

## Future of 401(k)s

*401(k) plans worry and disappoint employers, but progress and transformation are on the horizon*

Despite a quarter century of experience, most employers are still searching for the right formula to realize the great strategic potential of their 401(k) plans. Yet the time to do so is running short, with the looming prospect of Baby Boomers retiring en masse and intensifying competition for younger, harder-to-please talent.

There is irony in today's critical situation. Employers often express the opinion that capital accumulation retirement plans, such as 401(k)s, are an essential component of their rewards strategy. That view is consistent with the magnitude of the investment employers generally make in their 401(k)s – typically 5 percent of salaries and wages.<sup>1</sup> Yet the percentage of employers who believe their 401(k) plans are effective recruiting and retention tools is declining.<sup>2</sup>

Employers also admit to uneasiness about employees' ability or willingness to properly take advantage of those plans.<sup>3</sup> It is, indeed, a worry well justified by average account balance and deferral rate statistics. For example, only a slim 13 percent of employers responding to Deloitte Consulting LLP's (Deloitte Consulting) "401(k) Benchmarking Survey 2005/2006" could embrace the statement: "Most employees are/will be financially prepared for retirement."

Significantly, the people who oversee retirement plans seem to be in the same boat as other employees in this regard. Responding to another recent Deloitte Consulting co-sponsored survey,<sup>4</sup> respondents overwhelmingly identified "my ability to afford retirement" as their top personal priority in the realm of total rewards.

Finally, a fiercely competitive market among 401(k) plan vendors has resulted in a bewildering array of investment, recordkeeping, and communication services, creating yet another potentially frustrating and anxiety-producing challenge for employers: choosing, and then managing, the most appropriate plan provider.

Fortunately, urgently needed progress on all fronts is possible. We believe employers can – and indeed must – work through the issues, using both creativity and sober analysis of their strategic needs. To increase the likelihood of achieving desired results and objectives, the process must incorporate an employee perspective and, at the implementation stage, effective, generation-appropriate communication. Otherwise, the effort will likely prove to be an expensive disappointment.

Many plan sponsors are hard at work addressing the issues – and not a moment too soon. Some practical considerations for that process follow in this report.

## Living with hope

It begins with the basic premise that a well-designed and well-managed 401(k) plan can serve these complementary desires and basic financial needs of employers and employees: Employers want a competent, motivated, and engaged work force. And employees want to live (and work) with the hope of a few comfortable and leisurely years of retirement before they depart the planet. The good news is that, notwithstanding past disappointments, opportunities for employers to collaborate with their employees to achieve these harmonious goals through their 401(k) plans have never been greater.

Today's hopeful environment springs from the combination of recent legislative changes and an ever-growing body of knowledge and insight about the ingredients for effective 401(k) plans.

To move forward and take advantage of this opening, employers should consider:

- Taking a fresh look at their original rationale for sponsoring a 401(k)
- Updating their 401(k) plan's strategic goals in light of today's and anticipated *future* circumstances
- Developing goals based not simply on external benchmarking, but rather on a careful review of internal drivers of total rewards effectiveness
- Defining essential changes in plan design and operation to achieve their new objectives, and, finally
- *Implementing* those changes

The path ahead requires a basic grasp how we got to where we are. It has only been the blink of an eye of history since the early 1980s when 401(k) plans were known as "salary reduction" plans or "cash-or-deferred arrangements," established with the limited purpose of allowing a minority of disciplined thrifty employees to stash away a few extra dollars and to postpone paying federal income tax on those savings.

Since then, however, most employers have traveled from a “father-knows-best” paternalistic approach, in which employees had limited choices with respect to 401(k) investments, to a more laissez-faire “give-them-whatever-they-might-possibly-want” stance, turning 401(k)s into virtual financial supermarkets. And today, an era of “neo-paternalism” appears to be dawning (see the sidebar for a quick tour of this circular evolutionary path).

