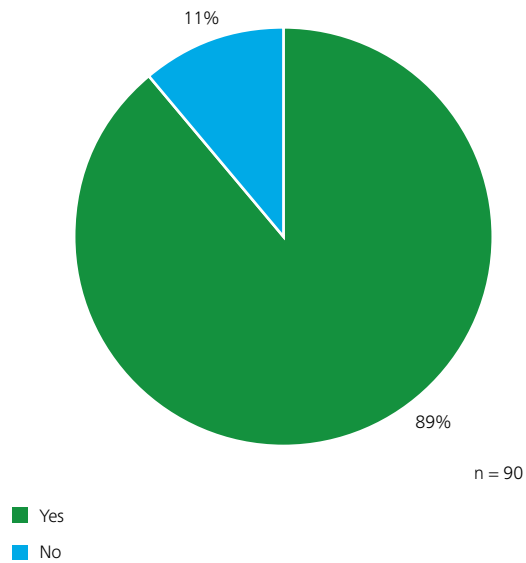
# Eligibility and Enrollment

## (continued)

**Exhibit 40. Have you seen an increase in participation due to the easy enrollment feature?**



**Exhibit 42. Are you satisfied with the easy enrollment feature?**



**Exhibit 41. Please rank your motivation for adding easy enrollment (1 being the strongest motivational factor and 3 being the least motivational factor).**

	Average Rank	No. of respondents ranking #1	Percent ranking #1
Improve non-discrimination test results	2.52	15	18%
Increase overall participation	1.67	36	43%
Encourage retirement savings	1.81	32	39%

n = 88

# Eligibility and Enrollment

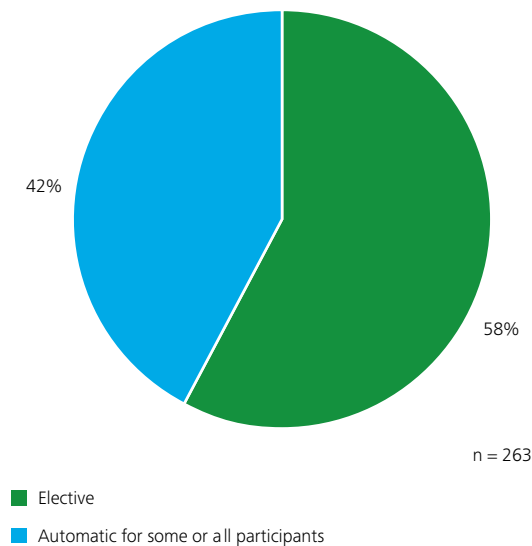
## (continued)

### Step-Up Contributions

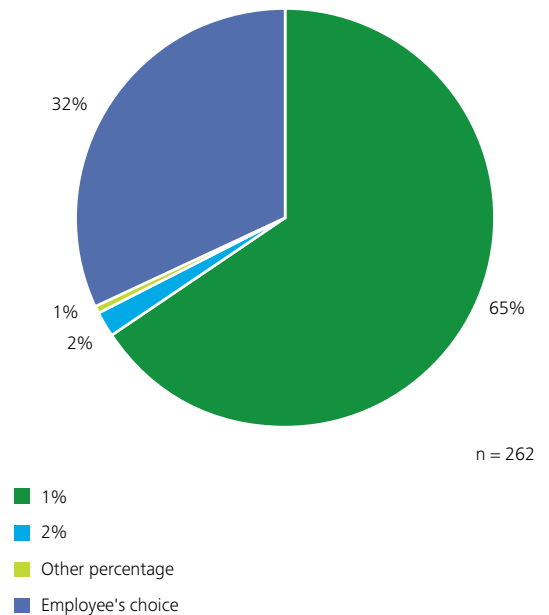
**Exhibit 43. Does your plan contain a step-up contribution feature?**

	Number	Percent
Yes, tied to the Automatic Enrollment feature	95	16%
Yes, tied to the Easy Enrollment feature	7	1%
Yes, tied to both Easy Enrollment and Automatic Enrollment features	5	1%
Yes, as a separate, stand-alone feature	146	24%
No	247	41%
No, but considering it	78	13%
No, we were unaware of this feature	10	2%
Other	13	2%
<b>Total</b>	<b>601</b>	<b>100%</b>

**Exhibit 44. Is your step-up feature:**



**Exhibit 45. What is the incremental step-up percentage applied each year?**



**Exhibit 46. How long do you continue to step up the deferral percentage?**

	Number	Percent
For a fixed number of years	22	9%
Until the maximum matching percentage is reached	79	31%
Until the plan's maximum deferral rate is reached	45	17%
Until the employee's elected maximum contribution rate is reached	65	25%
Other	47	18%
<b>Total</b>	<b>258</b>	<b>100%</b>

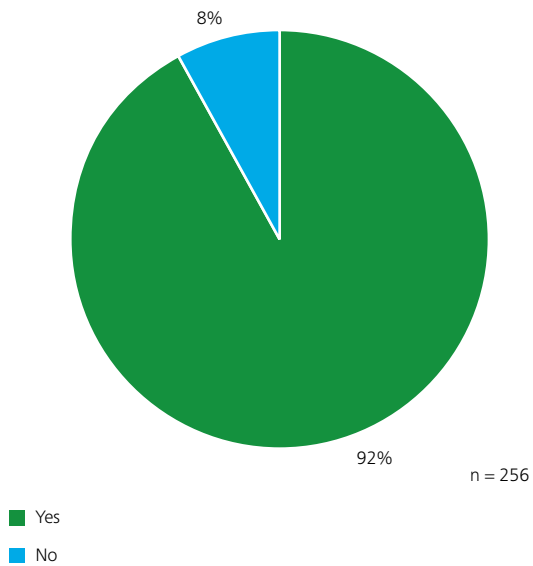
# Eligibility and Enrollment

## (continued)

**Exhibit 47. When do you step up the deferral percentage each year?**

	Number	Percent
The anniversary date of the participant's enrollment	33	12%
Tied to the company's salary increase date	54	21%
The beginning of the year	62	24%
Participants select the date	93	36%
Other	19	7%
<b>Total</b>	<b>261</b>	<b>100%</b>

**Exhibit 48. Are you satisfied with the step-up contribution program?**



# Employee Contributions

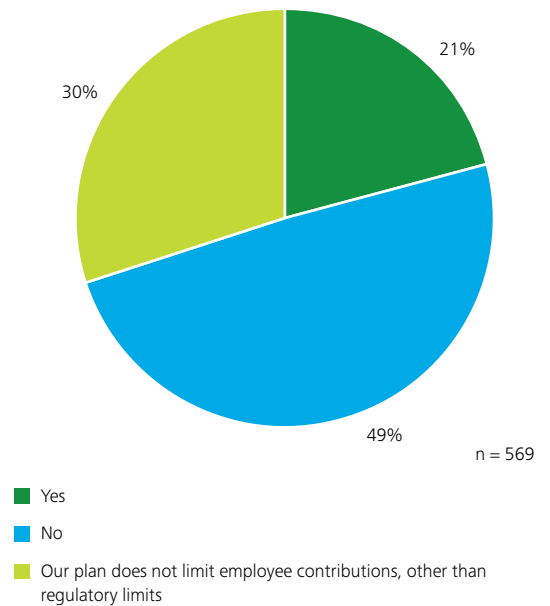
Median deferral rates for non-highly compensated employees (those earning less than \$105,000) increased slightly in this year's Survey to 5.65%. Median deferral rates for highly compensated employees (those earning \$105,000 or more) also increased slightly to 7%. The number of employers indicating they made no changes in the prior year to their maximum contribution percentages rose to 86% (up five percentage points from last year).

The opportunity for employees to contribute to Roth 401(k) plans has not seen much growth; however, almost 10% more employers report offering Roth 401(k) over last year, with 31% offering this as an option. The percentage of employees with access to a Roth 401(k) option that actually take advantage of the opportunity remains relatively modest and has actually decreased slightly; 48% of employers reported adoption rates in the 1 to 5% range. Another 24% report adoption rates in the 6 to 10% range.

