

How does your plan compare?



The “2021 Defined Contribution Plan Industry Report” published by PLANSPONSOR, provides plan sponsors with insights about how their plans compare to others. We’ve taken this data and created a brief questionnaire so you can see how your specific plan compares to industry peers.

1. **What type of retirement plan does your company offer?**

Of employers offering more than one plan type, 88% answered 401(k) plan, followed by 403(b) plan (10%) or 457 plan (10%).

2. **What is your plan’s participation rate?**

The survey revealed that 80% is the average participation rate. If your plan is higher than 80%, good work! If it is lower, have you considered auto-enrollment or a re-enrollment campaign to help boost employee participation?

3. **What is your plan’s average account balance?**

According to the survey, \$108,510 was the average account balance as of 6/30/2020.

It is estimated that employees will need to save 10x –15x of their annual salary to live comfortably in retirement. One strategy to help employees save more over time is auto-escalation. Of plans with auto-escalation, the most popular increase rate is 1% per year up to a 10% deferral.

4. **At what age can employees access their retirement savings without penalty?**

The survey shows the age for private companies and non-profit entities is 59½, and for government employees it is 55.

5. Do you believe your employees will achieve their retirement goals by age 65?

36% of plan sponsors say YES! Nearly 7 out of 10 employers believe they have a responsibility to improve the financial wellness of their employees. When employers offer a financial wellness program, 75% believe they are useful.

6. At what age must former employees begin drawing down required minimum distributions (RMDs)?

According to the survey, for private companies, non-profit and government entities, the age is 72.

If your plan has older, former employees, you may want to consider a missing participant clean-up exercise. This is where you find and alert those employees about their active account balance and share ways they can roll out their retirement savings. A clean retirement plan may help to reduce administration requirements.

7. Which retirement plans allow for larger contributions?

The survey shows that the following plans allow for contributions in excess of \$19,500 per year:

- Profit Sharing
- Cash Balance
- Non-Qualified Deferred Compensation
- Defined Benefit/Pension
- Equity Compensation

8. How frequently do you meet to discuss your workplace retirement plan?

The survey found the 42% of companies meet quarterly, 13% meet twice a year, and 31% meet only once a year to discuss their plans.

If you are meeting less frequently or think that you should meet more often, let us know! We are happy to set up a conversation.

Comparing your plan against industry peer groups can help you determine if plan design modifications are needed to enhance your retirement benefit offering. H&H can help you discover which plan features are the best options for your organization.

Our consultants are skilled at helping public and private organizations better understand their fiduciary responsibilities. Contact **Stu Herskowitz** at **860.856.2071** or sherskowitz@hhconsultants.com to start a conversation.

¹ "2021 Defined Contribution Plan Industry Report" PLANSPONSOR, 2021

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