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2003 Annual 401(k) Benchmarking Survey

Conducted by
the Human Capital
practice of Deloitte and
Pensions & Investments

Audit.Tax.Consulting.Financial Advisory.

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Acknowledgements:

Our sincere appreciation to the many companies and their executives who contributed their time and information to this survey.

EXECUTIVE SUMMARY

Catching up seemed to be the 2003 theme for 401(k) plans — literally and figuratively. In 2003 nearly 90 percent of respondents included catch-up provisions for plan participants age 50 and older allowing those participants to defer extra money to their 401(k) accounts! But plans also had the chance to catch up figuratively. For the first time in several years there were no major changes in the laws governing 401(k) plans. Consequently, plan sponsors could focus on plan participation and operation rather than changes required by law.

Although the Investment Company Institute data show three years of declining assets in 401(k) plans, our survey shows employee participation in 401(k) plans remains stable. About three-fourths of eligible employees actually participate in the plan. These steady enrollment figures show employers have met last year's challenge of keeping plan participants focused on investing for the long term. Clearly, employees have remained dedicated to 401(k) plans as an important retirement savings tool. This dedication is not simply because the 401(k) is the only retirement savings vehicle available to most employees — two-thirds of employers in the survey provide other retirement plans in addition to the 401(k) plan.

Both this year's survey data and the public discussion of retirement plans hint at a different type of challenge for the next year and possibly beyond — the challenge of fiduciary roles. Plan sponsors, plan participants, the U.S. Department of Labor, and risk managers are all looking more closely at fiduciary duties and responsibilities, and with the ongoing Mutual Fund investigations we expect this to continue. Our survey data offer some insight into two important fiduciary issues: employer stock held in the plan and plan expenses.

The participant's ability to divest employer stock has been a significant fiduciary issue during the past year and a half. In the most recent season for renewals of directors' and officers' insurance, insurance shoppers were surprised by potential bidders' focus on employer stock. Among the bidders' first questions were "How much employer stock is in the 401(k)?" and "Who is reviewing 401(k) investments?"

The good news is that the greatest percentage of plans using employer stock for matching contributions allow employees to diversify that stock immediately. But the data also indicate, among those plan sponsors changing the rules for employer stock diversification in the past year, that only 1 percent have made it easier to diversify employer stock.

With reduced returns on 401(k) plan assets, the plan expenses become more significant by comparison. ERISA specifically imposes a duty on fiduciaries to use plan assets only to pay benefits and reasonable plan expenses. The survey data show the plan expense ratios are quite modest for most plans, a clear statement that fiduciaries are satisfying their duties to keep expenses reasonable. The area of potential concern arises from the more than one-quarter of respondents indicating they did not know their fund's expense ratio.

We assume in most cases those "don't know" respondents do, in fact, know the cost the plan is paying directly, but do not know total plan costs when the employer's internal — and non-billed — costs of operating the plan are added to amounts the plan pays. Given generally lower returns on plan assets, plan sponsors can expect more inquiries from participants about expenses paid by the plan. The wise fiduciary will have a prompt, precise answer ready. The fiduciary then can also note that the employer bears other, non-quantified expenses that are not passed through to the plan. Plan expenses are one area where even one "don't know" answer may result in a failing grade.

> Clearly, employees have remained dedicated to 401(k) plans as an important retirement savings tool.

ABOUT THE SURVEY

The 2003 Annual 401(k) Benchmarking Survey, conducted in June and July 2003, was sent to human resources and employee benefits executives nationwide. Data was collected via both hard copy and Web-based questionnaires. Our technology partner was Suitesmart, based in San Francisco.

No attempt is made in this summary to characterize the results as statistically significant or projectable to the entire population of U.S. employers. Rather, the survey provides a snapshot of employer concerns, strategies, and plan characteristics in 2003. While the results should be viewed as the experiences of the respondents only, the survey does provide the reader with a contemporary view of current approaches among many of the nation's leading organizations.

ABOUT THE RESPONDENTS

In all, 690 plan sponsors responded to the survey. Responding employers had an average of 13,327 employees; however, the distribution was skewed by several very large employers. More than one-third (36 percent) of the respondents reported between 1,001 and 5,000 employees, and 23 percent of the respondents reported more than 10,000 employees. The respondents were distributed across all regions of the country and all industries.

The largest number of responses came from manufacturing, representing 21 percent of total respondents, followed by TMT (technology/media/telecommunications) (19 percent), financial services (16 percent), wholesale/retail (10 percent), health care (8 percent), and education (1 percent).

Exhibit 1

Survey Respondents by Region

	Number	Percent
Midwest	242	35%
South	174	25%
Northeast	143	21%
West	131	19%
Total	**690**	**100%**

Exhibit 2

Survey Respondents by Industry

	Number	Percent
Manufacturing	142	21%
TMT	132	19%
Financial Services	107	16%
Wholesale/Retail	66	10%
Health Care	51	8%
Education	5	1%
Other	173	25%
Total	**676**	**100%**

Exhibit 3

Survey Respondents by Number of Employees

	Number	Percent
1-100	27	4%
101-500	102	15%
501-1,000	81	12%
1,001-5,000	234	36%
5,001-10,000	69	10%
10,001+	152	23%
Total	**665**	**100%**

Exhibit 4

Who has responsibility for the administration of the plan?

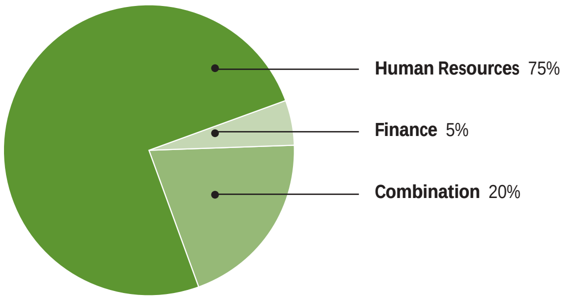


Exhibit 5

Do you sponsor any other retirement plans for your employees?

	U.S. Employees	International Employees
Yes, Defined Benefit	45%	11%
Yes, Defined Contribution	29%	11%
Yes, Non-qualified	37%	5%
No	33%	78%

Exhibit 6

Have you changed the design of your OVERALL retirement plan offerings in the past year?

Yes	19%
No, but considering it	6%
No	75%
Total	**100%**

401(k) plans aren't the only retirement vehicles offered by the majority (67 percent) of respondents. For U.S. employees, defined benefit plans are the most common, offered by 45 percent of respondents, while non-qualified (37 percent) and other defined contribution plans (29 percent) are popular, as well. For international employees, there are fewer options, as only 22 percent of respondents provide other retirement plans. This is consistent with last year's results, with a slight increase (2 percent for U.S. and 4 percent for international employees) in offering additional retirement plans.

We were also interested this year in surveying plan sponsors regarding plan design changes that may have been made as a result of either the economy or the media spotlight on areas such as employer stock diversification and blackout periods. Fortunately, the economy did not have a significant negative impact on employer 401(k) plan design, most likely due to the fact that employers realize how critical the 401(k) plan is to their employees' future and overall employee morale. The majority of respondents (75 percent) have not changed the overall design of their retirement plan. Almost one in five plans, however, did make one of the changes shown in the exhibit below.

Plan Design Changes

Change	Percentage that made a change
Convert/combine/freeze/terminate plan	31%
Change contribution/deferral	18%
Change company match	18%
Change/replace/add funds	13%
EGTRRA/GUST/regulatory changes	9%
Other	11%

> 401(k) plans aren't the only retirement vehicles offered by the majority (67 percent) of respondents.

Eligibility Requirements

While service requirements varied by industry, there was a continuing trend of liberalized eligibility requirements from last year's survey. In addition, larger plans by both number of participants and asset levels were more likely to have immediate eligibility than smaller plans.

Up from 70 percent in 2002, nearly three-quarters of respondents allow for plan entry within the first three months of employment (43 percent allowed for immediate eligibility).

Minimum age requirements have also been liberalized with over 50 percent of respondents indicating "No age requirement" (up from 40 percent in 2002) and nearly 17 percent requiring an age "less than 21."

In both required service and age categories, financial and business services industries were more likely to have liberal eligibility requirements than manufacturing and retail segments. This is most likely due to the higher level of turnover in the latter industries.

While the majority (85 percent) of respondents have not changed eligibility requirements in the past year, 11 percent of respondents had made eligibility less restrictive, and 3 percent are considering making a change.

Nearly three-quarters of respondents allow for plan entry within the first three months of employment.

Exhibit 7

What are the service requirements for plan entry?

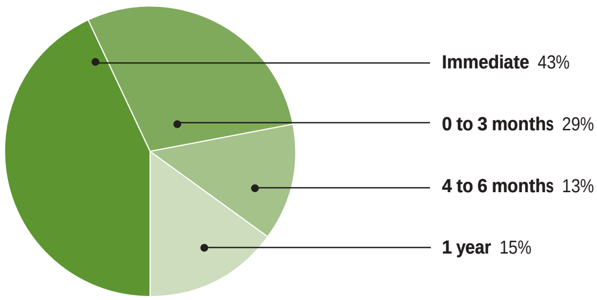


Exhibit 8

What is the minimum age requirement for plan entry?

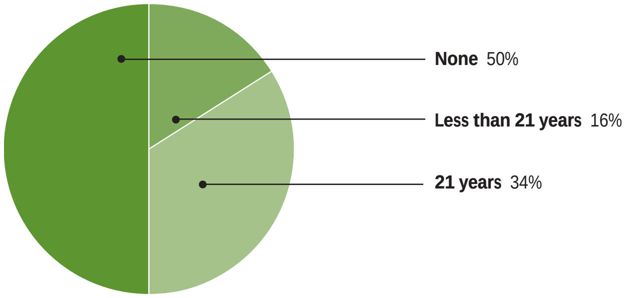


Exhibit 9

Have you changed your eligibility requirements in the past year?