**Exhibit 49. Based on the results of your most recent discrimination testing, what was the Average Deferral Percentage (ADP) of the Highly Compensated Employees (HCE's) and Non-Highly Compensated Employees (NHCE's)?**

	HCE ADP	NHCE ADP
< 4%	9.5%	21.3%
4 - 5.99%	19.3%	37.1%
6 - 7.99%	47.2%	27.8%
8% or more	24%	13.8%
	n = 388	n = 385

**Exhibit 50. Do you have different maximum contribution percentages (for either before tax and/or after tax) for HCE's and NHCE's?**



# Employee Contributions (continued)

**Exhibit 51. Have you changed your maximum contribution percentages in the past year?**

	Percentage
Yes, increased	7%
Yes, decreased	2%
No	86%
No, but considering a change	5%
<b>Total</b>	<b>100%</b>

n = 411

**Exhibit 52. How is the IRC compensation limit and the annual addition limit applied with payroll?**

	Percentage
Limits are applied based on year-to-date compensation and contributions	86%
Limits are applied pro-rata based on each payroll	12%
Other	2%
<b>Total</b>	<b>100%</b>

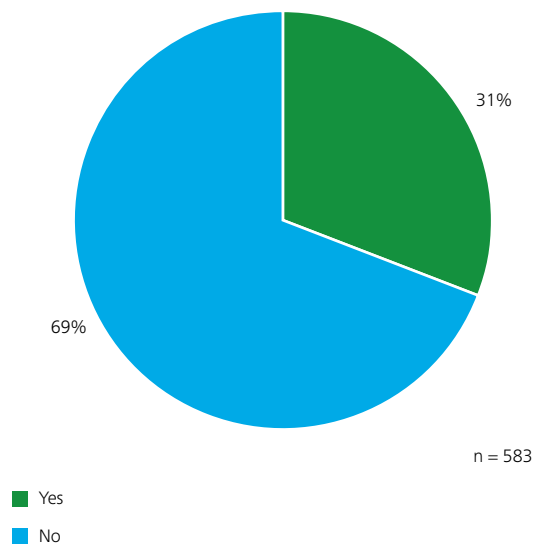
n = 549

**Exhibit 53. Given current economic conditions, have you noticed participants in your plan doing one of the following with respect to their current deferral rates?**

	Percentage
Increasing deferral rates	2%
Decreasing deferral rates	38%
Holding deferral rates steady	60%
<b>Total</b>	<b>100%</b>

n = 563

**Exhibit 54. Do you offer a Roth 401(k) feature?**



n = 583

**Exhibit 55. What is the current adoption rate by participants of the Roth 401(k) feature?**

	Percentage
Less than 1%	16%
1% - 5%	48%
6% - 10%	24%
More than 10%	12%
<b>Total</b>	<b>100%</b>

n = 179

# Employer Contributions

As a mark of employers helping employees prepare for retirement, and quite interesting given the current economic environment, a significant increase of Survey respondents (57%) reported that employees are entitled to employer matching contributions immediately upon hiring. That figure is consistently up over the previous years (48% last year and 45% in 2005/2006).

Another sign of the times is that 17% of respondents have changed their matching formula in different ways: increasing the match (28%), suspending the match (29%), and decreasing the match (27%). Approximately one-third (34%) have a safe harbor matching rate. These results are very different from last year, which saw an overwhelming increase (81%) in the match; every company is reacting in different ways to the current financial environment.

As in the previous years, the vast majority of employers (90%) allow employees to choose how to invest the employer matching contributions. Only 15% initially direct matching contributions into employer stock. Similarly, an employee's ability to allocate profit-sharing contributions at their discretion remained stable at 91%.

**Exhibit 56. Do you offer one of the following?**

	Percentage
Matching contributions	59%
Profit sharing contributions	5%
Both matching and profit sharing contributions	27%
Neither	9%
<b>Total</b>	<b>100%</b>

n = 589

**Exhibit 57. What are the service requirements for employer contributions?**

	Percentage
Immediate	57%
Less than 1 year	14%
1 year	24%
Other	5%
<b>Total</b>	<b>100%</b>

n = 532

**Exhibit 58. What are the service requirements for profit sharing contributions?**

	Percentage
Immediate	31%
Less than 1 year	16%
1 year	44%
Other	9%
<b>Total</b>	<b>100%</b>

n = 188

**Exhibit 59. Do you offer a safe harbor contribution?**

	Percentage
Yes (100% of the first 3% of compensation and 50% of the next 2% of compensation with immediate vesting)	11%
Yes (3% non-discretionary contribution and immediate vesting)	6%
Yes (other)	17%
No	61%
No, but considering it	5%
<b>Total</b>	<b>100%</b>

n = 521

# Employer Contributions (continued)

## Employer Match

**Exhibit 60. What is your 401(k) plan's matching formula?**

	Percentage
All employees same formula	74%
Two employee groups, different formulas	9%
Multi-tiered contribution formula	11%
Varies from year to year	2%
Other (not defined above)	4%
<b>Total</b>	<b>100%</b>

n = 387

Note: Most common match formula is 50% of employee contributions up to 6% of pay.

**Exhibit 61. Have you changed your company's matching formula in the past year?**

	Percent	Percent
Yes, we have:	17%	
Increased match	28%	
Instituted safe harbor	13%	
Suspended/discontinued	29%	
Decreased match	27%	
Instituted discretionary	5%	
Instituted other formula/design changes	10%	
No, and we are not considering any changes	68%	
No, but we are considering:	15%	
A change to increase match	10%	
A change to institute safe harbor	14%	
A change to decrease match	32%	
Suspending/discontinuing match	45%	
A change to institute discretionary	8%	
Other formula/design changes	16%	
<b>Total</b>	<b>100%</b>	

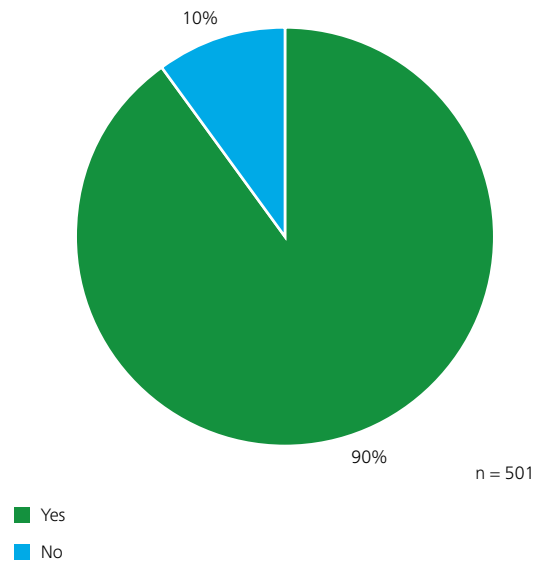
n = 488

**Exhibit 62. How is your match structured?**

	Percentage
Fixed	77%
Discretionary, this contribution was made this year	15%
Discretionary, this contribution was NOT made this year	3%
Combination	5%
<b>Total</b>	<b>100%</b>

n = 498

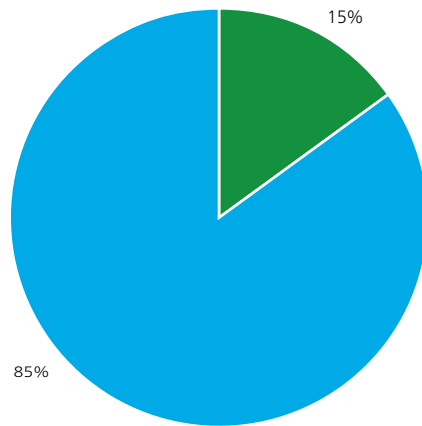
**Exhibit 63. Do participants have the option to direct the investment of these matching contributions?**



n = 501

# Employer Contributions (continued)

**Exhibit 64. Do you direct employer contributions into employer stock?**



n = 245

- Yes
- No

**Exhibit 65. What is the plan's vesting schedule for these matching contributions?**

	Percentage
Immediate full vesting	40%
1 - 3 year cliff	22%
1 - 3 year graduated	6%
4 - 6 year graduated	26%
Other	6%
<b>Total</b>	<b>100%</b>

n = 502

**Exhibit 66. How are matching contribution forfeitures treated? (check all that apply)**

	Percentage
Reallocated to participants	8%
Used to reduce employer contributions	72%
Used to offset fees	33%
Other	8%