## Confused employees

Why is this happening? The principal reasons are suggested in revealing responses to Deloitte Consulting’s most recent 401(k) benchmarking survey.<sup>5</sup> Employers were asked to identify the “aspects of the plan your employees found most confusing.” An overwhelming 82 percent chose: “Where to invest/which funds to use.”

### Exhibit 1. What aspects of the plan have your employees found confusing?

Where to invest/which funds to use	82%
How much to save for retirement	55%
Fund transfers/reallocations	33%
Impacts of contribution limitations/nondiscrimination testing	30%
Withdrawals	23%
Rollovers	22%
Loans	22%
Financial planning tools	21%
Company contributions	20%
Enrollment	19%
Web site	17%
Participant statements/confirmation statements	15%
Fees	13%
Conversion/blackout periods	12%
Voice response system	12%
Employee contributions	7%

Striking supporting evidence of confusion over investment choices comes from a recent Employee Benefit Research Institute (EBRI) study highlighting continuing under-allocation of 401(k) portfolios to equity investments.<sup>6</sup> The study, based on Federal Reserve data, suggests that about half of the 401(k) participants between ages 35 and 44 have allocated less than 50 percent of their funds to equities. And, about 20 percent of that age bracket invests its 401(k) funds exclusively in fixed income instruments. Only 9.2 percent allocate between 75 percent and 99 percent in equities. (For perspective, professionally managed “target retirement date funds” generally allocate between 80 percent and 90 percent of funds to equities for that age bracket.)

Employees’ second biggest source of perplexity, respondents believe, is as crucial as the how-to-invest question: “How much to save for retirement?” Over half (55 percent) of employers highlighted that critical issue in the survey.

A natural consequence of that negative assessment of 401(k) participants’ level of understanding is profound pessimism over employees’ prospects for a solvent retirement. As noted above, only 13 percent of employer respondents expressed optimism on this score. On the flip side, 21 percent believe “very few” employees will be financially prepared for retirement, and a substantial non-committal majority (67 percent) believe “some” will be.<sup>7</sup> (“Some” covers a lot of territory.)

This damning assessment must be particularly disheartening – but not surprising – to plan sponsors that, according to the same survey, most frequently identify “lack of employee understanding” and “ineffective employee communications” as the primary barriers to having a “successful” 401(k) plan.<sup>8</sup>

That employee bewilderment – perhaps in conjunction with an inadequate sense of urgency and lack of financial self-discipline – is starkly evident in other survey data on participant 401(k) account balances. Although average account balances have been growing steadily (specifically, at a 7 percent average annual clip since 1999), at the end of 2005, the median account balance stood at \$54,591, and the average, at \$102,014, according to Investment Company Institute and Employee Benefit Research Institute data.<sup>9</sup>

## Account balance deficit

Moreover, when account balance statistics are examined closely – by participant age bracket – the ICI/EBRI data paints a more troubling picture. Specifically, the average 401(k) balance for participants in their 50s stood at \$127,766, and at \$91,848 for employees in their 40s. If the wide disparity between the average and median figures noted above for all participants also exists in the higher age brackets, half of employees in their 50s have account balances below \$70,000 – a figure dramatically south of where older employees need to be, unless perhaps they plan to retire in their ‘90s.

Yet another way to assess the situation is to examine average salary deferral rates, particularly for the dominant non-highly compensated employee (NHCE) group. Those rates have generally been flat or eroded slightly in recent years. According to the survey’s benchmarking data, for example, over the past five years the proportion of NHCEs whose average deferral percentage (ADP) is below 4 percent increased (from 19 percent to 23 percent of the total survey base), while number of NHCEs in higher deferral rate brackets dropped. For example, those in the 4-6 percent ADP group fell from 48 percent of the universe to 45 percent.

