

DEFINED CONTRIBUTION PLAN BENCHMARKING

The Plan Sponsor Council of America's 64th Annual Survey of Profit Sharing and 401(k) Plans¹ reports on the 2020 plan-year experience of more than 500 defined contribution plans. Leading industries represented in the survey include: Financial (22.8%), Manufacturing (11.6%), Services (8.7%), Healthcare (6.2%), Construction (4.2%) and Utilities (3.9%). As a plan sponsor of a defined contribution plan, how are these findings relevant to you?

INVESTMENT OPTIONS

21 The average number of investment options offered increased for the first time in more than a decade, to 21 funds. Options were highest among plans with 50–199 participants and lowest among plans with 5,000+ participants.

PLAN SIZE BY NUMBER OF PARTICIPANTS	1–49	50–199	200–999	1,000–4,999	5,000+	ALL PLANS
NUMBER OF FUNDS	22	23	21	22	18	21

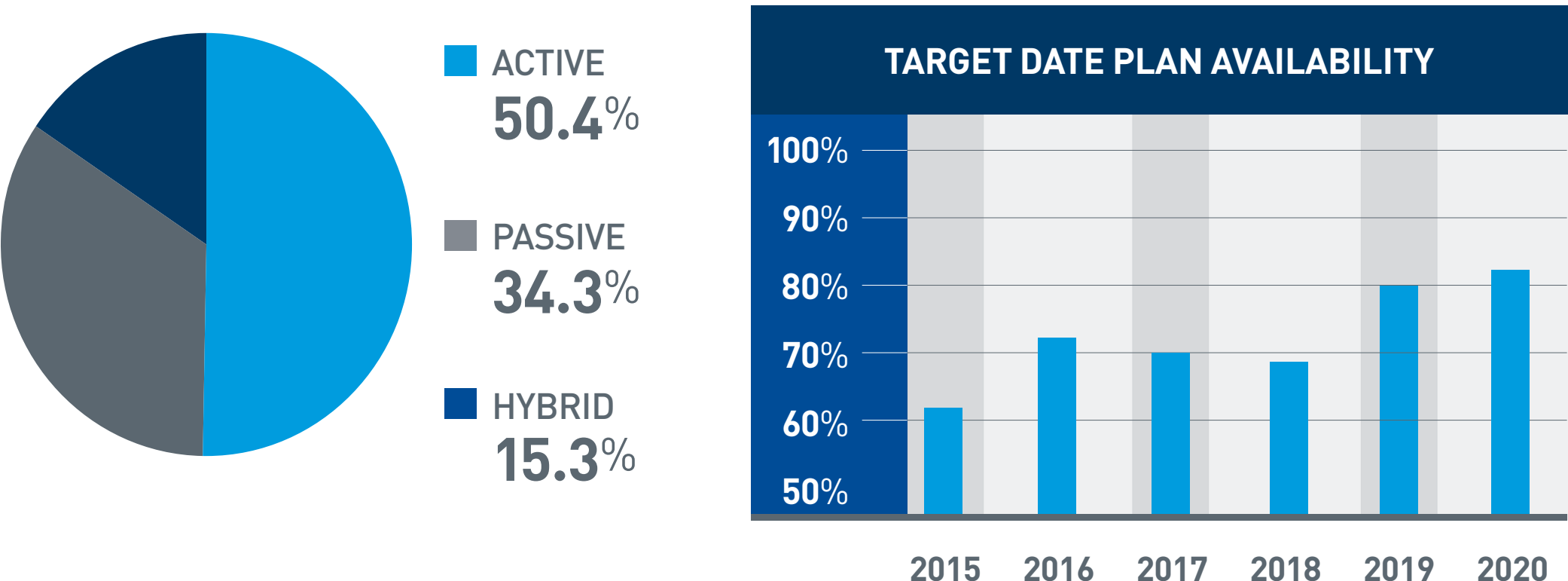
FOR SPONSORS TO CONSIDER

Assessing the number of funds you offer may help improve employee outcomes.

Have you surveyed your employees to see what they think?

TARGET DATE FUNDS

Eighty-three percent of plans offer target date funds, an increase of 20% in 5 years, with an average of 23.7% of plan assets invested in them. Of plans that offer target date funds, most offer actively managed (rather than passive or index-based) funds.