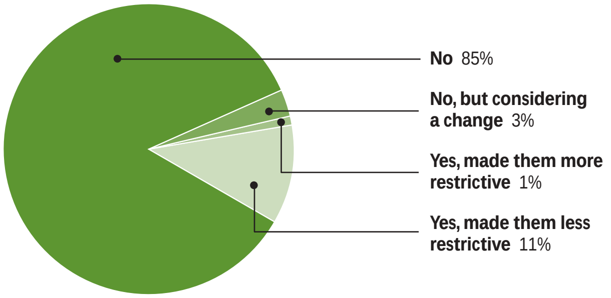


Exhibit 10

Based on the most recent discrimination testing, what was the Average Deferral Percentage (ADP) of the HCEs and NHCEs?	Highly Compensated Employees	Non-highly Compensated Employees
Less than 3.99%	10%	24%
4% to 5.99%	34%	34%
6% to 7.99%	45%	25%
8% or more	11%	7%

Exhibit 11

Do you have different maximum contribution percentages for highly and non-highly compensated employees?

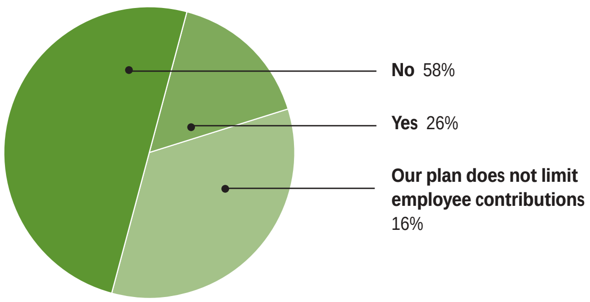


Exhibit 12

What are your maximum contribution percentages for highly and non-highly compensated employees before tax?	Highly Compensated Employees	Non-highly Compensated Employees	All Employees
Less than 3.99%	1%	1%	1%
4% to 5.99%	5%	1%	1%
6% to 9.99%	15%	1%	2%
10 to 14.99%	11%	4%	4%
15 to 19.99%	19%	22%	24%
20 to 24.99%	8%	11%	10%
25%+	41%	61%	58%

Employee Contributions

The average actual deferral percentage (ADP) for highly compensated employees (HCEs) was greater than 6 percent for 57 percent of respondents. Financial services experienced the highest ADPs, whereas wholesale/retail and health care services were among the lowest.

ADPs for the majority of the non-highly compensated employees (NHCEs) were between 4 percent and 5.99 percent. Again, financial services experienced higher ADPs than wholesale and health care.

The majority of survey respondents (58 percent) do not have different maximum contribution levels for highly and non-highly compensated employees, and 16 percent do not place any limit at all (other than the regulatory limits) on employee contributions. Almost half of the respondents reported changing their maximum employee contribution percentages this past year, with all but one percent making them less restrictive. The majority of respondents (58 percent) report maximums of over 25 percent, and a mere 8 percent restrict their employees' contributions to less than 15 percent (for plans that don't limit HCEs separately).

> Financial services experienced the highest ADPs, whereas wholesale/retail and health care services were among the lowest.

Employee Contributions (cont.)

Last year's survey focused on plan design changes relating to the enactment of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA). While many respondents' made plan changes immediately, a number of respondents took the "wait and see" approach. This year more than half (51 percent) of respondents changed their plan's maximum deferral percentage. Catch-up contributions for employees 50 or older are now permitted by almost 90 percent of respondents, up 7 percent from last year. Also up 11 percent from last year's survey is the percentage of respondents that now accept rollovers from IRAs, 403(b), and 457 plans — 81 percent. The one area where there was no change at all was the percentage of plan respondents that allow the acceptance of after-tax rollovers, still at 34 percent. Those considering allowing after-tax rollovers last year (15 percent) have dropped to only 3 percent this year, suggesting that if plan sponsors have not added this feature to their plan, it's unlikely they will do so in the future.

Catch-up contributions for employees 50 or older are now permitted by almost 90 percent of respondents, up 7 percent from last year.

Exhibit 13

What are your maximum contribution percentages for highly and non-highly compensated employees after tax?

	Highly Compensated Employees	Non-highly Compensated Employees	All Employees
Less than 3.99%	6%	2%	4%
4% to 5.99%	7%	5%	4%
6% to 9.99%	17%	8%	8%
10 to 14.99%	23%	18%	21%
15 to 19.99%	18%	21%	22%
20 to 24.99%	7%	11%	9%
25%+	22%	35%	32%

Exhibit 14

Have you changed your maximum contribution percentages in the past year?

Yes, made them less restrictive	48%
Yes, made them more restrictive	1%
No, but considering a change	4%
No	47%
Total	**100%**

Exhibit 15

Do you:

	Yes	Perhaps in the Future	No
Permit catch-up contributions for employees age 50 or older?	90%	5%	5%
Accept eligible rollover distribution from IRAs, 403(b) annuities, and 457 plans?	81%	4%	15%
Accept rollovers of after-tax contributions from another qualified plan?	34%	3%	63%

Exhibit 16

What are the service requirements for employer contributions?	
Immediate	33%
0 to 3 months	19%
4 to 6 months	14%
1 year	31%
More than 1 year	3%
Total	**100%**

Exhibit 17

Do you offer:

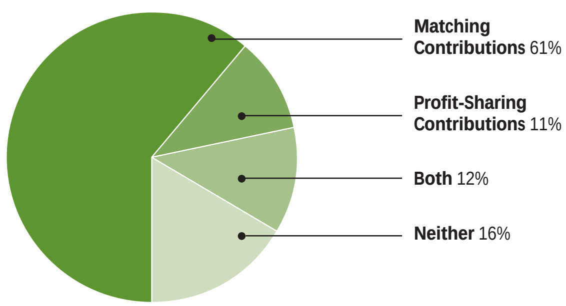
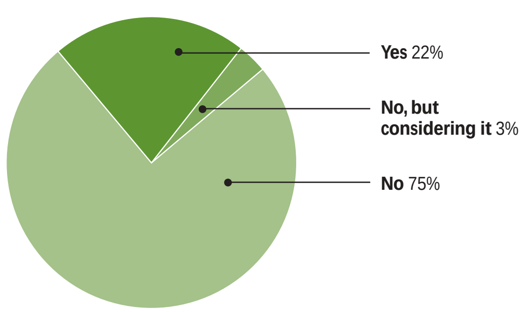


Exhibit 18

Do you offer a safe harbor contribution?*



**Generally, a matching provision of 100 percent of the first 3 percent of compensation and 50 percent of the next 2 percent of compensation, or a 3 percent contribution and immediate vesting.*

Employer Contributions

Matching Contributions

Employer matching contributions to 401(k) plans are often the key driver as to whether employees participate in their retirement plan. The matching contribution, therefore, plays a key role in whether employees have sufficient retirement income when the 401(k) plan is their employer's only retirement plan.

The good news is that more than 60 percent of plans surveyed offer matching contributions to employees and another 12 percent offer both matching and profit-sharing contributions. Even better news is that the percentage of employers that offer matching contributions immediately (no age or service requirements) continues to increase — this year up 8 percent to 33 percent of plans surveyed. Almost another third (33 percent) require six months or less of service to receive the company matching contributions, leaving only the remaining one-third of respondents still requiring a year of service.

Almost two-thirds of respondents (70 percent) offer a straightforward one-tier formula approach. On average, the formula for this approach is to match 60 percent of the first 7 percent of employee contributions. This is an average, taking into account that some plans match 100 percent up to a certain percentage of employee contributions and others match at a lower percentage, such as 25 percent or 50 percent. Some plans (12 percent of the respondents) offer a two-tier contribution formula; often the first tier is matched at a higher level than the second tier to entice employees to join the plan.

> More than 60 percent of plans surveyed offer matching contributions to employees and another 12 percent offer both matching and profit-sharing contributions.

Matching Contributions (cont.)

The structure of the match as a "fixed" contribution is still prevalent in the majority of plans (more than 75 percent); however, over the last two years, the discretionary or combination fixed/discretionary structure has increased 6 percent. This is most likely a result of the economy and of employers wanting flexibility in the amount they contribute from year to year.

Of the plans that offer a matching contribution, 87 percent allow employees to choose how to invest their matching contributions. Seventeen percent of respondents make the matching contribution solely in employer stock. One somewhat surprising result of the survey is that the majority (70 percent) of respondents contributing employer stock have not changed their company stock diversification rules in the past year. Note, however, that almost 12 percent are considering a change. For the plans with either age or service requirements to diversify their stock, the average age was 53 years and the average service was 6 years. For 61 percent of the plans the age is 55 years and the period of service is 10 years for 42 percent.

Offering "safe harbor contributions" (generally a specific higher level matching contribution and immediate vesting) seems to have leveled out. Last year nearly 25 percent offered a safe harbor contribution, and this year almost 22 percent offer one. For those employers whose plan design either already met or was close to meeting the safe harbor requirements, they have most likely adopted a safe harbor design to avoid ADP/ACP discrimination testing. For the remaining plans, this design is either too costly or runs counter to their philosophy of requiring employees to "earn" the contribution through a vesting schedule.

Exhibit 19

What is your 401(k) plan's matching formula?*	
All employees same formula	66%
Two-tiered contribution formula	12%
Two employee groups, different formulas	6%
Tiered contribution formula by age or service	4%
Varies from year to year	3%
Other	9%
Total	**100%**

**The average company matching formula reported was 60 percent of the first 7 percent of employee contributions.*

Exhibit 20

How is your match structured?

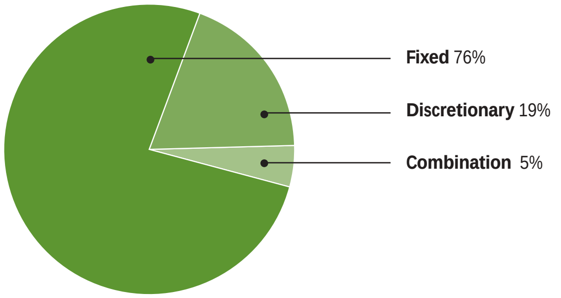


Exhibit 21

Have you changed your match formula in the past year?