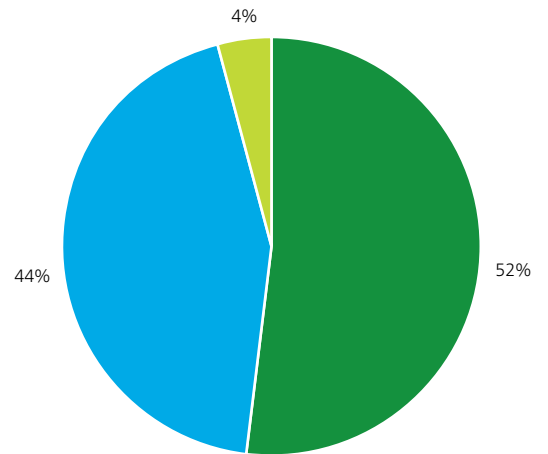
n = 433

**Exhibit 67. How often is the match calculated and deposited?**

	Percentage
Each pay period	79%
Monthly or quarterly (less frequently than each pay period)	10%
Annually (once a year), regardless of hours	3%
Annually (once a year), with a required number of hours, or employed on the last day of the year	8%
<b>Total</b>	<b>100%</b>

n = 499

**Exhibit 68. Do you true-up your employer match at the end of the year for employees who reach the maximum compensation limit or who hit the 401(k) limit before receiving the maximum possible match?**



n = 391

- Yes
- No
- No, we were unaware of this option

# Employer Contributions (continued)

## Profit Sharing

**Exhibit 69. How is your profit sharing contribution structured?**

	Percentage
Fixed	26%
Discretionary, this contribution was made this year	42%
Discretionary, this contribution was NOT made this year	25%
Combination	7%
<b>Total</b>	<b>100%</b>

n = 185

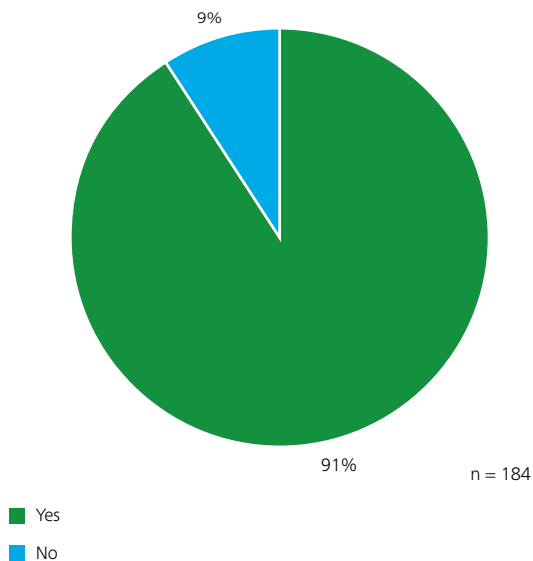
**Exhibit 70. How is your profit sharing contribution allocated?**

	Percentage
Contribution allocated pro-rata based on compensation	74%
Contribution allocated in another manner	26%
<b>Total</b>	<b>100%</b>

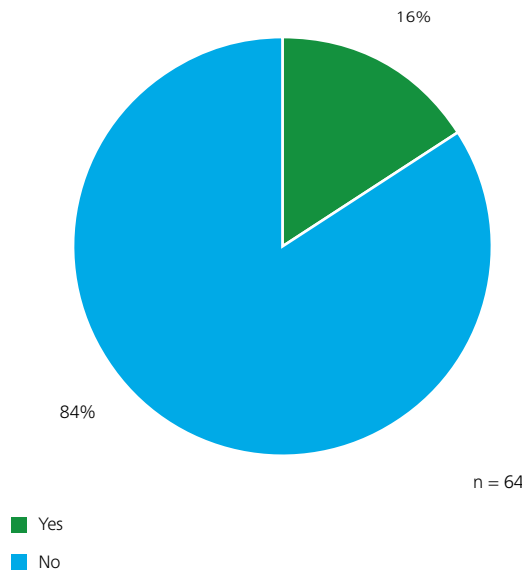
Average profit sharing contribution was 4.7% of compensation

n = 182

**Exhibit 71. Do participants have the option to direct the investment of these profit sharing contributions?**



**Exhibit 72. Do you direct profit sharing contributions into employer stock?**



**Exhibit 73. What is the plan's vesting schedule for these profit sharing contributions?**

	Percentage
Immediate full vesting	24%
1 - 4 year cliff	21%
5 year cliff	3%
1 - 4 year graduated	7%
5 year graduated	21%
6 - 7 year graduated	20%
Other	4%
<b>Total</b>	<b>100%</b>

n = 184

**Exhibit 74. How are profit sharing contribution forfeitures treated? (check all that apply)**

	Percentage
Reallocated to participants	12%
Used to reduce employer contributions	72%
Used to offset fees	27%
Other	6%

n = 164

# Investments

Target date funds continue to gain in popularity. These funds move from aggressive to more conservative as the participant nears a target retirement date. In this year's Survey, 67% of respondents reported offering lifecycle funds, up from 57% last year. Also showing an increase in availability are risk-based lifestyle funds, which rose 5% to 25%. Similar to lifecycle funds, lifestyle fund allocation and rebalancing decisions are made by fund professionals. However, the risk profile (i.e., aggressive or conservative) of the participant determines the target-risk and does not change over time. Emerging market funds were reported on more than a quarter (28%) of employer menus for 2009, up from 22%. Several other funds remained unchanged from 2008 in this year's survey, including real estate investment trusts (21%) and sector funds (11%).

Similar to last year's Survey, just over a quarter (26%) of plan sponsors offer managed accounts. Another 8% of employers indicate they are considering offering them. Also consistent with last year's findings is the significant level of fiduciary responsibility employers seem to take towards managing their investment performance: 81% indicate they have formal written procedures in place for fund selection; the majority of respondents (60%) evaluate fund performance quarterly; and 62% indicated they had replaced an underperforming fund within the last two years.

**Exhibit 75. Do you offer the following types of core investment options in your plan: (check all that apply)**

Fund Type	Yes
Stable Value	82%
Money Market	49%
General/Core Bond	79%
TIPS (Treasury Inflation Protected Securities)	9%
High Yield Bond Fund / Treasury Bond Fund	35%
Lifestyle Funds (risk-based)	25%
Lifecycle Funds (time-based)	67%
Actively Managed Domestic Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend)	81%
Passively Managed Domestic Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend)	56%
Actively Managed Global/International Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend)	77%
Passively Managed Global/International Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend)	31%
Emerging Markets	28%
Socially Responsible	7%
Real Estate	21%
Sector Funds (i.e., Technology, Communications, Biotechnology, Health Care, Utilities)	11%
Hedge Funds	1%
Employer Stock	24%
Mutual Fund Window (Mutual Funds only)	9%
Self-Directed Brokerage	18%
Exchange Traded Funds (ETFs)	1%
In-Plan Deferred Annuity	1%

n = 523

# Investments (continued)

**Exhibit 76. Approximately how much of your fund line-up is made of proprietary funds?**

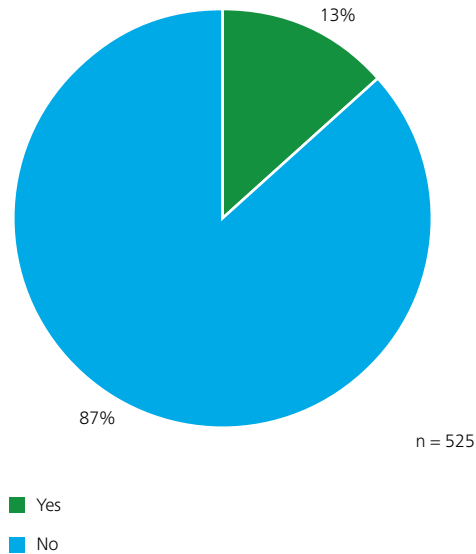
	Number	Percent
0 - 25%	241	47%
26 - 50%	93	18%
51 - 75%	81	16%
76 - 100%	95	19%
<b>Total</b>	<b>510</b>	<b>100%</b>

**Exhibit 77. Which types of investment vehicles are utilized in your plan? (check all that apply)**

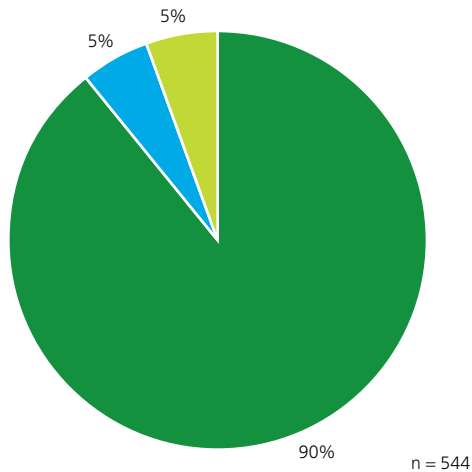
	Number	Percent
Annuities	39	8%
Collective trust funds	145	28%
Mutual funds	465	91%
Separate accounts	106	21%
Other	49	10%

n = 510

**Exhibit 79. Are the mutual funds you offer in the same family?**

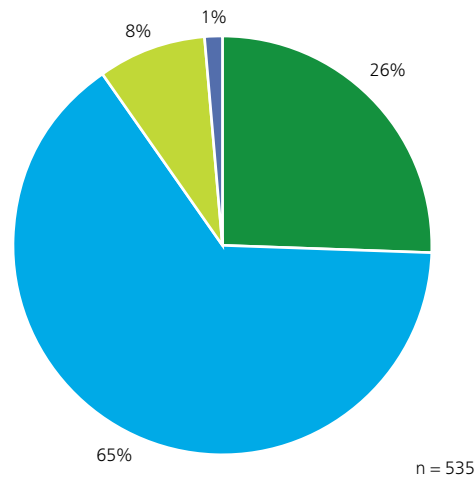


**Exhibit 78. Do you think your plan offers the appropriate number of investment options?**



- Yes
- No, we should offer more options
- No, we should offer fewer options

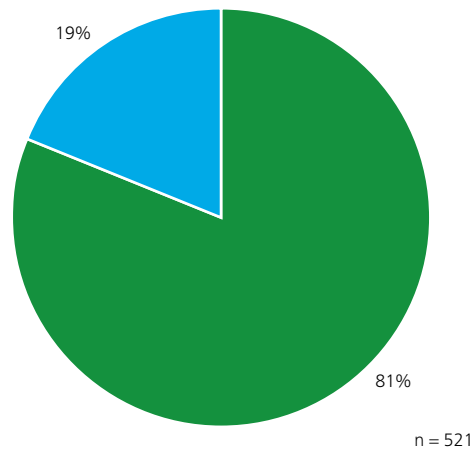
**Exhibit 80. Do you offer managed accounts?**