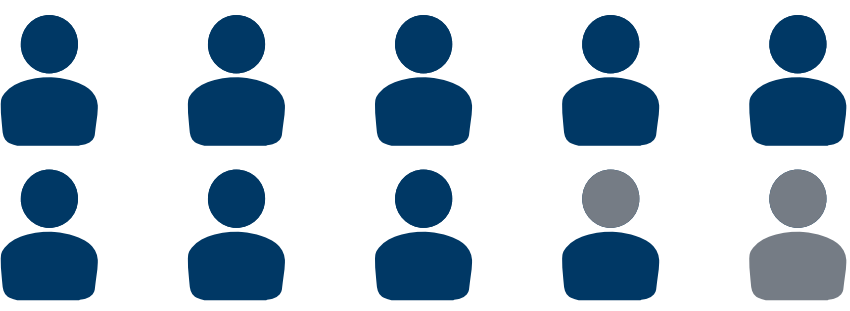


FOR SPONSORS TO CONSIDER

Both active and passive funds have pros and cons, ranging from cost to potential performance.

Have you talked with your investment advisor about which style of investment may be more appropriate for your employees?

INVESTMENT POLICY



Most plans have an Investment Policy Statement (85%). They are less common among smaller plans.

FOR SPONSORS TO CONSIDER

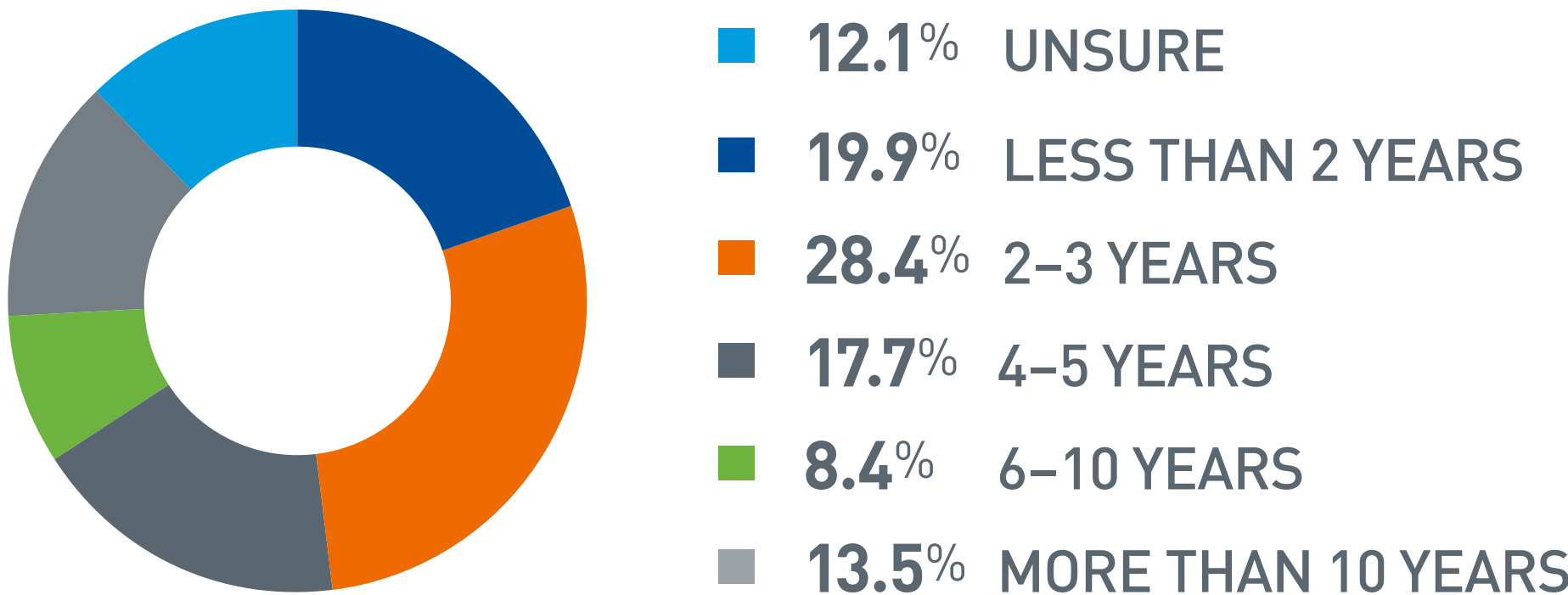
A well-drafted IPS serves as a strategic guide for plan fiduciaries.

Is yours helping you to make good decisions?

REQUEST FOR PROPOSALS

Twenty percent of organizations have put out a request for proposal (RFP) or information (RFI) within the last 2 years, and nearly 30% did so 2–3 years ago.