Meanwhile, historic data compiled by the Profit Sharing / 401(k) Council of America suggests a more stagnant deferral pattern – that average deferral rates for NCHEs have remained essentially flat, in the 5 percent range, for the past decade.<sup>10</sup>

Of course, the adequacy of a particular account balance or deferral rate will vary according to the individual participant’s age, goals, and total financial picture. Nevertheless, these statistics – along with employers’ own bleak assessments – clearly show that serious work lies ahead for plan sponsors determined to put employees on a path to retire at traditional retirement ages – or perhaps *any* age.

## Encouraging developments

Encouragement comes from the fact that plan sponsors, service providers and public policymakers have not been standing idly by in the face of these challenges. In addition, new attitudes about work and retirement held by members of emerging generations of workers are changing the 401(k) landscape dramatically.

In the realm of public policy, the same sweeping Pension Protection Act of 2006 (PPA) that will increase pressure on financially beleaguered defined benefit plans to shore up their funding, and force many unable to do so to disappear, contains powerful provisions giving comfort to 401(k) sponsors that take an aggressive stance to get reluctant employees to save more.

In particular, the PPA clarifies the standards for plans that automatically enroll eligible employees at specified contribution levels, forcing employees to take an affirmative step to unenroll. The PPA states that federal benefits law (ERISA) preempts state wage laws with regard to automatic enrollment plans, an area of uncertainty that had caused some employers to hold back on "auto-enroll" provisions.

The PPA also lays out the ground rules for employers to be shielded from possible liability related to the suitability of default plan investment vehicles. Preliminary Department of Labor regulations issued promptly after the PPA's enactment set standards for "qualified default investment alternatives," also known by their acronym, "QDIAs." The proposed regulations state that the increasingly popular "life-cycle" and "targeted retirement date" funds pass muster as QDIAs.

The popularity of automatic enrollment plans has been growing for several years, as recorded by Deloitte Consulting's annual benchmarking survey. In 2000, for example, only 11 percent of survey respondents had an auto-enrollment feature. By 2005, the proportion had risen to 23 percent.

## Growth of auto-enrollment

In the wake of the PPA, it is anticipated that the number of auto-enrollments will begin moving up even more rapidly – and with good reason. As benchmarking survey respondents reported, these programs boost participation rates. In our most recent survey, 79 percent of respondents who had recently implemented automatic enrollment experienced enrollment growth. And, an overwhelming percentage (96 percent) reported that they were "satisfied" with their auto-enrollment programs.

The growth of auto-enrollment even prior to the enactment of the PPA points to the impact of a dynamic, competitive environment within the plan provider community. Indeed, Deloitte Consulting's benchmarking survey data tracks the growth of a variety of 401(k) administrative "bells and whistles" and investment concepts embraced by plan sponsors that are the product of a highly competitive vendor marketplace.

For example, in 2000, less than half (47 percent) of plan sponsors surveyed could perform ad hoc on-line queries to analyze plan performance and demographics. Five years later, the total had risen to 79 percent.

Similarly, and perhaps not surprisingly, annual surveys show a dramatic rise in the utilization of Internet-based participant-initiated plan administrative transactions, including fund transfers, loan processing, and investment elections. In 2001, only 16 percent of survey respondents reported "high" participant use Internet-based transaction plan features. By 2005, that number had grown to 49 percent.

## All in the family

And evidence of the expanding scope and sophistication of investment and administrative services offered by major 401(k) vendors may be inferred from a five-year trend in which plan sponsors increasingly are content to limit their investment selections to one fund family. Last year, 85 percent of surveyed sponsors used only one fund family, versus 72 percent five years prior.

Fund families' ability to rapidly embrace new investment concepts may be a factor. For example, the combined total of "lifestyle" (targeting investors by according to their investing personality profile) and "target retirement date" funds, barely a 12.1 percent blip on the Profit Sharing / 401(k) Council of America annual "funds offered" survey in 1996, were offered by nearly half of respondents (48.5 percent) in 2005. It is likely that the target retirement date funds, which gradually shift their asset allocations from aggressive to more conservative as the retirement target date approaches, sparing investors that crucial task, will continue to grow in popularity – and with good reason, as will be explained below. (In 2005, the first year the Profit Sharing Council separately tracked "lifestyle" and "target date" funds, 24.9 percent of surveyed plans reported offering target date funds.)