- Yes
- No
- No, but considering it
- No, unaware of this feature

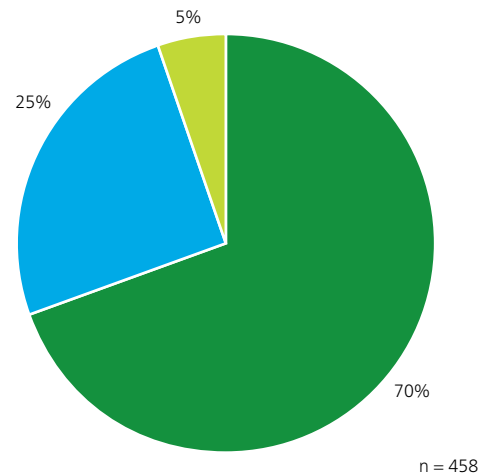
# Investments (continued)

**Exhibit 81. Are there formal written procedures in place for fund selection?**



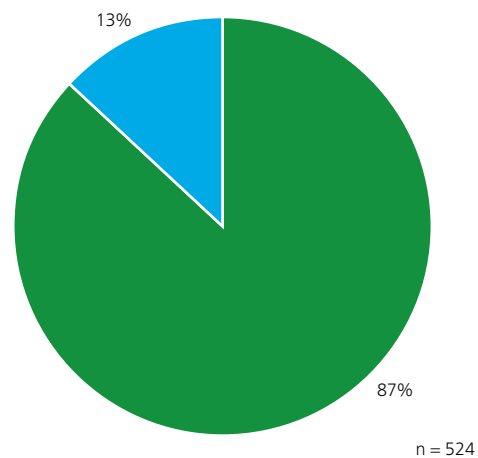
■ Yes  
■ No

**Exhibit 83. When was the last time your investment policy was reviewed for compliance?**



■ Within the last year  
■ 1 - 3 years  
■ More than three years

**Exhibit 82. Do you have a formal written investment policy?**



■ Yes  
■ No

**Exhibit 84. How frequently do you evaluate and benchmark the performance of the plan's investments?**

Frequency	Number	Percent
Quarterly	320	60%
Semiannually	97	18%
Annually	82	16%
Other	7	1%
No formal schedule	24	5%
<b>Total</b>	<b>530</b>	<b>100%</b>

**Exhibit 85. Who performs the investment monitoring for your plan? (check all that apply)**

Role	Number	Percent
An outside investment consultant	310	59%
Internal staff/team/committee	292	55%
Plan provider/recordkeeper	201	38%
Other	15	3%

n = 528

# Investments (continued)

**Exhibit 86. How do you handle an underperforming fund? (check all that apply)**

	Number	Percent
Add an additional fund with the same investment style	97	19%
Replace fund	371	72%
Phase out fund over period of time	84	16%
Freeze fund (no incoming money)	85	16%
Continue to monitor	283	55%
Hasn't happened	33	6%
Other	24	5%
	n = 519	

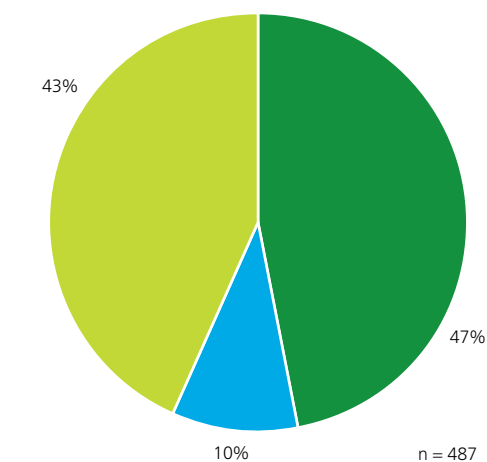
**Exhibit 87. When was the last time you replaced a fund due to poor performance?**

	Number	Percent
Within last year	204	39%
1 to less than 2 years	121	23%
2 to less than 5 years	102	20%
5+ years	25	5%
Never	65	13%
<b>Total</b>	<b>517</b>	<b>100%</b>

**Exhibit 88. If you changed your funds recently, what was the main reason?**

	Number	Percent
The provider wasn't offering it anymore	12	3%
We, as the sponsor, made a decision to change the fund	340	77%
N/A, we haven't changed any funds recently	88	20%
<b>Total</b>	<b>440</b>	<b>100%</b>

**Exhibit 89. Do any of the investment options assess short-term trading fees to participants?**



- Yes, if held fewer than X days
- Yes, based on other criteria (not number of days)
- No

Note: Average X equals approximately 60 days

**Exhibit 90. Does your plan have a policy restricting the frequency of fund transfers among your investment options?**

	Number	Percent
Yes, based on the fund's policy only	232	45%
Yes, based on the plan's policy only	43	9%
Yes, based on both the fund's and the plan's policies	53	10%
No	187	36%
<b>Total</b>	<b>515</b>	<b>100%</b>

# Investments (continued)

**Exhibit 91. What happens if a participant is found to be engaging in excessive trading? (check all that apply)**

	Number	Percent
An excessive trading policy does not exist and/or trading is not monitored	49	10%
Participant is notified of plan's policy and advised to stop	145	31%
Participant is restricted/suspended/frozen from further trading	130	27%
Handled by fund	79	17%
Fee is assessed	42	9%
Each situation is handled independently	32	7%
Don't know	65	14%
Hasn't happened	80	17%
Other	25	5%

n = 475

**Exhibit 92. Who monitors the enforcement of these restrictions? (check all that apply)**

	Number	Percent
Plan sponsor	72	16%
Recordkeeper	340	78%
Fund company	107	24%
Other	13	3%

n = 438

**Exhibit 93. Does your plan adhere to the following guidelines to comply with ERISA section 404(c) protection?**

	Yes	No
Do you make a statement that the plan intends to comply with ERISA section 404(c) requirements?	96%	4%
Are prospectuses delivered before or immediately after a participant's initial investment in any plan fund?	89%	11%
Are descriptions of transaction fees, if any, and expenses to be charged to individual accounts communicated regularly?	87%	13%

**Exhibit 94. Have you considered adding an in-plan deferred annuity to your current plan in light of the recent market performance?**

	Number	Percent
Yes, we are looking into it	53	10%
Yes, we have added this to the plan	9	2%
No, we are not considering at this time	403	80%
Unaware of this feature	42	8%
<b>Total</b>	<b>507</b>	<b>100%</b>

# Fees

The majority of employers agree that the fees paid to administer the 401(k) plans are competitive (86%), and they do not have difficulty obtaining the basis for such fees (79%). Generally, fees are paid by either investment revenue (43%) or direct fees charged by the recordkeeper (46%). The percentage of funds reporting average fees of 50 basis points or below increased again this year to 23%, up from 18%.

Employers surveyed are much more inclined to have plan participants pay fees associated with managed accounts. Specifically, 60% reported passing those charges on to employees versus only 9% that reported paying them. The remainder reported that no fee is explicitly charged by plan vendors for managed accounts.

This year's Survey supports the trend that 401(k) providers are becoming more transparent about revenue sharing or fee offset arrangements. Specifically, 74% of employers reported that their plan provider fully discloses any revenue sharing offsets, versus 57% last year and 48% in the 2005/2006 Survey. With the new administration posing new regulations making full fee disclosure imminent, most employers surveyed (92%) are in favor of this arrangement.