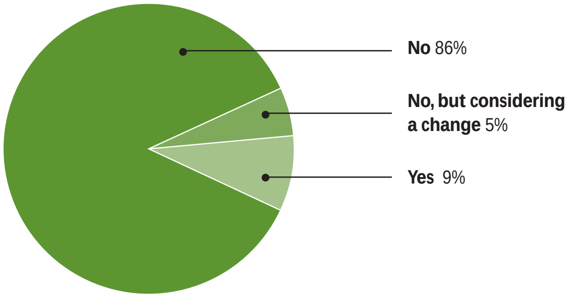


Exhibit 22

How have you changed your match formula in the past year?	
Increased for most employees	6%
Decreased for most employees	3%
Changed from discretionary to fixed	1%
Changed from fixed to discretionary	1%

Exhibit 23

How often is the match calculated and deposited?	
Every pay period	70%
Monthly or quarterly (less frequently than each pay period)	15%
Annually (once a year), with required hours/employment	12%
Annually (once a year), regardless of hours	3%
Total	**100%**

Exhibit 24

Do participants have the option to direct the investment of these matching contributions?

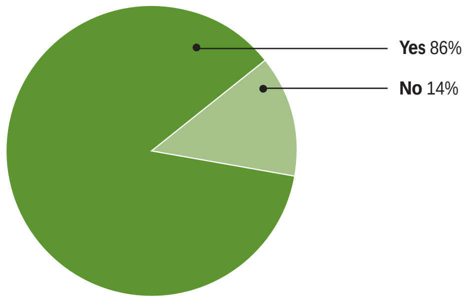
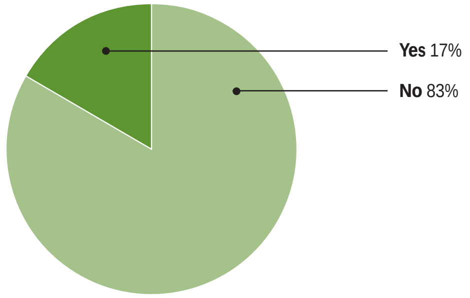


Exhibit 25

Do you make the matching contributions in employer stock?



Matching Contributions (cont.)

Compared to last year's survey, matching contributions are being calculated and deposited to employees' accounts more frequently, with 70 percent of respondents depositing their matching contributions on a per pay period basis. Another 16 percent deposit the matching contribution monthly or quarterly, and the remaining 15 percent deposit it only once a year. The majority of the latter (12 percent) require the employee to have worked a required number of hours by the end of the year to receive the matching contribution.

> Seventeen percent of respondents make the matching contribution solely in employer stock. Seventy percent of respondents contributing employer stock have not changed their company stock diversification rules in the past year.

Employer Contributions (cont.)

Exhibit 26

If you match in company stock, when do you allow participants to reallocate to other funds?

Immediately	32%
Age requirement*	44%
Service requirement**	18%
Never	7%
Other	15%

* *Average age requirement is 54 years*
** *Average service requirement is 6 years*

Exhibit 27

If you make the matching contributions in stock, have you made any changes to your company stock diversification rules in the last year?

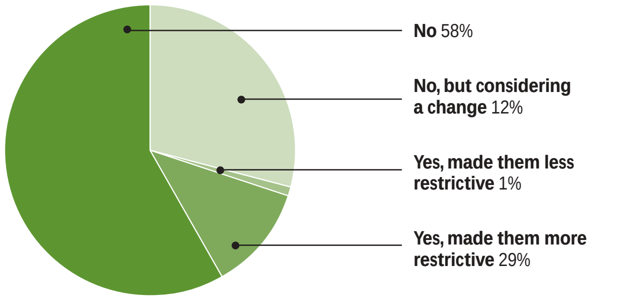


Exhibit 28

What is the plan's vesting schedule for these matching contributions?

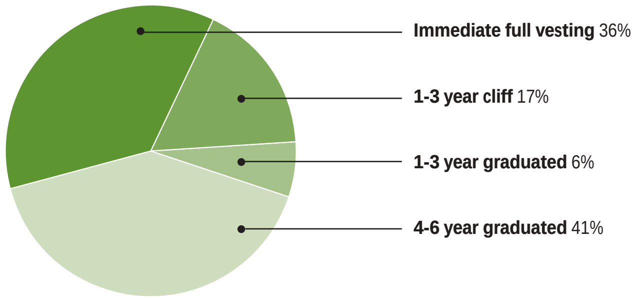


Exhibit 29

Have you made any changes to your vesting provisions for the matching contribution in the past year?

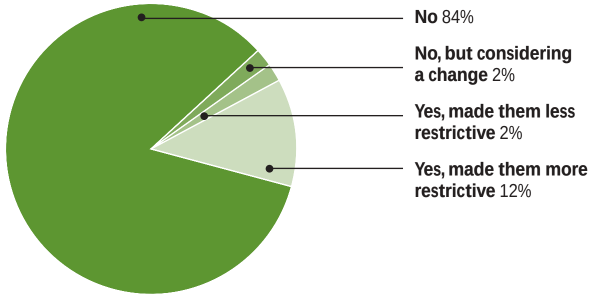


Exhibit 30

How are company matching forfeitures treated?

Used to reduce employer contributions	53%
Used to offset fees	20%
Reallocated to participants	8%
Other	8%

Exhibit 31

How is your profit-sharing contribution structured?

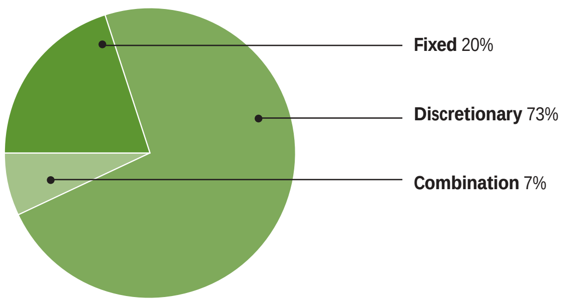
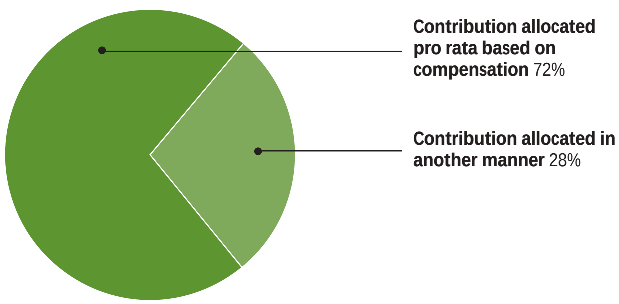


Exhibit 32

How is your profit-sharing contribution allocated?



Profit-Sharing Contributions

The percentage of respondents who offer only a profit-sharing contribution is 11 percent, down almost 5 percent from last year's survey. Another 12 percent offer a profit-sharing contribution in conjunction with a matching contribution.

Unlike the matching contribution, which is predominately a fixed formula, the majority (73 percent) of profit-sharing contributions are structured on a discretionary basis, and 7 percent of respondents structure their contributions using a combination of fixed and discretionary formulas. More than 20 percent, however, do provide their employees with a fixed profit-sharing contribution amount from year to year.

Vesting of profit-sharing contributions is not as liberal as that of matching contributions. Only 21 percent of profit-sharing contributions offer immediate vesting versus 36 percent of matching contributions that are immediately vested. The respondents using vesting contributions for their profit-sharing chose graded schedules over cliff vesting schedules nearly 3 to 1 (57 percent vs. 22 percent).

Vesting of Profit-Sharing Contributions

Contribution Type	Immediate Vesting	Cliff Vesting	Graded Vesting
Match	36%	17%	47%
Profit-Sharing	21%	22%	57%

The percentage of respondents who offer only a profit-sharing contribution is 11 percent, down almost 5 percent from last year's survey.

Profit-Sharing Contributions (cont.)

Exhibit 33

Have you changed the level of your profit-sharing contribution in the past year?

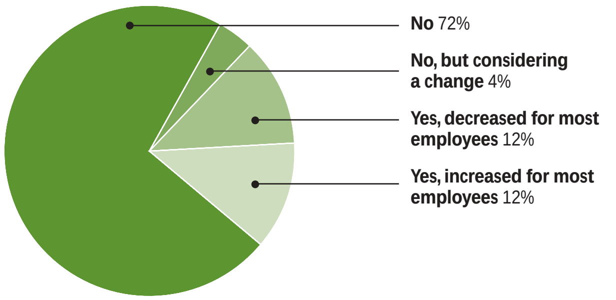


Exhibit 34

Do participants have the option to direct the investment of these profit-sharing contributions?

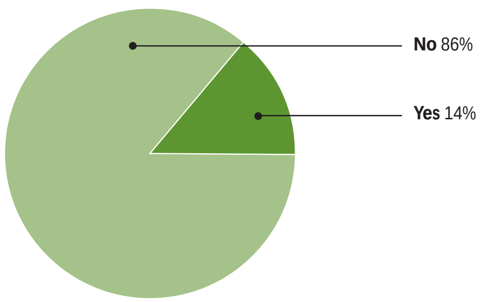


Exhibit 35

Do you make the profit-sharing contribution in company stock?

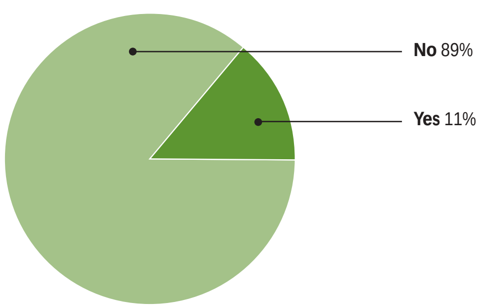


Exhibit 36

If you make the profit-sharing contribution in company stock, when do you allow participants to reallocate to other funds?

Immediately	43%
Age requirement*	26%
Service requirement**	9%
Never	7%
Other	13%

* *Average age requirement is 51 years*
** *Average service requirement is 10 years*

Exhibit 37

If you make the profit-sharing contribution in stock, have you made any changes to your stock diversification rules in the past year?