Such funds, by their nature, recognize the distinct investment needs of different generations of workers. By the same token, 401(k) sponsors should, to achieve desired results with their retirement plans, focus not only on differing investment risk tolerances of their multigenerational workforces, but the full range of their needs, expectations, and perceptions.

To do so, employers can apply some useful generalizations about today's four distinct working generations: "veterans" now departing the workforce, Baby Boomers approaching retirement; Generation X whose oldest members are now approaching middle age, and Generation Y, just beginning to enter the workforce. Each generation processes information differently and has distinct views on retirement and investing.

## Generation gaps

These differences must be reflected not only in communication tactics, but also in deciding which messages are even relevant. Following are some considerations for each generation:

- **“Veterans” (born 1925-1945):** Most members of this group, of course, have already retired or are about to – assuming retirement is financially within their means. They prefer easy-to-read print materials and personal guidance. Veterans often read and consider every word on a page. They are brand loyal, expect respect, and appreciate “high touch” answers to specific questions.
- **Baby Boomers (1945-1964):** This large, competitive group is interested in personal growth, health and wellness. Boomers read retirement statements and newsletters and appreciate a “total retirement picture,” factoring in Social Security and retiree health care costs. They’re interested in advice and guidance and take advantage of on-line and in-person opportunities to understand how to manage their retirement money.
- **Generation X (1964-1980):** “Gen-Xers” appreciate and responds to direct, honest communication. They seek investment workshops, fund brochures, and on-line education. Gen X members are not necessarily brand loyal; their loyalty is to smart, intuitive tools that let them make changes without help, maintaining their independence and autonomy.
- **Generation Y (1981-1994):** This contingent, just now entering the workforce, has been exposed to their Boomer parents’ lectures about the need to save for retirement. However, enrollment in 401(k) plans and developing a personal retirement strategy is not high on their priority list. Still, they accept their responsibility for retirement saving and will invest. “Gen Y-ers” are technically savvy and expect 24/7 access to information.

One common perception uniting the generations, particularly the younger ones, is that they will not work for the same company over the span of their entire career. In theory, this predisposes employees to welcome anything their employer can convey to them about a retirement savings plan that doesn’t lose its value to them when they make the inevitable switch to the next employer.



## World of flexibility

In view of these changes, opportunities and complexities, 401(k) sponsors have their work cut out for them as they seek to improve the effectiveness of their plans. Working in their favor is the high degree of flexibility that 401(k)s offer in terms of design features and the employer's financial commitment.

For example, if an employer's primary human resources challenge or goal were to attract mature workers, it could shift dollars that would otherwise have been devoted to wages to a very generous 401(k) match in an effort to appeal to a workforce demographic often more focused on maximizing retirement savings than current income.

This reinforces the essential point that a 401(k) plan's “effectiveness” can only be measured against an employer's unique goals and within the context of an integrated total rewards strategy. In fact, relatively few employers have much confidence in their current ability to measure the effectiveness of their rewards programs, including 401(k)s – an unfortunate but unnecessary circumstance. Because small changes in a company's total rewards budget can have a disproportionate impact on corporate earnings, employers need to be confident of their ability to gauge effectiveness<sup>11</sup> (see sidebar on “Rewards Transformation”).

As noted earlier, most plan sponsors responding to our benchmarking survey indicated their 401(k) plans are effective in recruiting and retaining employees. Respondents to our most recent benchmarking survey also ranked “high level of participation” as their top indicator of a “successful” plan, followed by investment performance, employee appreciation, easy accessibility, and cost-effectiveness.