## Exhibit 95. How are your 401(k) plan's record keeping and administration fees paid?

All of the record keeping and administrative fees are paid through investment revenue	43%
Some or all of the record keeping and administrative fees are not covered by investment revenue so there is a direct fee that is charged by the recordkeeper.	46%
The company pays this fee directly	61%
This fee is allocated to participants	21%
Pro-rata based on account balances	59%
An equal dollar amount to all participants	41%
Both the company and the participants pay this fee	18%
Some or all of the record keeping and administrative fees are not covered by investment revenue so there are additional fees in the form of a wrap fee or added basis point charge on the investments.	6%
The company pays this fee directly	29%
This fee is allocated to participants through a reduction in investment return	53%
Both the company and the participants pay this fee	18%
Other	5%
<b>Total</b>	<b>100%</b>

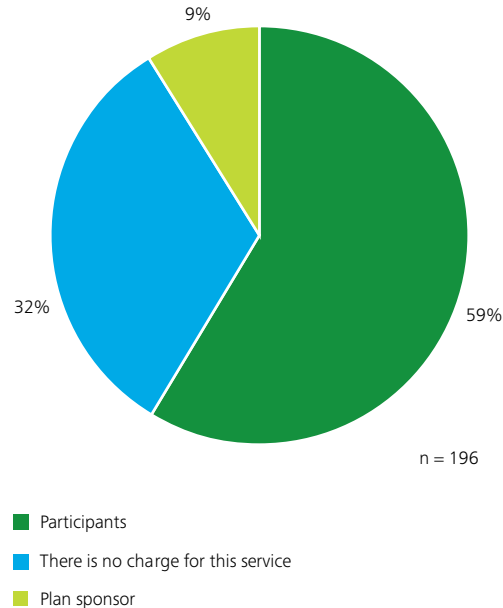
n = 477

# Fees (continued)

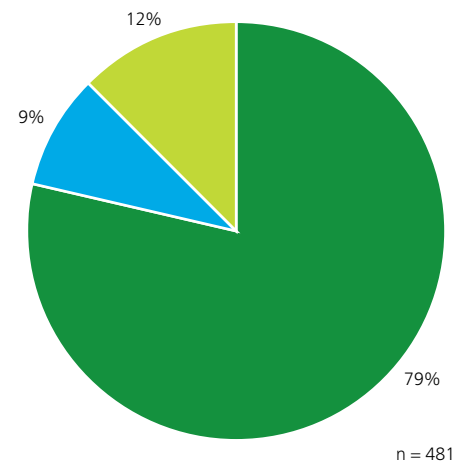
**Exhibit 96. What is your plan's average fund expense ratio?**

	Number	Percent
Up to .5%	106	23%
.51% to .85%	206	44%
.86% to 1.25%	81	17%
More than 1.25%	1	0%
Data unavailable for survey	72	16%
<b>Total</b>	<b>466</b>	<b>100%</b>

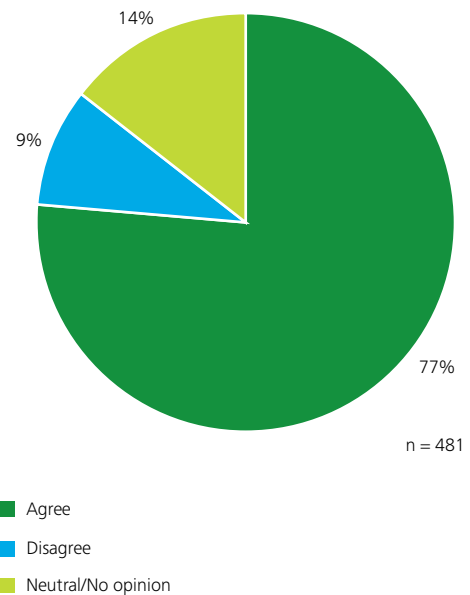
**Exhibit 97. If you offer managed accounts to your participants, who pays for this service?**



**Exhibit 98. We have no difficulty obtaining a clear understanding of the total plan/participant administrative fees being charged.**

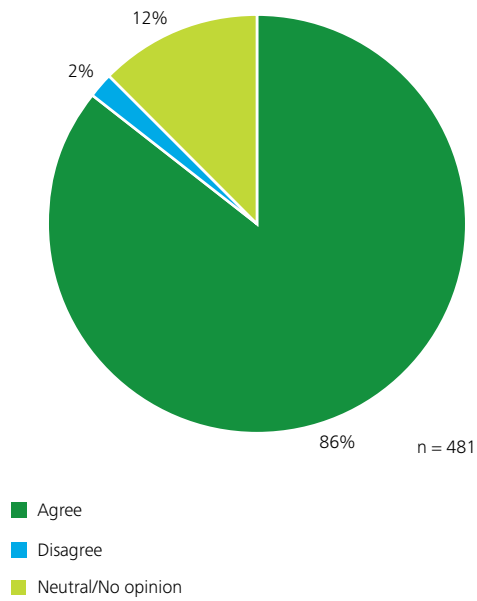


**Exhibit 99. We have no difficulty obtaining a clear explanation of the normal fund operating expenses of the funds in our plan.**

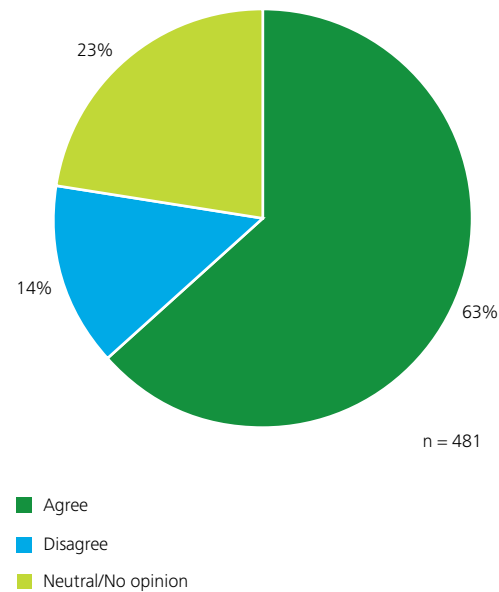


# Fees (continued)

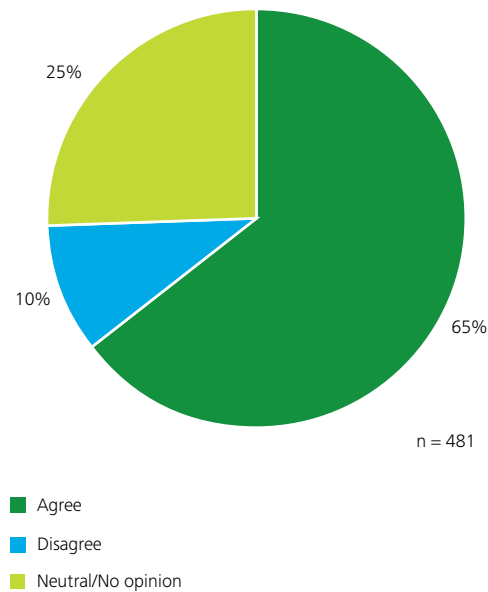
**Exhibit 100. We believe our fees are competitive.**



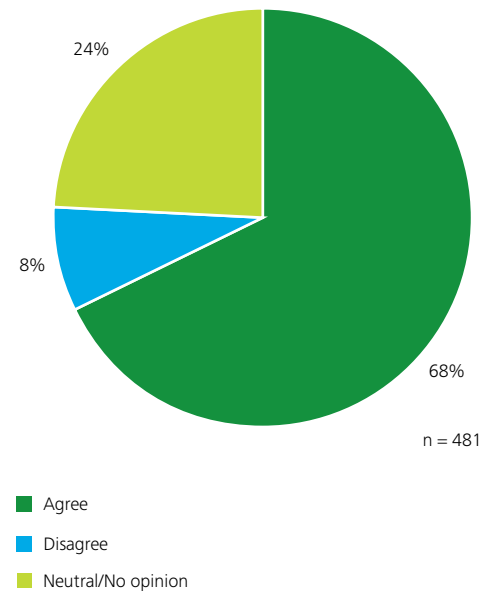
**Exhibit 102. We have no difficulty obtaining what it costs our provider to administer our plan.**



**Exhibit 101. We have no difficulty obtaining a clear description of all the revenue sharing arrangements that our recordkeeper has with the mutual funds included in our plan.**