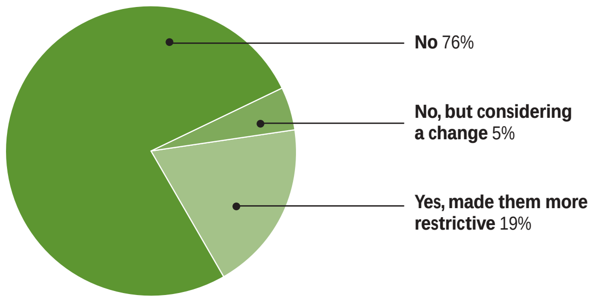


Exhibit 38

What is the plan's vesting schedule for these profit-sharing contributions?

Immediate full vesting	21%
1-4 year cliff	10%
1-4 year graduated	6%
5 year cliff	12%
5 year graduated	31%
6-7 year graduated	20%
Total	**100%**

Exhibit 39

Have you made any changes to your vesting provisions for the profit-sharing contribution in the past year?

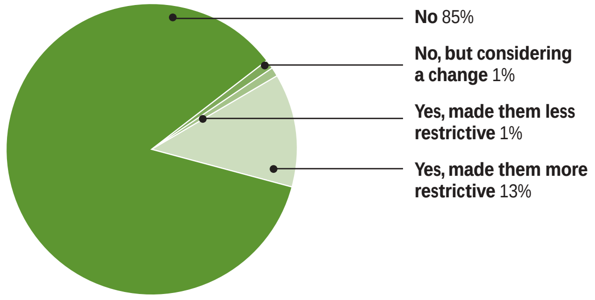


Exhibit 40

How are profit-sharing contribution forfeitures treated?

Used to reduce employer contributions	16%
Reallocated to participants	6%
Used to offset fees	6%
Other	2%

Exhibit 41

Which investment options do you offer and approximately how much is invested in each?	Percent That Offer	Percent of Assets Invested
Stable Value	64%	22%
Money Market	45%	7%
General/Core Bond	75%	6%
Balanced	65%	6%
Domestic Equity	73%	17%
Global/International Equity	83%	2%
Socially Responsible	4%	0%
Employer Stock	31%	33%
Lifestyle Funds	36%	3%
Self-Directed Brokerage	8%	1%
Mutual Fund Window	2%	3%
Other	23%	1%

Note: Average number of total fund options is 12.7.

Exhibit 42

Have you made any changes to your fund offerings in the past year?	
No fund changes	36%
Increased the number of core funds available	26%
Replaced core funds, keeping the number of funds available	16%
No fund changes, but considering it	14%
Added lifestyle funds	8%
Reduced the number of core funds available	5%
Added a self-directed brokerage or mutual fund window option	2%
Removed a self-directed brokerage or mutual fund window option	1%
Removed lifestyle funds	1%
Other	6%

Investments

On average, the total number of investment options offered is 13. This has remained nearly constant since 2001. Multiple-fund families are offered by 78 percent of the respondents. Plan assets are primarily invested in employer stock (33 percent), domestic equity (17 percent), and stable value (22 percent). Self-directed brokerage accounts are offered by 8 percent of the respondents; however, only an estimated 1 percent of assets, on average, is invested through the brokerage account.

Consistent with 2002, 83 percent of the responding employers have formal procedures for fund selection in place. This is more commonly seen as both the number of employees and the assets invested increase. Seventy-seven percent of respondents report that they have formal written investment policies in place — a trend that has been increasing by 5 percent a year since 2001. Evaluating and benchmarking the performance of plan investments is occurring more frequently. Quarterly benchmarking, which is conducted by 55 percent of the respondents, is up 8 percent from last year, and only 6 percent report having no formal benchmarking schedule (down from 9 percent in 2002). Clearly, plan sponsors are beginning to take a more formalized approach to their 401(k) plan fund strategy.

Although investment satisfaction is fairly high, nearly two-thirds of the respondents (64 percent) have made changes to their fund offerings in the past year.

An overwhelming majority (96 percent) report that participants seem satisfied with the plan's investment options, up 3 percent from last year. 89 percent of plan sponsors, however, are satisfied with the investment lineup.

Although investment satisfaction is fairly high, nearly two-thirds of the respondents (64 percent) have made changes to their fund offerings in the past year. The most frequently cited change was increasing the number of core funds available (26 percent) followed by replacing core funds (16 percent), and adding lifestyle funds (8 percent). Additionally, 14 percent of respondents are considering fund changes.

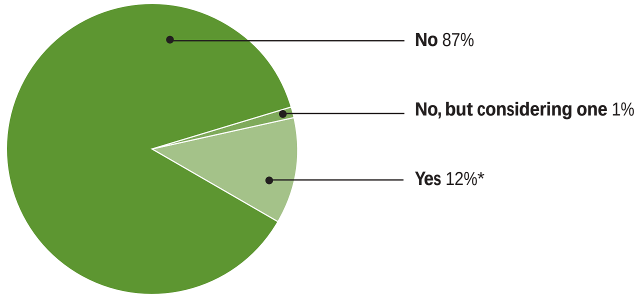
Investments (cont.)

An interesting result was that the majority (88 percent) of the respondents allow unlimited investment in employer stock, an increase of 14 percent from 2002. One percent of these plan sponsors are considering imposing a limit on amount invested in employer stock, and for the 12 percent of sponsors that do, the average limit is 40 percent. Clearly, plan sponsors are waiting on specific guidance before making changes to their plan design and administrative procedures.

> The majority (88 percent) of the respondents allow unlimited investment in employer stock, an increase of 14 percent from 2002.

Exhibit 43

If you offer employer stock as an investment choice, is there a limit on the election percentage?



** The average limit is 40%*

Exhibit 44

Do you offer funds from multiple fund families?

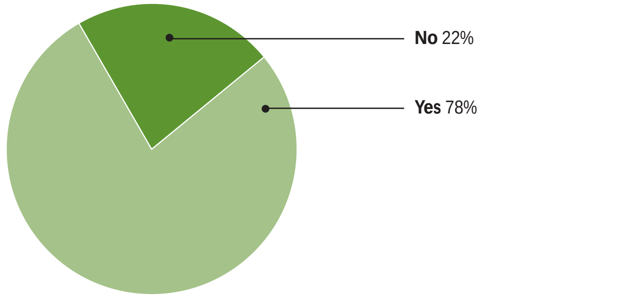
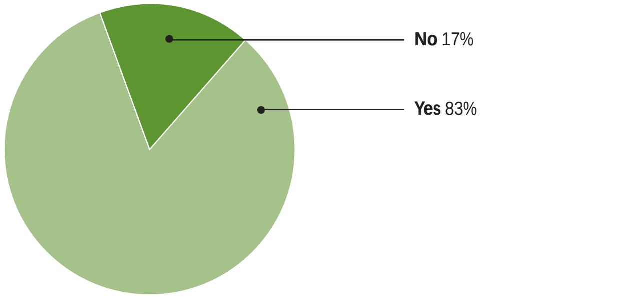


Exhibit 45

Are formal procedures in place for fund selection?



Investments (cont.)

Exhibit 46

Do you have a formal written investment policy?

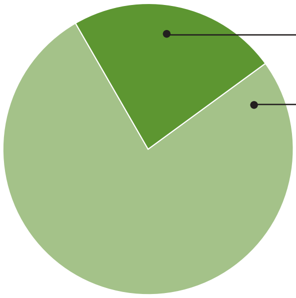


Exhibit 47

Who performs the investment monitoring/fund selection for your plan?

Internal committee	40%
An outside investment consultant	35%
Internal/external committee	21%
Other	4%
Total	**100%**

Exhibit 48

How does your provider deliver fund investment performance and benchmarking information?

Reviews with you in-person/telephone	74%
Includes in standard report package	55%
Makes available online	42%
Other	9%

Exhibit 49

Are the participants satisfied with the plan's investment options?

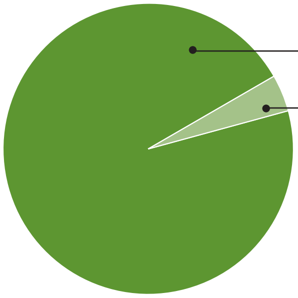


Exhibit 50

Are you, as the plan sponsor, satisfied with the plan's investment options?

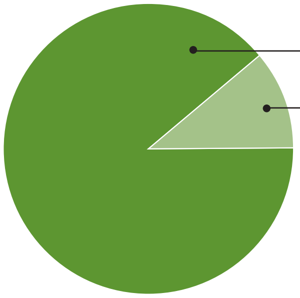


Exhibit 51

How do you handle an underperforming fund?

Continue to monitor	53%
Replace fund	51%
Phase out fund over period of time	18%
Hasn't happened	17%
Freeze fund (no incoming money)	13%
Other	4%

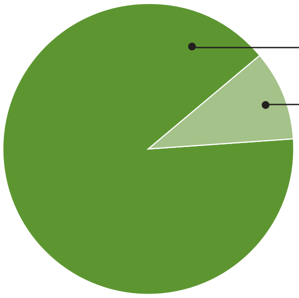
Exhibit 52

When was the last time you replaced a fund due to poor performance?

Never	32%
Within last year	29%
1 to less than 2 years	14%
2 to less than 5 years	20%
5+ years	5%

Exhibit 53

Is your plan structured to comply with 404(c)?



Fees

In general, survey results indicated that 88 percent of the responding plan sponsors have a "clear understanding of the total plan/participant fees being charged." This is down slightly from last year, but higher than results in the 2001 survey. A large majority (83 percent) of plan sponsors indicated they have a clear understanding of normal fund operating expenses of the investment funds residing in their plans. Finally, 83 percent of plan sponsors indicated they feel their fees are competitive. Compared to the past two years, this number is slightly lower.

This year fewer participants are inquiring about plan fees. Minimal inquiries or no inquiries at all were split almost evenly at 50 percent. Operating fees are disclosed to participants in a variety of ways. Most notably, based on this year's survey responses, investment education materials, participant communications, and participant statements are used to disclose fees.

