Reference Point

T. Rowe Price Defined Contribution Plan Data | As of December 31, 2017

Executive Summary

After seeing significant gains in participant deferrals and participation rates in 2016, plan and participant outcomes improved again in 2017. Plan design continued to be one of the strongest drivers of outcomes, led by features such as auto-enrollment and auto-increases with opt-out as well as adoption of higher default deferral rates, Roth contributions, and target date products.

6% ⇧

default deferral rate reaches all-time high

Auto-Solutions

Plan design continues to drive positive outcomes for plans and participants.

- The 6% default deferral rate for auto-enrollment plans surpassed the 3% industry standard for the first time by a small amount: 32.4% of plans had a 6% default deferral compared with 31.9% with a 3% default.
- Participation in auto-enrollment plans is 42 percentage points higher than in non-auto-enrollment plans (87% compared with 45%).
- Adoption of auto-increases is over five times higher in plans with opt-out versus opt-in (66% compared with 13%).

Nearly two-thirds of plans have set or increased the default rate to an amount greater than 3%.

67%

of plans offer Roth contributions

Contributions

The average employee pretax deferral rate reaches 8.3%—the highest in 10 years.

- Over 67% of plans now offer Roth contributions, up from 60.3% in 2016.
- Younger participants (age 20–40) use Roth contributions more often than their older peers.
- Nearly half of all plans with a match set the match ceiling at 6%.
- The most popular match formula—50% up to 6%—is used by 31.8% of plans with a match.

Adoption of Roth increased in 2017—by plans and by participants—which could demonstrate increased understanding of the feature.

94% **of plans**
offer target date products

Investments

The average number of investments offered by plans continues to increase, despite growing popularity of target date products.

- For the first time, target date products now account for the largest percentage of plan assets under management, surpassing all other investment types in nearly every category.
- Investment in target date products is highest among participants age 20–40, who are more likely to have been auto-enrolled than their older peers.

Plans with a high number of participants who appear to be non-diversified might consider a "QDIA reset," which moves participants' existing balances and future contributions into a qualified default investment alternative ("QDIA"), with an appropriately communicated opt-out option. This should be considered in light of other alternatives, such as investment education regarding the importance of diversification.

16%
of participants

had multiple loans, down four percentage points from 2013

Loan And Disbursement Behavior

Loan usage decreased to 23.4%, but a greater number of participants age 50+ have outstanding loans.

- The percentage of participants with multiple loans decreased to 15.6% in 2017, a drop of four percentage points since 2013.
- There was no change in direct rollovers, cash-outs, or hardship withdrawal usage overall, although cash-outs increased among younger participants.

Education and plan design can help participants avoid tapping into their retirement savings.

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