The relative importance of any particular “success” criterion may vary greatly from one plan sponsor to the next, depending upon its human resources philosophy and strategy. For example, an employer with a financially sophisticated, personal responsibility-oriented workforce may put less emphasis on participation levels, focusing more on fund investment performance, than an employer whose employees may be more inclined to ignore the 401(k) plan altogether without an intense participation drive.

And whatever the hierarchy of goals, specific numeric benchmarks are needed within each to measure progress and ultimate “success.” Even if specific performance indicators have been established in the past, employers should revisit those targets regularly to confirm that they remain consistent with overall corporate and human resources strategies.

## Updating goals and targets

Take, for example, participation targets for NHCEs. In light of the growing acceptance (and added legal reassurance under the Pension Protection Act) of automatic enrollment provisions, a participation target of, say, 75 percent that might have appeared aggressive a few years ago might now be easily accomplished with auto-enrollment. Therefore, a much higher target – perhaps as high as 90 percent – may be achievable. Sponsors should keep in mind that auto-enrollment provisions can be applied to *current* employees, as well as to new hires, by forcing nonparticipating current employees to take the affirmative step of opting out of the 401(k) each year if they are determined not to take advantage of the plan.

Another goal that might need reexamining: the proportions of participants' assets invested in stocks, bonds, and cash. Concerns about overly conservative allocations may be less appropriate than the level of investment in suitable retirement target date funds that essentially address that problem.

Once 401(k) plan "performance" goals have been reviewed, updated, and calibrated, the next challenge arises: working out the tactics – both in terms of plan design and daily operations – to achieve those goals.

A review of plan design patterns over the past several years, as reported in the annual benchmarking surveys, suggests that plan sponsors are becoming more aggressive in removing impediments to plan participation. For example, in 2000, slightly more than one-third (36 percent) of our benchmarking survey respondents did not maintain service requirements for employees to become eligible to participate in the 401(k). By 2005, that proportion had risen to nearly half (49 percent). (Curiously, however, the proportion that has no minimum age requirement has remained constant, with sponsors basically split 50/50 on that issue.)



## Pushing participants

At the same time, however, it appears sponsors can go a lot farther in terms of plan design to boost employee participation and deferral rates – if doing so is indeed their goal. For example, as sponsors gain comfort with automatic enrollment plans, they could become much more aggressive in the default deferral rates.

Most plan sponsors (53 percent, in our most recent benchmarking survey) set the default modestly at 3 percent – a pattern that has held steady for several years. The working assumption seems to be that employees would balk if automatically enrolled and a higher rate of deferrals were built into the plan.

That assumption should be tested, however, because 3 percent is so far below the deferral rate (generally well above 10 percent) that all but the youngest employees typically need to maintain, assuming they're not also covered by a defined benefit plan, to fund a retirement income. In addition, raising employees to double-digit deferral rates from such a low initial default rate may take several years, squandering a valuable opportunity for younger employees to gain the full value of the investment compounding.

Along similar lines, 401(k) plans with auto-enrollment features with automatic annual deferral step-up provisions typically provide for only modest 1 percent bump-ups in deferral rates, based on the same conservative (and typically untested) assumption as the unambitious 3 percent initial deferral rate. Sponsors should give serious consideration to 2 percent annual deferral rate jumps.

The more aggressive the automatic deferral rates, however, the more comprehensive the education effort should be. It should be rooted in a clear understanding of employee goals and perceptions, and employ generation-appropriate messages and communications media.

Indeed, those principles apply equally to any efforts employers may contemplate to transform the 401(k) plan from a standard, if uninspiring fixture of their employee benefits landscape, to an effective instrument of organizational human resources strategy. The time to begin is now.