In general, most 401(k) plan fees are paid by the company with the exception of investment advice, investment management, loan fees, and other fees such as distribution, self-directed brokerage, and withdrawal fees. (Shortly after this survey was conducted, the U.S. Department of Labor issued guidance on fees that could be charged to plan participants, including fees for such items as processing "qualified domestic relation orders" in divorce proceedings. Next year it will be interesting to survey on the degree to which this guidance has been implemented.) Fifty-seven percent of plan sponsors pay the recordkeeping and administration fees from company funds, while approximately 24 percent charge these fees to the employees, either as a line item on their statements, or as a reduction to investment returns. Eighteen percent report that there are no direct recordkeeping and administration fees.

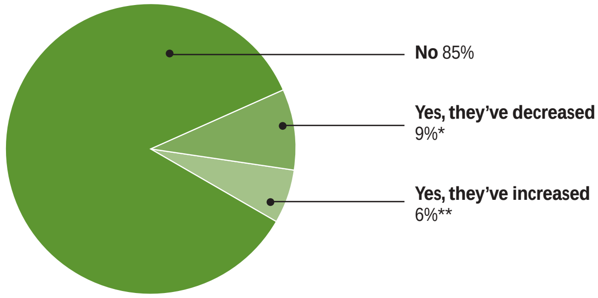
Total annual recordkeeping/administrative fees have not changed significantly from last year's survey for the majority of this year's respondents (85 percent). Slightly more than half of the remaining plan sponsors that reported changes in fee structure indicate that fees have decreased (9 percent).

Exhibit 54

Who pays for plan expenses?	
All fees paid by sponsor	59%
All fees paid by plan	22%
Both sponsor and plan share fees	19%
Total	**100%**

Exhibit 55

Have your plan's total annual recordkeeping/administrative fees changed notably from last year?



* *Average decrease reported is 55%*
** *Average increase reported is 26%*

Exhibit 56

What is your plan's average fund expense ratio?	
Up to .5%	14%
.51% to .85%	34%
.86% to 1.25%	25%
More than 1.25%	1%
Don't know	26%

Exhibit 57

How are plan operating fees disclosed to participants?	
Investment education materials, including prospectus	43%
Participant communications, including SPD and SAR	41%
Not formally disclosed	21%
Line item on participant statement	19%
Other	5%

Fees (cont.)

Exhibit 58

How many participant inquiries do you receive regarding plan fees?	
None	51%
Minimal	49%
Many	0%
Total	**100%**

Exhibit 59

Do you agree with the following statements?

	Agree	Don't Know	Disagree
We have a clear understanding of the total/plan participant administrative fees being charged.	88%	4%	8%
We have a clear understanding of the normal fund operating expenses of the funds in our plan.	83%	7%	9%
We believe our fees are competitive.	83%	14%	3%

Exhibit 60

Plan Fees — Who Pays?

	Company Pays Fee	Employee Pays Fee by Direct Charge	Employee Pays Fee by Reduction to Investment Return	No Fee	Service Not Used
Recordkeeping/administration	57%	8%	16%	18%	0%
Audit	84%	4%	7%	3%	2%
Investment advice	28%	5%	5%	18%	45%
Investment management (other than normal fund operating expenses)	37%	4%	20%	19%	20%
Legal/design fees	86%	2%	5%	6%	2%
Communication	62%	3%	8%	27%	1%
Trustee	59%	4%	14%	20%	3%
Consultant fees	69%	2%	6%	10%	13%
Loan fees	8%	71%	8%	7%	6%
Other	19%	16%	10%	15%	39%

Participant Communications

Eighty-three percent of the respondents (a 12 percent increase from last year) indicated they offer customized communications programs for their plans, 42 percent offer generic communication programs, and 42 percent offer personalized communications programs. Thirty-five percent consider their program to target specific employee groups.

It is worth noting that the use of customized plan communications has increased more than 25 percent since 2001, which interestingly correlates with the timing of the downturn in the economy and poor stock market performance. Possibly, plan sponsors are becoming increasingly proactive in encouraging participants to save for retirement, as well as providing additional education regarding the importance of diversification of participant assets (including employer stock, but not going so far as to limit the percentage of their total individual assets).

Respondents indicate a significant increase in the types of media used in communicating their programs: printed materials remain the most utilized at 96 percent (a 12 percent increase from 2002), followed by the Internet/intranet at 83 percent (a 13 percent increase from 2002), and employer-held meetings at 81 percent (a 10 percent increase from 2002). The majority of these participant communications are provided by the plan sponsor's recordkeeper (85 percent), followed by internal company staff (59 percent).

The percentage of survey respondents offering financial counseling/investment advice remained steady at approximately 40 percent. According to most plan sponsors, less than 25 percent of participants utilize the available advice services. Respondents also estimated that less than 30 percent of the participants utilizing the investment advice services actually acted upon recommendations they received.

The use of customized plan communications has increased more than 25 percent since 2001.

Exhibit 61

What type of communication programs do you use?	
Customized for your plan	83%
Personalized to employees	42%
Generic	42%
Targeted to specific employee groups	35%

Exhibit 62

What medium is used for plan communication and education?

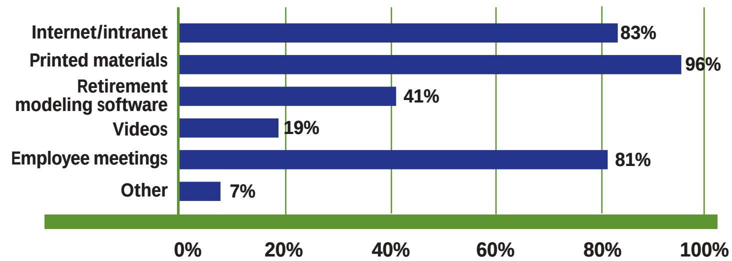


Exhibit 63

Who prepares the communication materials that are provided to your participants?

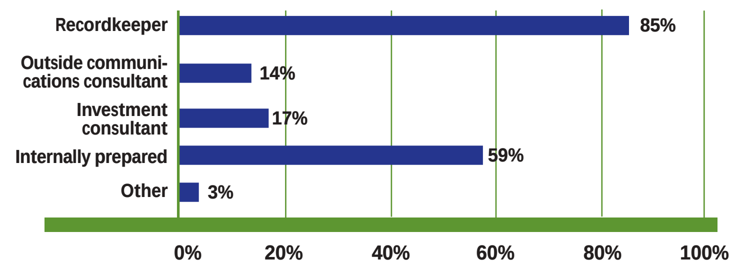


Exhibit 64

What was your most effective and/or original strategy for increasing participation?	
Enrollment meetings	21%
Company match	14%
Auto enrollment	12%
Education	9%
Targeted campaigns	8%
Plan provisions	5%
Good participation	5%
Written communications	4%
Passive/negative enrollment	3%
Under investigation	2%
Other	13%

Exhibit 65

Do you offer your participants the ability to see their account balances in other employer-sponsored plans, outside investment funds, bank accounts, etc., through your 401(k) provider Web site (account aggregation)?

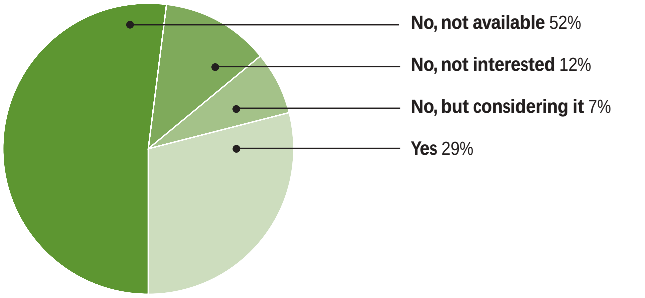
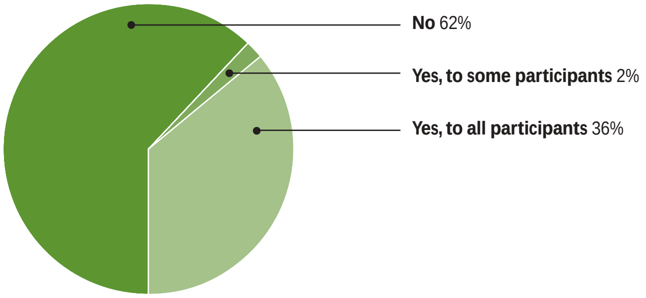


Exhibit 67

Is individual financial counseling/investment advice available to participants?



Participant Communications (cont.)

Of the 60 percent of respondents not offering financial counseling/investment advice services to participants, 39 percent indicated fiduciary liability as the primary concern, followed by cost (28 percent), and lack of employee demand (24 percent).

Account aggregation (the ability for participants to see their account balances in other employer-sponsored plans, outside investment funds, bank accounts, etc., through their 401(k) provider's Web site) is a feature offered by 29 percent of the survey respondents, and another 7 percent are considering it. Interestingly, 52 percent of respondents are not offering account aggregation because it's unavailable from their provider.

Participant Communications (cont.)

Exhibit 67

If you do not offer counseling/investment advice, why not?

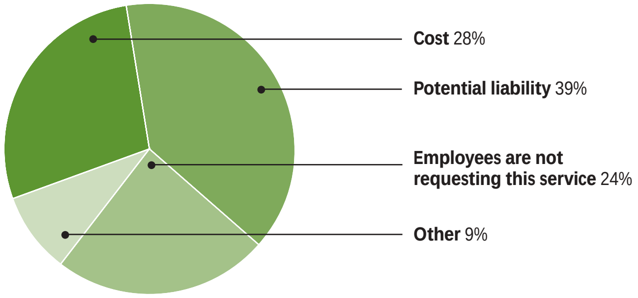


Exhibit 68

If individual financial counseling/investment advice is available to participants, how is it provided?

Web-based using the following vendor:	23%
Financial Engines	7%
Ibbotson	0%
mPower [401(k) Forum]	2%
Morningstar	5%
Provider's proprietary system	10%
Access to financial counselors via telephone	21%
Access to financial counselors in person	19%

Exhibit 69

If financial counseling/investment advice is available, who is paying for it?