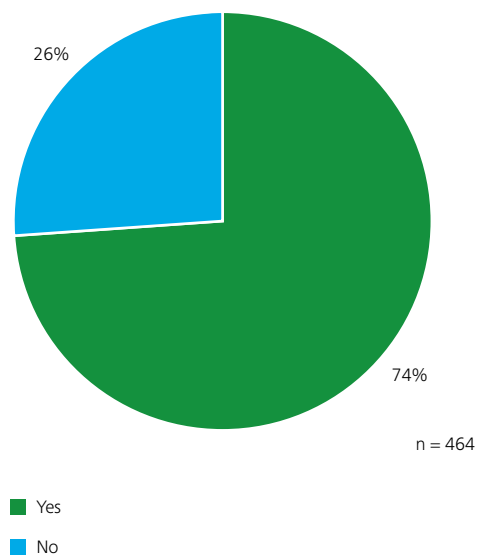


**Exhibit 103. We have performed a detailed fee analysis and have a thorough understanding of all plan expenses.**



# Fees (continued)

**Exhibit 104. Does your provider fully disclose its total costs for administering your plan without any revenue-sharing agreements or investment offsets?**



**Exhibit 105. Does your provider fully disclose its revenue-sharing agreements and investment offsets?**

	Number	Percent
Yes, but for the alliance (non-proprietary) funds only	54	13%
Yes, for both alliance and its own proprietary funds	258	61%
No, it does not disclose any revenue-sharing or investment offset arrangements	85	20%
Other	26	6%
<b>Total</b>	<b>423</b>	<b>100%</b>

**Exhibit 106. Do the revenue-sharing and investment offset proceeds exceed the provider's costs for administering your plan, resulting in a fee credit? If so, how do you use that fee credit?**

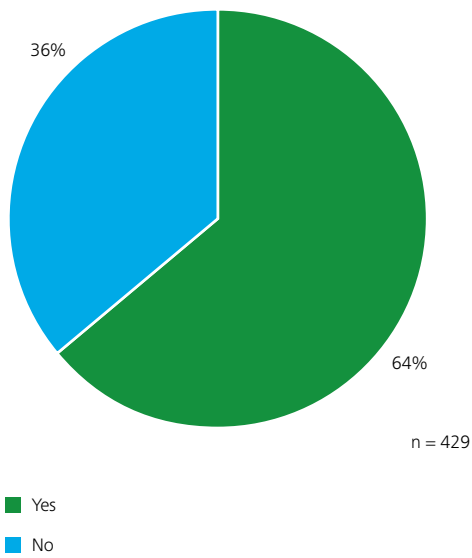
No, there is no fee credit	80%
Yes, there is a fee credit and we use it:	20%
To purchase additional services from our provider, such as communication materials, investment advice tools, etc.	36%
To pay for other plan expenses, such as plan audit fees, consultant fees, etc.	62%
To allocate the credit back to participants	24%
Pro-rata based on account balances	25%
An equal dollar amount to all participants	75%
<b>Total</b>	<b>100%</b>

**Exhibit 107. If your company outsources the administration of the 401(k) plan, how satisfied are you with these services?**

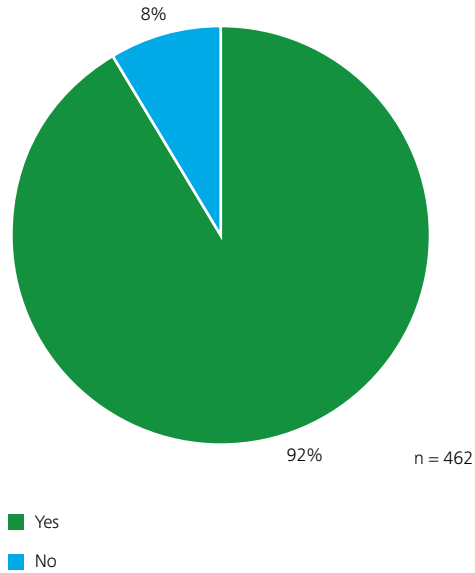
	Number	Percent
Satisfied	380	89%
Satisfied, recently made a change in how these services are paid	19	5%
Dissatisfied, considering a change in how these services are paid	20	5%
Dissatisfied, not considering a change	6	1%
<b>Total</b>	<b>425</b>	<b>100%</b>

# Fees (continued)

**Exhibit 108. Are you receiving detailed breakouts of indirect and direct fees received by your provider (satisfying the new Schedule C regulations proposed by the DOL)?**



**Exhibit 109. Are you pleased to see that full fee disclosure is imminent, given the current proposed regulations?**



# Record Keeping Technology and Policies

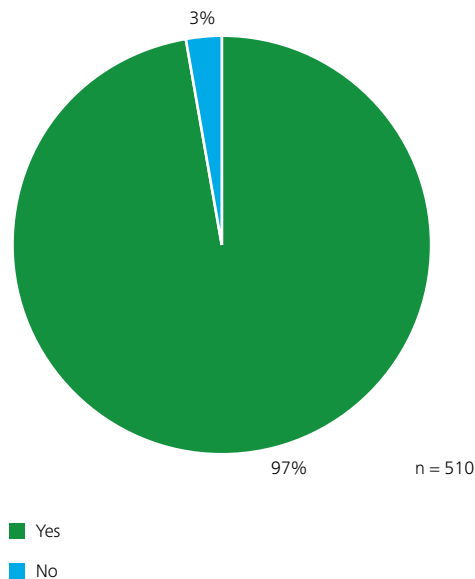
Ease-of-use continues to be an expectation for 401(k) programs, as both employers and employees surveyed increasingly use on-line tools to manage the funds and individual accounts. This keeps the pressure on plan providers surveyed to continue upgrading the technological sophistication of their record keeping systems and offerings. Over 97% of providers surveyed reportedly provide access to plan data, participant demographics, and financial information via a Web site. This allows for ad hoc queries (78%) that facilitate the analytical needs of the Human Resources manager.

Participants also use the call center to access information. Utilizing the Internet and voice response systems, participants can initiate loans, enroll, initiate transfers,

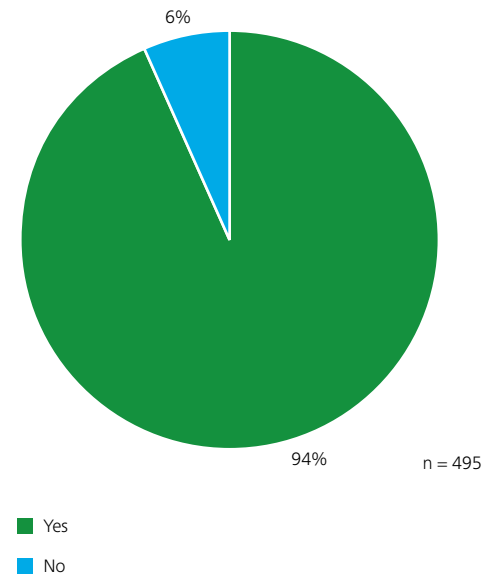
make distributions, request hardship withdrawals, etc., simply and accurately. These systems are readily available for participants to utilize.

The trend of having control over choosing funds continues to be popular, especially in light of recent market volatility. Nearly three-fourths (73%) of participants (up from 62% last year, and 46% the year before) have the option to elect automatic portfolio rebalancing to help achieve target allocation. Seventy percent of respondents reported that participant statements are available 14 business days or less after the end of each quarter.

**Exhibit 110. Does your provider give you access to plan data, participant demographics, and financial information through a plan sponsor Web site?**

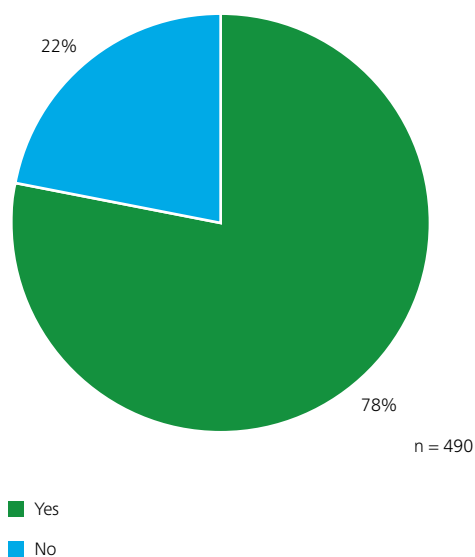


**Exhibit 111. Do you utilize the plan sponsor Web site frequently?**

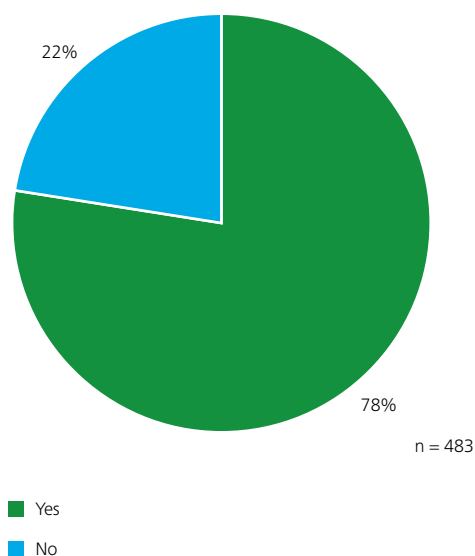


# Record Keeping Technology and Policies (continued)

**Exhibit 112. Can you create your own ad hoc queries?**



**Exhibit 113. Does this data suffice for your analytical needs?**



**Exhibit 114. Which of these features can your participants use for inquiry and transactions? (check all that apply)**

	Number	Percent
Internet	507	100%
Call center representatives	491	97%
Voice response system	389	77%
PDA/Wireless	34	7%

n = 508

**Exhibit 115. What is the level of Internet usage by your participants?**

	Number	Percent
Low (under 30%)	58	12%
Medium (30% to 60%)	193	41%
High (over 60%)	226	47%
<b>Total</b>	<b>477</b>	<b>100%</b>

