

## ICI VIEWPOINTS

NOVEMBER 16, 2011

## Deloitte/ICI Study Shows Retirement Plan Fees Driven Primarily by Plan Size, Asset Allocation

By Sarah Holden

According to a comprehensive [new study](#), primary factors driving fees in 401(k) and other defined contribution retirement plans are the number of plan participants and average participant account balance, as well as the allocation of plan assets to equity investment options.

“[Inside the Structure of Defined Contribution/401\(k\) Plan Fees](#),” released today by Deloitte Consulting LLP and the Investment Company Institute, examines the factors that help determine a plan’s “all-in fee”—a comprehensive measure that includes both administration and investment management costs. The study is based on a Deloitte survey of 525 defined contribution plans and updates a similar study that we issued in 2009.

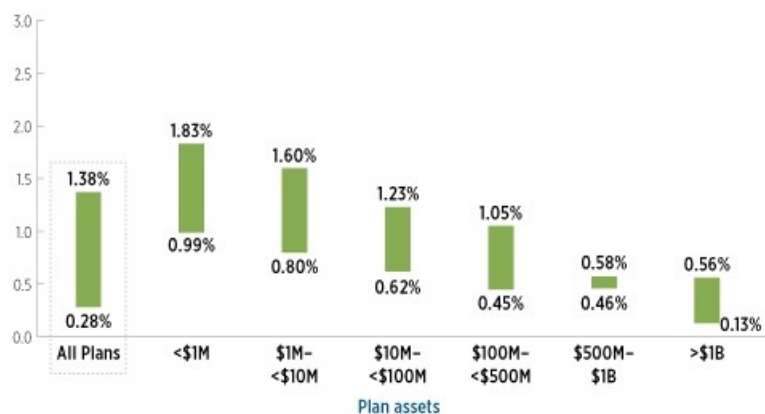
As the study shows, plans with more participants and higher average account balances typically have lower all-in fees as a percentage of plan assets. These plans benefit from economies of scale, since fixed administrative costs are spread over more assets and participants. All-in fees tend to be higher in plans with higher allocations to equity investment options, because equity investment options generally have higher expense ratios than other types of investments.

Three other factors also were found to be significant in explaining variation in defined contribution plan all-in fees as a percentage of plan assets. Plans with more investment options tended to have higher all-in fees than plans with fewer. On the other hand, plans with higher participant contribution rates or automatic enrollment tended to have lower all-in fees. Those findings suggest that commitment by employees and employers to saving for retirement appears to help drive fees lower.

The study’s findings show that the median defined contribution plan participant is in a plan with an all-in fee of 0.78 percent of assets. There is a range of fees: the 10th percentile participant is in a plan with an all-in fee of 0.28 percent of assets and the 90th percentile participant is in a plan with an all-in fee of 1.38 percent of assets, based on the plans in the study. Participants in the surveyed plans paid, on average, 91 percent of total plan fees.

### All-In Fee Range—10th and 90th Percentile of Participants by Plan Asset Size Segment (Participant Weighted)

Percent of assets



Source: Deloitte/ICI Defined Contribution/401(k) Plan Fee Survey

As ICI President and CEO Paul Schott Stevens notes, “Defined contribution plans, including 401(k)s, represent about one-quarter of Americans’ retirement assets and play an important role in Americans’ saving for retirement. As regulatory changes and increased scrutiny on fees affect these plans, this study provides both a framework for analysis as well as an understanding of the factors driving fees for a cross section of plans.”

- Read the [study](#)
- Find more ICI [industry research](#).
- Find more ICI [retirement research](#).

*Sarah Holden is the Senior Director of Retirement and Investor Research at ICI.*

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.