## Back to the future: 401(k) plans' evolution reflects shifting views on employees' ability to plan and invest

The modest beginning of the 401(k) plan began in the late 1970s with the recognition that recent tax code changes permitted income tax postponement on compensation voluntarily set aside by employees in a "cash or deferred" plan. That is, the aspect of employee choice didn't preclude treating that compensation similarly to employer funds earmarked for employees in a traditional qualified employer-sponsored retirement plan.

In time, 401(k)s were hitched to profit sharing plans, whose original purpose was to more closely link the average employee's compensation to the financial health of the company. After uniting 401(k)s with their profit sharing plans, employers began supplementing or matching employees' salary deferrals with employer contributions, contingent upon corporate profitability. Publicly held companies often added employer stock into the mix, advancing the goal of yoking employees to the economic fortunes of the company.

Next, employers began to downplay the profit-sharing element and view 401(k)s increasingly as a retirement savings vehicle – though by no means sufficient by itself but in conjunction with personal savings and Social Security. This shift accelerated as employers that had sponsored traditional defined benefit (DB) pension plans began to view the 401(k) as a highly flexible, less complicated and perhaps less expensive way to contribute to employees' retirement savings that would leave employees free to change jobs without forfeiting those savings.

The employer's financial obligations to maintain a DB plan, of course, vary according to the terms of the plan, investment performance of the fund, employee demographics, and other factors that defy consistent, accurate prediction. That inherent uncertainty became increasingly troublesome to companies during a period of economic transition and challenge during the 1980s and 1990s. (And, the 2006 enactment of the Pension Protection Act, whose principal aim is to tighten funding rules for DB plans, is likely to cause even more employers to freeze or terminate those plans.)

As companies found it necessary to "down-size" their workforces to weather business cycles and increasing global competition, many also shed the "paternalism" implicit in their human resources strategy and employee benefit programs. Paternalism was replaced by efforts to motivate and equip employees to assume greater responsibility for their retirement savings, and the 401(k) plan was perfectly suited to that purpose.

Coupled with that "empowerment" drive was the belief that employees should have a broad range of investment opportunities, and the flexibility to shift 401(k) assets among fund choices with ease. As competition for 401(k) accounts heated up among record-keepers, money managers, and "bundled" service providers offering integrated service packages, plan sponsors and employees were offered a broad and often overwhelming array of investments and plan administrative options,

Accompanying the new mantra of employee "empowerment" was a sense of the employer's responsibility to educate employees to exercise their new power wisely. Plan sponsors had high hopes for participant educational efforts, which started with the most basic lesson: Why participate in the 401(k) plan?

Beyond that, education efforts' principal lessons involved investment strategy alternatives and the essential "How-much-should-I-defer?" question. Traditional group meetings with colorful, graphics-laden printed educational materials gradually were complemented and, in some cases, replaced by Web-based interactive computer modeling tools to help participants personalize their 401(k) education.

Gradually, however, many plan sponsors and their advisors have concluded that the original "post-paternalism" approaches to putting employees in the driver's seat of retirement capital accumulation have failed to deliver hoped-for results. Which sets the stage for the challenge 401(k) plan sponsors are facing today.

## Improving 401(k) plan potential through “rewards transformation”

In seeking to tune up or overhaul – their 401(k) plans so that they can fulfill their strategic purpose, employers should avoid relying exclusively on standard benchmark surveys.

While benchmarking the policies and plan designs of comparable employers is essential to understanding the broader competitive context, employers should also devote careful attention to the desires and values of employees. That's because employees value benefits according to their personal perceptions of their relative attractiveness, rather than a comprehensive, objective assessment based on side-by-side comparisons.

Deloitte's\* Global Employee Rewards cross-functional practice describes the process of improving the ROI of all facets of compensation (including 401(k) plans and other elements of the work experience) that influence employees' commitment to work as “rewards transformation.” This conceptual framework focuses on employees as discriminating consumers of the various components of an employer's rewards package and assumes that “investment results” of employer spending on each component is measurable.