**Exhibit 116. Are the following transactions 100% paperless?**

Transaction type	Percent
Interfund transfers	90%
Future investment election changes	87%
Deferral percentage changes	82%
Enrollment	77%
Loan initiation	66%
In-service withdrawals (non-hardship)	46%
Beneficiary changes	44%
Full distributions	42%
Direct rollovers out of the plan	36%
Hardship withdrawals	17%

n = 468

**Exhibit 117. How are participants' statements provided? (check all that apply)**

	Number	Percent
Hard copy statement mailed quarterly	423	84%
Quarterly statement available online	348	69%
Statement e-mailed quarterly	178	35%
Statements on Demand (as of any date) available anytime	297	59%

n = 505

# Record Keeping Technology and Policies (continued)

**Exhibit 118. How many business days after the end of each quarter are participants statements available?**

	Number	Percent
1 - 5 days	82	17%
6 - 10 days	132	27%
11 - 14 days	127	26%
15 - 24 days	116	24%
25+ days	27	6%
<b>Total</b>	<b>484</b>	<b>100%</b>

**Exhibit 119. Can participants download transaction history/ statement data?**

	Number	Percent	Percent
Yes, to:	304		67%
Microsoft Money		34%	
Microsoft Excel		53%	
Quicken		56%	
PDF		40%	
Other		2%	
No, download unavailable at this time	95		21%
No, we were unaware of this feature	58		12%
<b>Total</b>	<b>457</b>		<b>100%</b>

**Exhibit 120. How many outstanding loans can a participant have at any time?**

	Number	Percent
0	33	6%
1	244	49%
2	178	36%
3 or more	46	9%
<b>Total</b>	<b>501</b>	<b>100%</b>

**Exhibit 121. Does your plan offer participants the option to elect automatic fund rebalancing?**

	Number	Percent
Yes	361	73%
No, unavailable	77	15%
No, uninterested	13	3%
No, but considering it	29	6%
No, we were unaware of this feature	15	3%
<b>Total</b>	<b>495</b>	<b>100%</b>

**Exhibit 122. Which stock accounting method do you use?**

	Number	Percent
Unit accounting	123	28%
Share accounting	60	13%
Both	19	4%
Not applicable (no company stock)	248	55%
<b>Total</b>	<b>450</b>	<b>100%</b>

**Exhibit 123. Have you made any changes to your company stock diversification rules in the past year?**

	Percentage
Yes, made them more restrictive	0%
Yes, made them less restrictive	10%
No	80%
No, but considering a change	10%
<b>Total</b>	<b>100%</b>

n = 10

# Provider Relationships

In general, employers enjoy an established and long-standing relationship with their plan providers. More than a third (34%) of employers have been with their current provider between five and nine years, while 32% have maintained their provider at least a decade.

On a 1 to 5 scale, with five representing “excellent” and 1 representing “poor,” Survey respondents ranked their satisfaction level with providers for 12 individual service categories. The areas receiving the highest average levels of satisfaction were compliance/regulatory services and the provider’s participant Web site. The lowest satisfaction levels were reported for providers’ consulting services, not surprising given the current economic situation and investment fund performance.

Employers ranked more availability of lower-fee/better performing options; improved participant experience (i.e., enhanced Web site, expanded call center hours, and targeted communications); and enhanced Web-based tools as the three most important changes their providers could make.

Worth noting, there is an upward trend in the number of providers who agree to maintain specific levels of service or performance with the risk of sacrificing fees should these levels not be met. In 2008, only 34% of providers put their fees at risk compared to 42% this year. According to Survey respondents, 34% of providers do not put their fees at risk, down from 38% in 2008.

**Exhibit 124. What is your plan provider structure?**

	Number	Percent
Bundled (all services and funds coordinated through one vendor, investments may include multiple fund families)	364	75%
Alliance (services and funds provided by different vendors under an alliance agreement, with the coordination of trust, investment, and record keeping services handled by the primary vendor, not the plan sponsor)	48	10%
Unbundled (services and funds provided by unrelated vendors; plan sponsor plays a role in the coordination of trust, investment, and record keeping services)	73	15%
<b>Total</b>	<b>485</b>	<b>100%</b>

**Exhibit 125. What is the length of your current service agreement?**

	Number	Percent
< 3 years	154	36%
3 years	80	19%
4 years	16	4%
5 years	52	12%
> 5 years	122	29%
<b>Total</b>	<b>424</b>	<b>100%</b>

**Exhibit 126. Does your provider agree to maintain specific levels of service or performance with the risk of sacrificing fees or providing additional services should these services not be met?**

	Number	Percent
Yes	202	42%
No	161	34%
Don't know	116	24%
<b>Total</b>	<b>479</b>	<b>100%</b>

# Provider Relationships (continued)

**Exhibit 127. Which service levels are being measured? (check all that apply)**

	Number	Percent
Call center statistics	151	82%
Accuracy	146	79%
Statement and report turnaround time	142	77%
Loan, distribution, and withdrawal check processing time	116	63%
Participation rate	65	35%
Fund diversification at the participant level	54	29%
Other	23	13%

n = 184

**Exhibit 128. How long have you been with your recordkeeper/administrator?**

	Number	Percent
Fewer than 2 years	55	11%
2 to fewer than 5 years	110	23%
5 to fewer than 10 years	162	34%
10+ years	156	32%
<b>Total</b>	<b>483</b>	<b>100%</b>

**Exhibit 129. When was the last time you evaluated other providers for your plan for record keeping/administration?**

	Number	Percent
Fewer than 2 years	135	28%
2 to fewer than 5 years	175	37%
5 to fewer than 10 years	110	23%
10+ years	56	12%
<b>Total</b>	<b>476</b>	<b>100%</b>

**Exhibit 130. If you have made a change in provider in the last year, please list the reason(s) for the change.**

	Number	Percent
Poor service	15	30%
Provider consolidation	10	20%
Fees	20	40%
A change in your organizational structure	8	16%
A better solution	23	46%
Other	15	30%

n = 50

**Exhibit 131. How would you rate your vendors on the following? (5 = excellent, 1 = poor)**

	Average Rank
Plan Web site for participants	3.63
Compliance/regulatory	3.63
Plan sponsor support and relationship management	3.58
Administration/record keeping	3.56
Employee communication/education	3.52
Call center services	3.52
Plan Web site for sponsors	3.49
Fees compared to marketplace	3.46
Investment advice tools	3.42
Fee disclosure	3.41
Consulting	3.39
Investment fund performance	3.39

n = 457

**Exhibit 132. Rank the following changes/improvements that your provider could make in the order of importance, with 1 being the most important and 10 being the least important.**

	Average Rank
Offer investment options with lower fees and/or better performance	3.71
Improve participant experience (enhanced Web site, expanded call center hours, targeted communications)	3.72
Add/enhance plan sponsor Web site and tools	4.20
Reduce direct fees to plan sponsor	4.43
Fee transparency	4.72
Improve relationship management and responsiveness to plan sponsor inquiries/issues	5.18
Improve turnaround times for reports and statements	5.36
Improve accuracy of information	5.68
Products and services for other benefit programs (defined benefit, health and welfare, non-qualified)	7.63

# Plan Effectiveness

As in the last Survey, nearly half (46%) of employers reported their 401(k) plan is “generally considered and aligned” with their corporate business strategy. Another 28% indicate their plan and strategy is “carefully considered and closely aligned,” while 26% stated they lack a process to consider or align their 401(k) plan.

With current market conditions and some changes to plan design (i.e., employer-match contributions) dictated by the economy, it is not surprising that employers are less confident in the effectiveness of their 401(k) plan to attract and retain top talent. A majority (79%) of Survey respondents still feel their plan is effective for recruiting talent, down slightly from 81% in last year’s Survey. Also down (to 68%, from 75%) is the belief their plan helps with employee retention. However, more than half (57%) are optimistic that their plan is as competitive as their peers, while 32% believe that their plan is richer than plans offered by their competitors.