Participants	9%
Plan Sponsor	10%
There is no charge for this service	20%

Exhibit 70

If financial counseling/investment advice is available, what percentage of participants utilize the service?

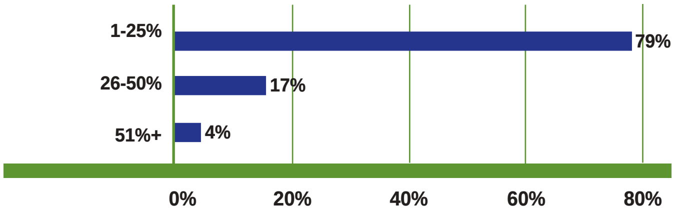


Exhibit 71

What percentage of participants who utilize the financial advice services act upon the recommendations received?

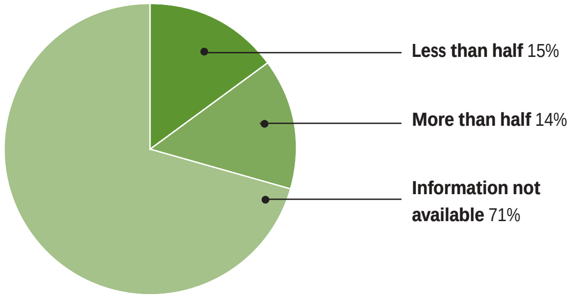


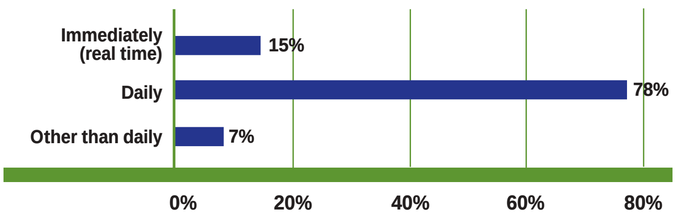
Exhibit 72

Regarding plan data, participant demographics, and financial information:

	Yes	No
Does your provider give you access via the Internet?	89%	11%
Can you create your own ad-hoc queries?	72%	28%
Does this data suffice for your analysis needs?	85%	15%

Exhibit 73

How often is the plan data refreshed?



Plan Data Access

The majority of respondents (72 percent) reported that creating ad-hoc queries was possible, and 85 percent believed the data sufficed for analysis needs. The ability to create queries is up dramatically since last year (up 14 percent) while data analysis adequacy remains constant. The availability of ad-hoc queries is positively correlated to the number of employees and dollars invested.

Breaking the trend from the last two years' survey results, only 89 percent of respondents reported that providers give access to plan data, participant demographics, and financial information (down from 93 percent in 2002). Although plan data access continues to be particularly useful in monitoring the pulse of the employee population, it appears that plan sponsors are relying more heavily on their vendors to proactively address any potential issues.

As vendor technology continues to advance, many programs have tools to identify and address plan management issues, including increasing participation levels, contribution levels, and participant utilization of available resources.

> The tools available to plan sponsors are continually being improved. The ability to create ad-hoc queries is up dramatically since last year (up 14 percent) to 72 percent.

While access to data may have slightly declined, the tools available to plan sponsors are continually being improved. The ability to create ad-hoc queries is up dramatically since last year (up 14 percent) to 72 percent. In addition, the number of respondents able to create ad-hoc queries is positively correlated to the number of employees and assets in the plan.

Administration Capabilities

According to respondents, participants can perform most transactions on a daily basis:

Daily Account Management	Percent	From Last Year
View updated balances	98%	+2%
Transfer funds between investments	96%	+2%
Change future investment elections	93%	+3%
Take out loans	74%	+2%
Take in-service/hardship withdrawals	69%	-1%
Change deferral percentages	69%	+8%

The trend continues toward a "true" daily operating environment for employees to manage their accounts. For the second straight year, nearly all of the transactions available to employees on a daily basis have increased.

While overall transaction levels remain somewhat consistent from last year, the proportion of respondents indicating a high level of Internet inquiry is up more than 11 percent. As the equity markets begin to show signs of recovery, participants have begun to take a new look at their investments and at the allocation of assets within their accounts.

Usage of Internet inquiry and transactions is lowest in the manufacturing, wholesale/retail, and health care sectors and highest in the financial services and technology sectors. Both Internet inquiry and transaction frequency are positively correlated to plan asset levels.

Paperless inter-fund transfers and future investment election changes continue to be the most popular transactions across all media (Internet, voice, and call center representatives) followed by deferral percentage change, loan initiation, enrollment, full distributions, in-service withdrawals, and beneficiary changes.

As the equity markets begin to show signs of recovery, participants have begun to take a new look at their investments and at the allocation of assets within their accounts.

Exhibit 74

How often can participants:	Daily	Other Than Daily	Not Available
View updated account balances?	98%	1%	1%
Transfer funds between investments?	96%	4%	0%
Change future investment elections?	93%	6%	1%
Take out loans (assuming they are eligible)?	74%	17%	9%
Take in-service/hardship withdrawals?	69%	26%	5%
Change deferral percentages?	69%	30%	1%

Exhibit 75

Which of these features can your participants use?

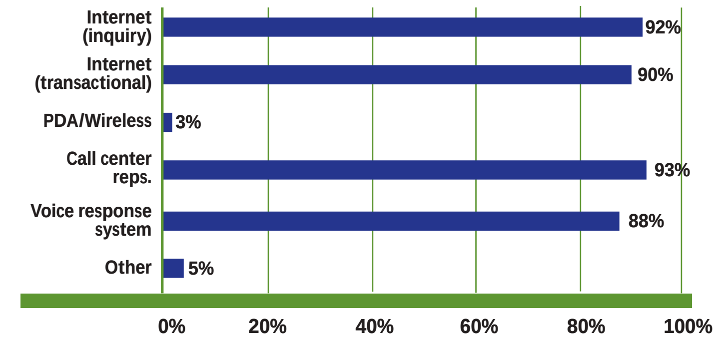
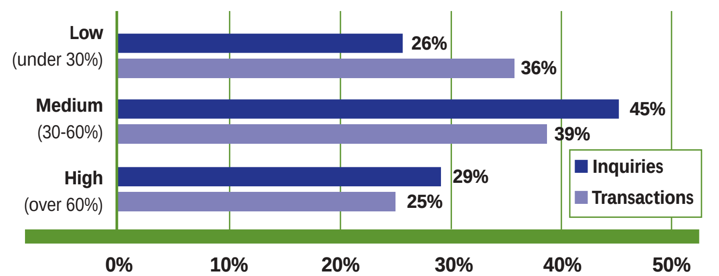


Exhibit 76

What is the level of Internet usage by your participants?



Administration Capabilities (cont.)

Since 2001, fewer plans are mailing quarterly participant statements (down 4 percent) while more plans are providing either online "statements on demand" (up 3 percent) or quarterly online statements (up 6 percent). Statement availability time has also shortened since 2001, as evidenced by higher proportions of respondents (64 percent) mailing statements in fourteen days or less.

According to a slight majority (56 percent) of responding employers, downloading transaction history for participants is still unavailable. For the balance of respondents with report downloading capabilities, the most widely used applications were:

- Quicken (131 respondents)
- Microsoft Excel (126 respondents)
- Microsoft Money (70 respondents)

Not surprisingly, more than three-fourths (77 percent) of respondents reported a reduction of the twelve-month contribution suspension period to six months for hardship withdrawals. Compared to last year, the proportion reducing the contribution suspension period is up 7 percent.

While automatic fund rebalancing is seen as a key factor in proper asset allocation, only 24 percent of respondents reported offering this capability, while 16 percent are considering it. Of the respondents offering automatic fund rebalancing, the average percentage of participants using this service is only 15 percent.

Although few of the responding employers are considering changes to company stock restrictions (less than 10 percent), the following potential changes were cited: (1) eliminating or reducing restrictions on investment of company match, (2) capping investment in company stock (average cap of 25 percent), and (3) eliminating future investments in company stock.

Exhibit 77

Through which medium are the following transactions available?

	Internet	Voice	Call Center Rep
Interfund transfers	94%	80%	79%
Future investment election change	90%	77%	77%
Deferral percentage change	71%	62%	65%
Loan initiation	68%	61%	74%
Enrollment	58%	48%	57%
Full distributions	43%	41%	70%
In-service withdrawals	42%	40%	66%
Beneficiary change	24%	16%	41%

Exhibit 78

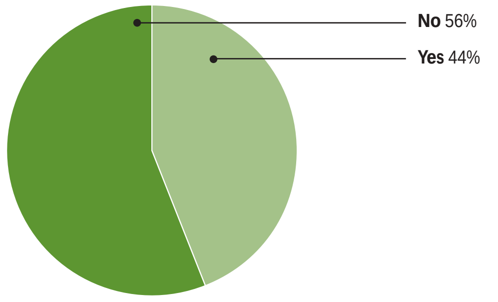
How are participants' statements provided?	
Mailed quarterly	92%
"Statements on Demand" (as of any date) available anytime	44%
Quarterly statement available online	39%
E-mailed quarterly	9%

Exhibit 79

How many days after the end of each quarter are participants' statements available?	
1-9 days	17%
10-14 days	47%
15-24 days	27%
25+ days	9%
Total	**100%**

Exhibit 80

Can participants download transaction history/statement data?



Administration Capabilities (cont.)

Exhibit 81

What participant data download formats are available?	
Quicken	19%
Microsoft Excel	18%
Microsoft Money	10%
Other	4%

Exhibit 82

How many outstanding loans can a participant have at any time?

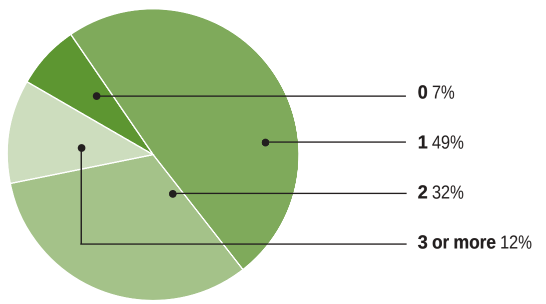


Exhibit 83

Did you reduce the 12-month contribution suspension period to 6 months for hardship withdrawals?