“Rewards transformation” entails thinking of benefits in the context of a “total rewards marketplace” in which employees “trade” their time and talent for total reward “products.” Understanding the dynamics of that marketplace enables employers to better understand not only how to design benefits, such as 401(k)s, but also how much to invest in that “product” and how to measure the economic results.

A detailed explanation of “rewards transformation” can be downloaded from: <http://www.deloitte.com/dtt/article/0,1002,sid=26551&cid=120420,00.html>

## For More Information:

### **Tim Phoenix**

Global Practice Leader, Total Rewards,  
Deloitte Consulting LLP  
512-226-4272  
tphoenix@deloitte.com

### **Joseph Rosalie**

Principal, National and Global Employer Rewards  
Deloitte Consulting LLP  
212-618-4734  
jrosalie@deloitte.com

### **Mark Dzierzak**

Senior Manager and National Annual 401(k) Survey Director  
Deloitte Consulting LLP  
312-486-2662  
mdzierzak@deloitte.com

## End notes

- <sup>1</sup> Includes matching and profit sharing contributions.
- <sup>2</sup> In 2001, 85 percent of employers responding to the Deloitte Consulting/ International Foundation of Employee Benefit Plans "Annual 401(k) Benchmarking Survey" considered their 401(k) to be an effective recruiting tool, and 77 percent believed the plans were effective at retaining employees. By the end of 2005 those numbers, while still relatively high, had dropped to 80 percent and 71 percent, respectively.
- <sup>3</sup> Nearly one-fifth (18 percent) of respondents to the Deloitte Consulting LLP/ International Society of Certified Employee Benefit Specialists "2007 Top Five Total Rewards Priorities" survey identified concerns about employees' ability to "become better consumers of employee benefits" as their second highest priority, behind such perennial issues as the rising cost of health care and the challenge of attracting and retaining top talent.
- <sup>4</sup> Deloitte Consulting LLP/International Society of Certified Employee Benefit Specialists, "2007 Top Five Total Rewards Priorities" survey.
- <sup>5</sup> Deloitte Consulting LLP/ International Foundation of Employee Benefit Plans, "Annual 401(k) Benchmarking Survey, 2005/2006 Edition."
- <sup>6</sup> EBRI Notes, Vol. 28, No. 2, February 2007, "Retirement Plan Participation and Asset Allocation, 2004.
- <sup>7</sup> See fn 4, supra.
- <sup>8</sup> See fn 4, supra.
- <sup>9</sup> Investment Company Institute, "Research Perspective," August 2006, based on EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.
- <sup>10</sup> Profit Sharing Council of America, "49<sup>th</sup> Annual Survey of Profit Sharing and 401(k) Plans."
- <sup>11</sup> The Deloitte Global Employer Rewards ISO "2006 Employee Rewards Survey: The Next Generation" revealed that only 4 percent of employers believe their current tools and methodologies for measuring the effectiveness of total rewards programs are "very effective." And 70 percent characterized those tools as "minimally" effective or "ineffective," with the remaining 26 percent describing those tools as "somewhat effective." A Deloitte Consulting white paper on improving the analysis of total rewards programs can be found at: <http://www.deloitte.com/dtt/article/0,1002,sid=26551&cid=120420,00.html>

**About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of approximately 150,000 people worldwide, Deloitte delivers services in four professional areas — audit, tax, consulting, and financial advisory services — and serves more than 80 percent of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the United States, Deloitte & Touche USA LLP is the U.S. member firm of Deloitte Touche Tohmatsu and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP, and their subsidiaries), and not by Deloitte & Touche USA LLP. The subsidiaries of the U.S. member firm are among the nation's leading professional services firms, providing audit, tax, consulting, and financial advisory services through nearly 40,000 people in more than 90 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the U.S. member firm's Web site at [www.deloitte.com](http://www.deloitte.com)

Copyright © 2007 Deloitte Touche Tohmatsu. All rights reserved.

Member of  
**Deloitte Touche Tohmatsu**