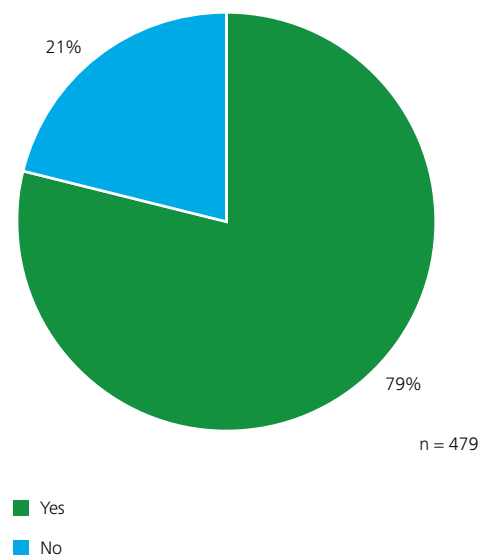
When asked what they considered an “effective” 401(k) plan, employers ranked high participation levels, investment performance, and employee appreciation as the top three indicators. These findings have remained unchanged since this question was first tracked in 2004. Employers ranked lack of employee understanding (34%), ineffective employee communications (16%), and employee demographics (12%) as the top three barriers they face for increasing their plan’s effectiveness. These findings are consistent with the feedback that employers have solicited from their employees.

From the employee perspective, there is confusion around which funds to invest in, how much they need to save for retirement, and how to transfer or reallocate funds. Echoing their employees’ concerns around saving for retirement, only 14% (down from 18%) of employers feel that “most” employees will be adequately prepared to retire, while 19% (up from 17%) cite “very few” and the majority (67%) feel “some” of their employees will be adequately prepared. As a result, 37% are considering conducting a retirement readiness assessment.

**Exhibit 133. How is your 401(k) plan strategy aligned to your corporate business strategy?**

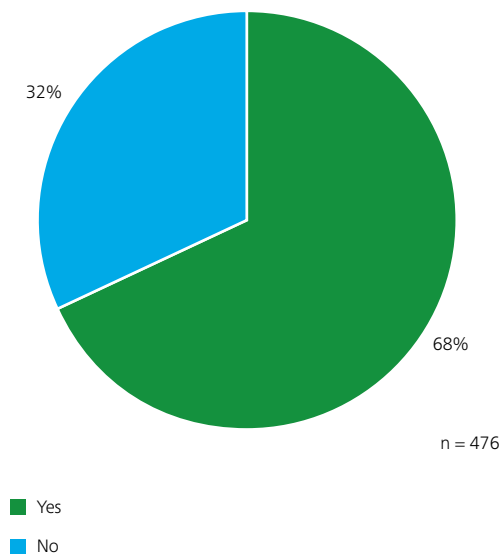
	Number	Percent
It is carefully considered and closely aligned	131	28%
It is generally considered and generally aligned	217	46%
There is not a process in place to consider or align	124	26%
<b>Total</b>	<b>472</b>	<b>100%</b>

**Exhibit 134. Do you feel that your 401(k) plan is an effective recruiting tool?**



# Plan Effectiveness (continued)

**Exhibit 135. Do you feel that your 401(k) plan assists in retaining your existing employees?**



**Exhibit 136. Do you believe that the provisions of your 401(k) plan are:**

	Number	Percent
More competitive than your peers	151	32%
As competitive as your peers	275	57%
Less competitive than your peers	53	11%
<b>Total</b>	<b>479</b>	<b>100%</b>

**Exhibit 138. If you have ever solicited or received feedback from your employees regarding aspects of the plan that they found to be confusing, please indicate those items here. (check all that apply)**

	Number	Percent
Where to invest/which funds to use	304	84%
How much to save for retirement	180	53%
Fund transfers/reallocations	113	31%
Financial planning tools	98	27%
Withdrawals	91	25%
Loans	90	25%
Impacts of contribution limitations/discrimination testing	87	24%
Rollovers	76	21%
Company contributions	68	19%
Web site	57	16%
Enrollment	55	15%
Fees	49	14%
Conversion/blackout periods	36	10%
Participant statements/confirmation statements	29	8%
Employee contributions	26	7%
Voice Response System	25	7%

n = 360

**Exhibit 137. Rank the following primary indicators of an effective 401(k) plan, with 1 being the most important, and 5 being the least important.**

	Rank					Average
	1	2	3	4	5	
High level of participation	48% (224)	18% (82)	9% (41)	10% (48)	15% (70)	2.26
Investment performance	20% (90)	29% (136)	26% (119)	16% (75)	9% (42)	2.66
Employee appreciation	17% (77)	23% (108)	18% (83)	20% (92)	22% (103)	3.08
Cost effectiveness	7% (31)	18% (81)	32% (147)	26% (121)	18% (82)	3.31
Easy accessibility/technology	9% (42)	12% (56)	16% (72)	28% (127)	36% (165)	3.69

# Plan Effectiveness (continued)

**Exhibit 139. What is the primary barrier to making your plan more effective?**

	Number	Percent
Lack of employee understanding	149	34%
Ineffective employee communications	72	16%
Employee demographics (age, salary, education level, language barrier, etc.)	54	12%
Current market/economic trends	49	11%
Administrative costs	26	6%
Low company matching formula/ waiting period for matching contribution	26	6%
None	26	6%
Investment performance	24	5%
Other	7	2%
Employee turnover	5	1%
Lack of provider support/internal resources	3	1%

n = 441

**Exhibit 140. In your opinion, are your employees saving adequately for retirement?**

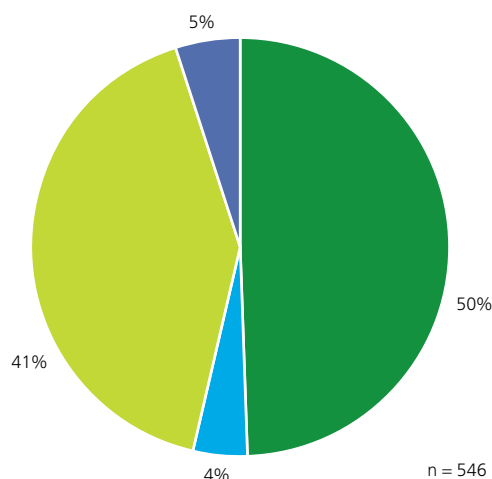
	Number	Percent
Most employees are or will be financially prepared for retirement	64	14%
Some employees are or will be financially prepared for retirement.	312	67%
Very few employees are or will be financially prepared for retirement.	87	19%
<b>Total</b>	<b>463</b>	<b>100%</b>

**Exhibit 141. How are you, as the plan sponsor, encouraging savings and raising awareness of assets needed in retirement? (check all that apply)**

	Number	Percent
General and multiple communications/ education	356	71%
Group meetings to communicate/educate	292	58%
Printed material to communicate/educate	291	58%
Targeted communications	286	57%
Web to communicate/educate	261	52%
Auto enrollment/increase	203	40%
Financial counseling/advice	147	29%
Personalized communications	130	26%
Individual meetings to communicate/educate	115	23%
None of the above	12	2%
Other	7	1%

n = 503

**Exhibit 142. Is individual financial counseling/investment advice available to participants?**



- Yes, to all participants
- Yes, to some participants
- No
- No, but we are in the process of implementing this feature

Note: Average number of years financial counseling/investment advice offered = 5.5 years

Note: Percentage of participants utilizing this service = 14.3%

# Plan Effectiveness (continued)

**Exhibit 143. Why is financial consulting/investment advice not offered? (check all that apply)**

	Number	Percent
Potential fiduciary liability	132	60%
Cost	102	46%
Employees are not requesting this service	89	40%
We are actively researching this feature and may implement in the future	50	23%
Other	19	9%
We were unaware of this feature	1	0%

n = 220

**Exhibit 144. Given the choice, which employee meeting approach would you prefer for your employees?**

	Number	Percent
Group meetings	211	46%
One-on-one meetings with an education consultant/financial representative	169	36%
Meeting via an electronic solution (i.e., webcasts, etc.)	84	18%
<b>Total</b>	<b>464</b>	<b>100%</b>

**Exhibit 145. Have you conducted a retirement readiness assessment in the past year to determine expected replacement ratios for employees in retirement?**

	Number	Percent
Yes	84	18%
No, but considering	171	37%
No, not interested	117	25%
No, unaware of this	95	20%
<b>Total</b>	<b>467</b>	<b>100%</b>

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