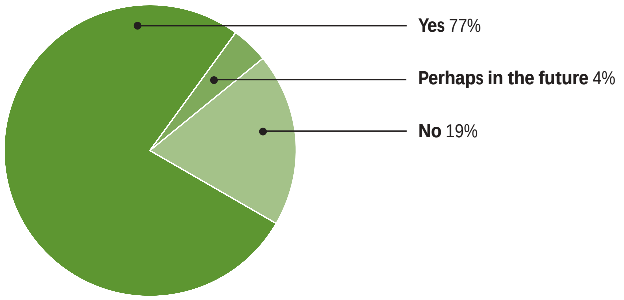


Exhibit 84

Does your plan offer participants the option to elect automatic fund rebalancing?	
No, not available	52%
No, not interested	9%
No, but considering it	15%
Yes*	24%
Total	**100%**

** Sponsors estimate that approximately 15% of participants use this service.*

Exhibit 85

Which stock accounting method do you use?	
Unit accounting	58%
Share accounting	35%
Both	7%
Total	**100%**

Exhibit 86

Are you satisfied with this accounting method?

	Yes	No
Unit accounting	92%	8%
Share accounting	98%	2%
Both	84%	16%

Exhibit 87

Is the stock portion of your plan an ESOP?

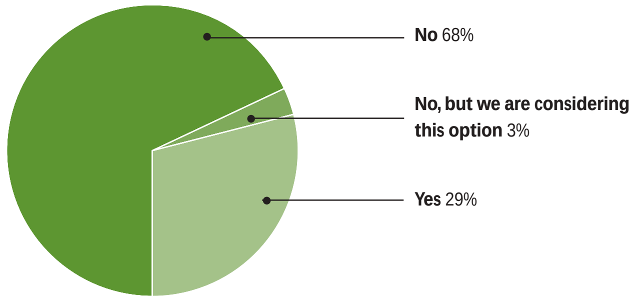


Exhibit 88

Are you considering any changes to your restrictions on company stock?	
Eliminate or reduce restrictions on investment of company match	2%
Eliminate or reduce restrictions on diversification of company stock	0%
Eliminate future investments in company stock	1%
Cap investment in company stock	1%
Other	6%

Automatic Enrollment

Fifteen percent of the plan sponsors surveyed have implemented automatic enrollment in their plans — a small increase (approximately 2 percent) over the past two years. Ten percent of respondents are considering adding this feature, while 1 percent of respondents have discontinued it. Key reasons for discontinuing the automatic enrollment program include: cost of providing match to disinterested employees, cost of administering small account balances, inability of the recordkeeper to accommodate the feature, and incompatibility with newly merged plans.

The good news is that automatic enrollment works! More than two-thirds (71 percent) of the respondents indicated participants typically maintain the designated default rate, while 24 percent of participants choose to increase their default rates. Only 5 percent of the participants choose either to opt out of the plan (3 percent) or to decrease their default election percentage (2 percent).

Fifteen percent of the plan sponsors surveyed have implemented automatic enrollment in their plans — a small increase (approximately 2 percent) over the past two years.

Fifty percent (a decrease of 3 percent from 2002) of the survey respondents with automatic enrollment indicated a default deferral rate of 3 percent was in place, followed by 2 percent (an increase of 6 percent to 29 percent). The short-term income fund remains steady (67 percent) as the default investment election of choice, followed by the balanced or lifestyle fund (30 percent).

Ninety-seven percent of plan sponsors that offer automatic enrollment are satisfied with this feature.

Exhibit 89

Does your plan contain an automatic enrollment (negative election) feature?

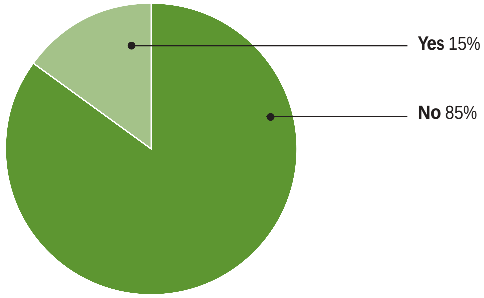


Exhibit 90

Are you considering adding an automatic enrollment feature?

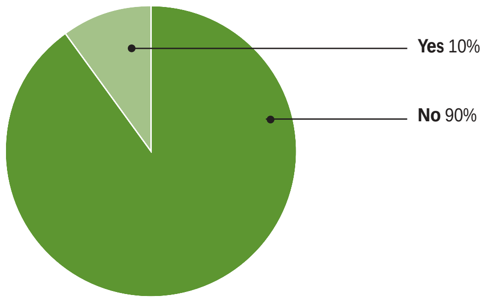


Exhibit 91

Did you ever have automatic enrollment, but discontinue it?

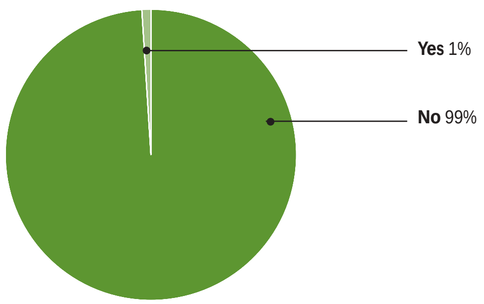


Exhibit 92

If you offer automatic enrollment, how long have you offered it?

Less than 1 year	13%
I year to less than 2 years	19%
2 years to less than 3 years	25%
3 years or more	43%
Total	**100%**

Automatic Enrollment (cont.)

Exhibit 93

What is the default deferral percentage?

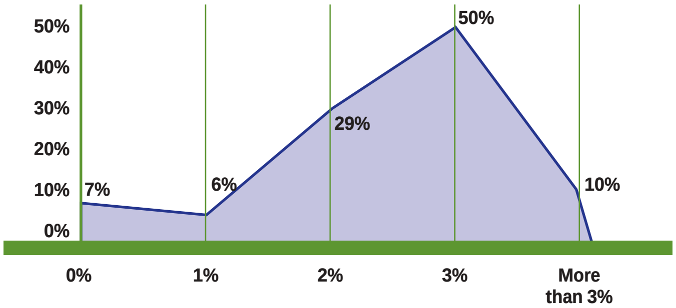


Exhibit 94

What is the default investment election?

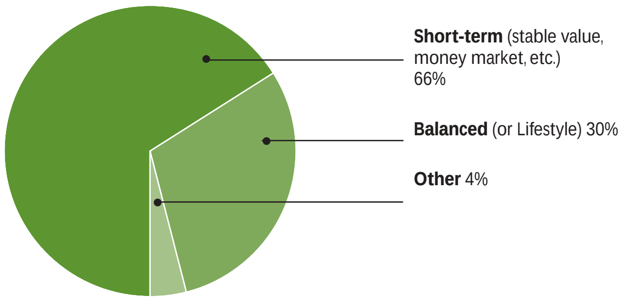


Exhibit 95

During re-enrollment, do participants typically:

Remain at the same deferral percentage?	71%
Increase their deferral percentage?	24%
Decrease their deferral percentage?	2%
Opt out of the plan?	3%
Total	**100%**

Exhibit 96

What percentage typically opt out during the re-enrollment period?

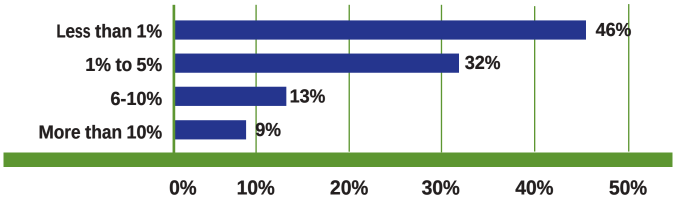


Exhibit 97

How has automatic enrollment impacted your nondiscrimination test results?

Improved test results	51%
No change to test results	25%
Too soon to tell	20%
Other	4%
Total	**100%**

Exhibit 98

What was your primary motivation for adding automatic enrollment?

Increase overall participation	43%
Improve nondiscrimination test results	28%
Encourage retirement savings	26%
Other	3%
Total	**100%**

Exhibit 99

Are you satisfied with automatic enrollment?

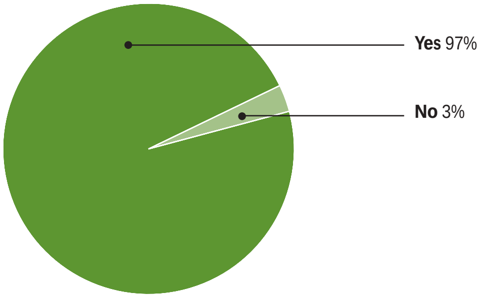


Exhibit 100

Please indicate your primary provider for administration services.	
Fidelity	19%
Vanguard	7%
Putnam	5%
T.Rowe Price	5%
American Express	5%
Merrill Lynch	4%
Cigna	3%
Hewitt/Northern Trust	3%
Principal	3%
Mass Mutual	3%

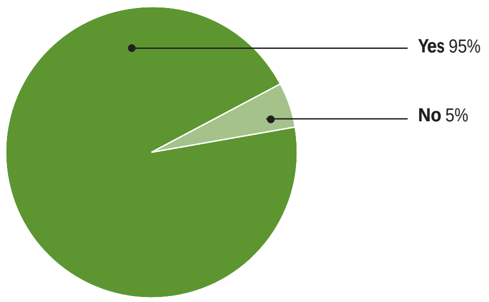
Note: We have listed the 10 most frequently cited providers.

Exhibit 101

What is your plan provider structure?	
Bundled (all services and funds provided by one vendor)	43%
Bundled with outside funds	38%
Alliance (services and funds provided by related vendors)	4%
Unbundled (services and funds provided by unrelated vendors)	15%
Total	**100%**

Exhibit 102

Do you have a formal written service agreement with your provider?



Provider Relationship

Increasing plan sponsor services is the most important change/improvement that providers could make, according to survey respondents, followed by better investment choices, a wider range of products and services, and improved turnaround times, among others.