Leading reasons organizations put out an RFP/RFI: to benchmark fees (64.7% of all plans) and length of time since last RFP (65.5% of all plans)



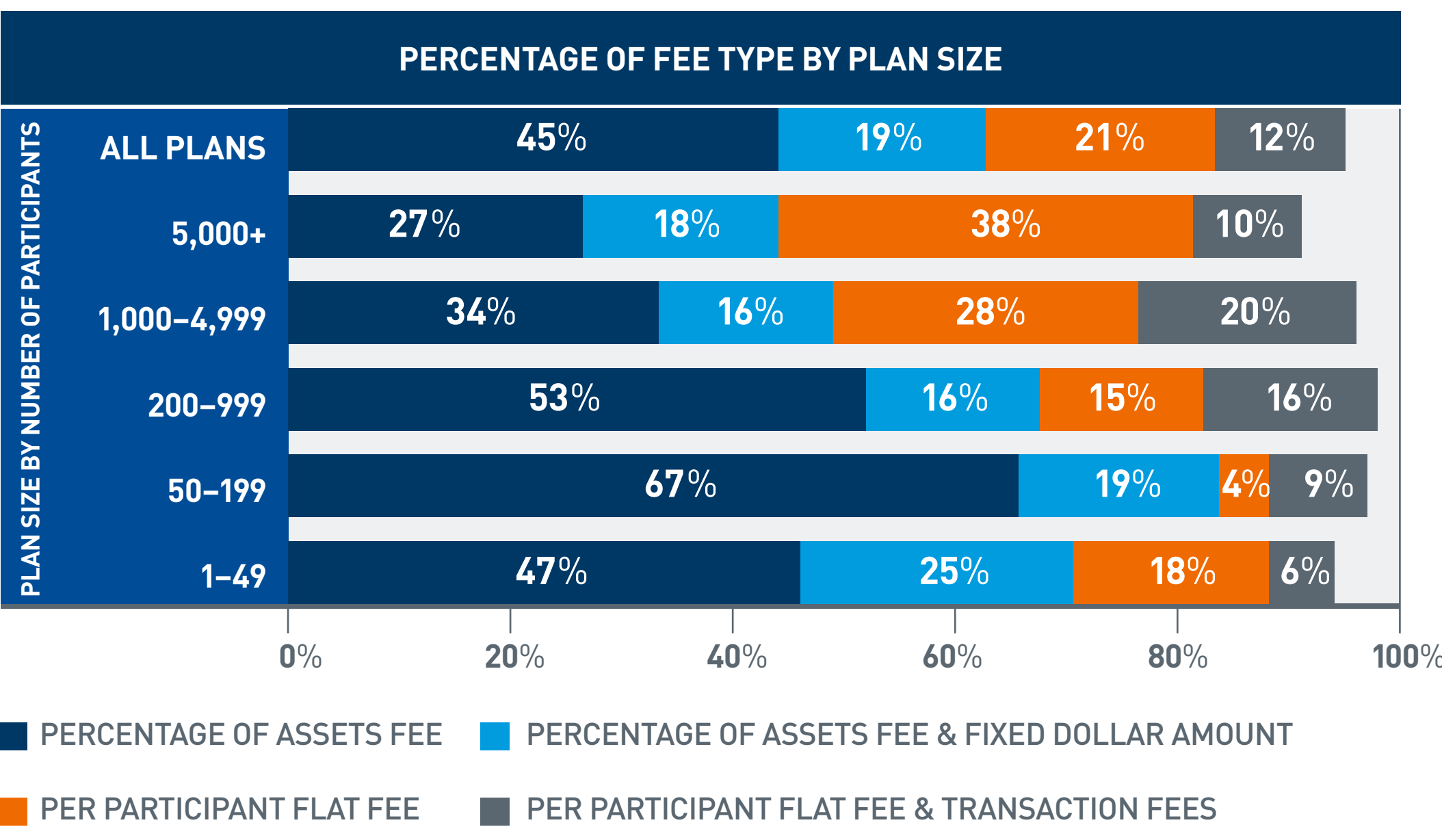
FOR SPONSORS TO CONSIDER

Defined contribution plans often work with multiple plan vendors (advisor, recordkeeper, TPA, etc.).

Have you conducted periodic RFPs or RFIs for plan vendors to uphold your fiduciary responsibilities?

RECORDKEEPING EXPENSES

Forty-five percent of plans are charged a basis point fee (% of assets) for recordkeeping and administration; 21% of plans pay a flat rate per participant. Smaller plans are more likely to be charged a percentage of assets fee, whereas larger plans tend to pay a flat rate per participant.



FOR SPONSORS TO CONSIDER

Plan sponsors have a fiduciary duty to pay only reasonable plan expenses from plan assets.

Have you talked to your recordkeeper about whether a flat fee or a per-head fee may be more advantageous to your employees?

If not, consider doing so this year.

¹ All data was obtained from the Plan Sponsor Council of America's 64th Annual Survey of Profit Sharing and 401(k) Plans (Reflecting 2020 Plan Experience) (2021).

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