As in past years, the survey results indicated that nearly 95 percent of plan sponsors had written service agreements with providers. However, 45 percent of respondents reported that no formal performance standard agreement is in place. In the majority (45 percent) of plans, providers are not agreeing to maintain specific levels of service or performance with the risk of sacrificing fees, while 32 percent have agreements and 23 percent don't know. Most often accuracy (25 percent) is measured followed by statement turnaround time (24 percent), call center measurements (20 percent), and check processing time (18 percent).

Similar to last year, approximately 80 percent of plan sponsors indicated they are in either a bundled relationship or a bundled relationship with outside funds. Results indicate that bundled structures with outside fund flexibility seem to be trending upward.

> Increasing plan sponsor services is the most important change/improvement that providers could make, according to survey respondents.

Overall, provider services were rated as very good. Highest individual satisfaction ratings went to plan Web sites, compliance and regulatory services, and administration services performed. Lowest satisfactions levels fell among fees, general consulting services, and employee communication.

A significant proportion (42 percent) of respondents outsource health and welfare functions while 29 percent outsource pension and 10 percent outsource other functions. Compared to last year, fewer are outsourcing health and welfare (down 2 percent), while more are outsourcing pension functions (up 4 percent).

Provider Relationship (cont.)

Respondents indicate that the last time they changed providers, the average total blackout period (defined as the period of time that participants could not process transactions) was nearly a month (27 days). On average, ten days can be attributed to the prior recordkeeper while 17 days to the new recordkeeper's blackout period. When asked what blackout period they would deem acceptable, plan sponsors respond with an average of 20 days.

> When asked what blackout period they would deem acceptable, plan sponsors respond with an average of 20 days.

Exhibit 103

Does your provider agree to maintain specific levels of service or performance with the risk of sacrificing fees should these levels not be met?

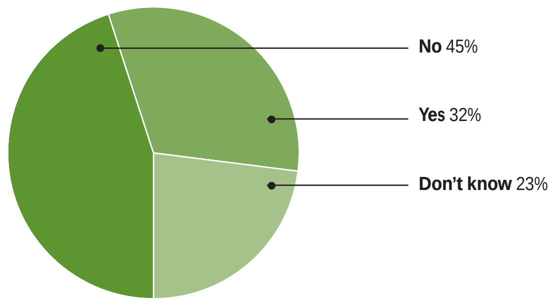


Exhibit 104

What service levels are being measured with your provider?

Accuracy	25%
Statement turnaround time	24%
Call center measurements	20%
Check processing time	18%
Participation rate	7%
Fund diversification	7%
Other	2%

Exhibit 105

Have you received additional administrative services by your vendor if current administrative fees are at $0 and levels of service or performance are not met?

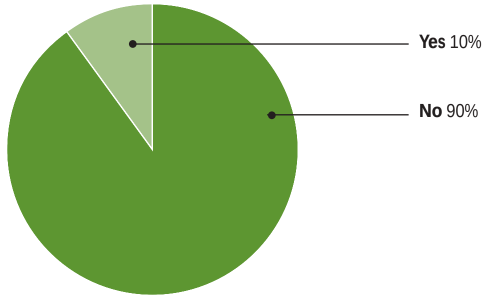
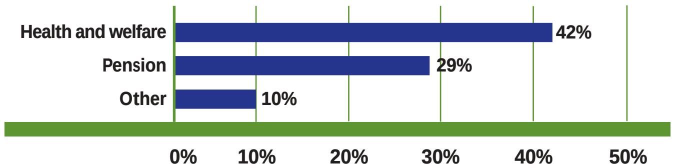


Exhibit 106

Do you outsource any other administrative benefit functions?



Provider Relationship (cont.)

Exhibit 107

How many years have you been with your current service provider?

	Less Than 1 Year	1 to <5 Years	5 to <10 Years	10+ Years
Recordkeeping/administration	7%	40%	35%	18%
Investment advice	13%	41%	29%	18%
Investment management	7%	40%	32%	22%
Communication	7%	40%	34%	19%
Trustee	8%	36%	34%	22%
Consultant	8%	37%	32%	22%
Other	10%	35%	35%	20%

Exhibit 109

When was the last time you evaluated other providers for your plan for:

	Less Than 1 Year	1 to <3 Years	3 to <5 Years	5+ Years
Recordkeeping/administration	22%	38%	15%	26%
Investment advice	28%	39%	12%	21%
Investment management	29%	37%	11%	24%
Communication	22%	39%	13%	26%
Trustee	22%	35%	14%	29%
Consulting	25%	37%	11%	26%
Other	23%	35%	10%	32%

Exhibit 108

When you switched recordkeepers, how long was your blackout period (the period of time that employees could not perform transactions on their accounts)?

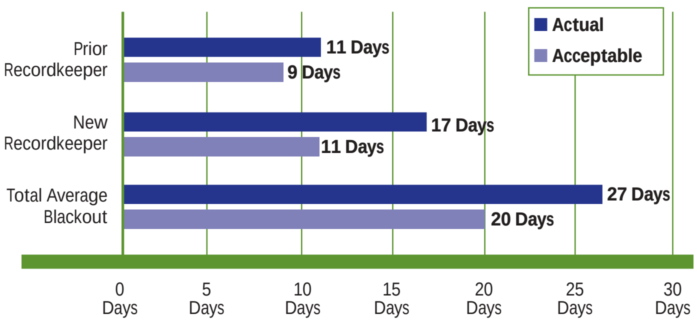


Exhibit 110

Rank the following changes/improvements that your provider could make in the order of importance, with 1 being the most important and 7 the least important.

	Actual Rank	Average Rank
Increase plan sponsor services	3.15	1
More/better investment choices	3.62	2
Wider range of products and services	3.65	3
Improve turnaround times	3.68	4
Reduce fees	4.30	5
Increase participant services	4.57	6
Improve level of information	4.82	7

Exhibit 111

How would you rate the services you are receiving from your vendors today?

	Average	1 (poor)	2	3	4	5 (excellent)
Plan Web site	4.10	2%	3%	17%	41%	38%
Compliance/regulatory	4.07	1%	3%	19%	44%	34%
Administration/recordkeeping	4.04	1%	5%	16%	44%	34%
Plan sponsor support	4.00	1%	5%	19%	43%	32%
Call center services	3.98	1%	4%	20%	47%	29%
Fees compared to marketplace	3.86	1%	5%	27%	41%	26%
Consulting	3.79	2%	5%	28%	43%	22%
Employee communication	3.71	1%	8%	29%	41%	21%
Investment fund performance	3.48	1%	8%	42%	40%	9%
Overall	**3.94**	**1%**	**3%**	**19%**	**55%**	**22%**

PLAN EFFECTIVENESS

Although having a 401(k) plan has become a given to a large portion of the United States work force, most respondents (79 percent, down 6 percent from last year) believe their 401(k) plan is an effective recruiting tool. A slightly smaller percentage (71 percent, down 6 percent from last year) feel that their 401(k) plan is an effective retention tool. Could the fact that 401(k) plans are so prevalent in employee benefit packages be the reason some respondents don't feel their plan is as effective at retaining employees? And the fact that many plans now use immediate vesting means that plan sponsors must now rely on other competitive plan features, such as matching levels and withdrawal rights, to utilize their 401(k) plans for retention purposes.

Because competitive provisions within a plan may be what attracts and retains employees, we asked how competitive you thought your plan provisions were compared to your peers' plans. The large majority of respondents ranked their plan provisions equally competitive to their peers (60 percent). A quarter of the respondents (27 percent) ranked their plan provisions as more competitive, and the remaining 13 percent ranked their plans as less competitive. Interestingly, we also found that competitive perception of respondents varied by region. The East was more likely to perceive their plans as more competitive, while the Midwest perceived itself less competitive, and the West equally competitive.

Sixty-five percent of respondents cite a high level of plan participation as the primary indicator of a successful 401(k) plan.

Exhibit 112

Do you feel that your 401(k) plan is an effective:

	Yes	No
Recruiting tool?	79%	21%
Retention tool?	71%	29%

Exhibit 113

Do you believe that the provisions of your 401(k) plan are:	
As competitive as your peers?	60%
More competitive than your peers?	27%
Less competitive than your peers?	13%
Total	**100%**

Exhibit 114

What would you consider to be the primary indicator of a successful 401(k) plan?	
High level of participation	65%
Employee appreciation	25%
Investment performance	7%
Cost-effectiveness	2%
Easy accessibility/technology (Internet, telephone, etc.)	1%
Total	**100%**

Exhibit 115

What is the primary barrier to making your plan more successful?	
Current market/economic trends	23%
Lack of employee understanding	22%
Employee demographics (age, salary, education level, etc.)	19%
Low company matching formula	9%
Ineffective employee communications	6%
Employee turnover	5%
Investment performance	5%
None	4%
Other	3%
Lack of internal resources	2%
Lack of provider support	1%
Administrative costs	1%
Total	**100%**

PLAN EFFECTIVENESS (cont.)

This year's survey showed a fairly significant change in ranking how respondents would define a successful plan. The obvious — high plan participation (65 percent) and employee appreciation (25 percent) — comprised more than 90 percent of the responses. The other responses — investment performance (7 percent), cost-effectiveness (2 percent), and technology (1 percent) — comprised the remaining 10 percent. Compared to last year, employee appreciation is up almost 9 percent and high participation is down almost 6 percent.

Defining a Successful Plan

	2002	2003
Plan participation	71%	65%
Employee appreciation	17%	25%
Investment performance	8%	7%
Technology	3%	1%

We also asked respondents to tell us what they thought were the barriers to achieving plan success. This year almost a quarter of the respondents (23 percent) noted the current market/economy. Lack of understanding (22 percent) came in a close second, followed by employee demographics (age, salary, etc.) (19 percent) and a low company matching formula (9 percent). A lucky 4 percent noted no barriers. One of the write-ins we received under "other" barriers to achieving success was that "God couldn't talk some [participants] into joining." We would venture to guess almost all plans have at least one participant like that!

This year almost a quarter of the respondents (23 percent) noted the current market/economy as the primary barrier to making their plan more successful.

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