BrightScope/ICI Data Show Diverse Range of 401(k) Investment Options

Plan Costs and Fees Also Continue to Trend Downward

Washington, DC; June 19, 2019—Employers offer a wide and diverse range of investment options to encourage their employees to contribute toward their retirement savings, according to an updated study on 401(k) data from BrightScope and the Investment Company Institute (ICI). The report, *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2016*, revealed that in 2016 the average large 401(k) plan offered 27 investment options, including a mix of equity funds, bond funds, and target date funds. The study also found that employers often use simple matching formulas to encourage employee contributions and that plan fees continue to decline over time.

"Employers recognize the importance of being able to customize the design of their 401(k) plans to suit their workforces, which is one of the strengths of the 401(k) system," said Sarah Holden, ICI's senior director of retirement and investor research. "Employers use the flexibility of the 401(k) system—including a wide variety of investment options and the structure of employer contributions—to build plans that encourage employee participation and make it easier for participants to plan and save."

BrightScope and ICI update their study annually, using the Department of Labor's data from the Form 5500 filed by each of the approximately 560,000 401(k) plans. The study also incorporates data from the BrightScope Defined Contribution Plan Database, which includes information from more than 50,000 large 401(k) plans that filed detailed audited reports with the Department of Labor. With the BrightScope data, it also is possible to track consistent 401(k) plans over time.

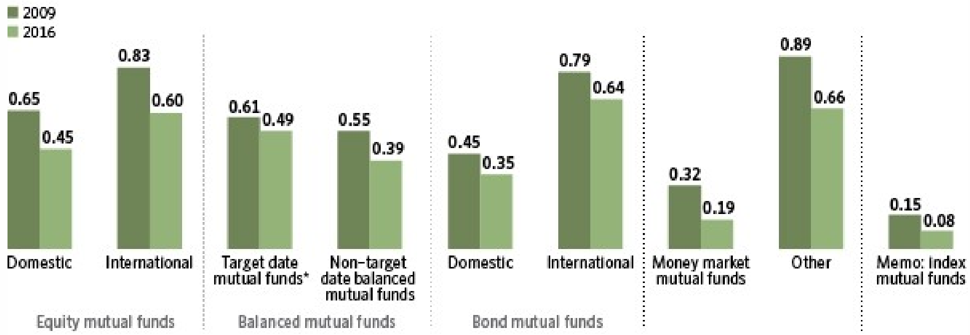
Notably, the report finds that 401(k) plan fees continue to trend downward. BrightScope's total plan cost measure—including all fees on the audited Form 5500 reports, as well as fees paid through investment expense ratios—was 0.96 percent of assets in 2016, down from 1.02 percent in 2009.

"The 401(k) marketplace is constantly evolving and with that, the overall costs of 401(k) plans for participants have declined," said Brooks Herman, vice president of data and research at BrightScope, an Institutional Shareholder Services Inc. business. "There are a variety of factors contributing to the decrease of fees and expenses in plans, including increased competition and the growing size of the 401(k) marketplace, as well as public disclosure of plan costs. All of these factors benefit participants and help them continue to grow their retirement nest eggs."

The study also found that mutual fund expense ratios in 401(k) plans tend to be lower in larger plans and mirror the overall downward trend for plan fees. For example, among consistent large 401(k) plans, the average domestic equity expense ratio fell from 0.65 percent in 2009 to 0.45 percent in 2016 (see figure below).

401(k) Plan Mutual Fund Fees in Consistent Plans Tended to Decrease Between 2009 and 2016

Asset-weighted average expense ratio as a percentage of plan mutual fund assets among plans with audited 401(k) filings in the BrightScope database in every year by mutual fund investment objective



*A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

Note: The sample is 19,670 plans in the BrightScope Defined Contribution Database in each year between 2009 and 2016 with $0.8 trillion in mutual fund assets in 2009 and $1.3 trillion in mutual fund assets in 2016. BrightScope audited 401(k) filings generally include plans with 100 participants or more. Plans with fewer than four investment options, more than 100 investment options, or less than $1 million in plan assets are excluded from BrightScope audited 401(k) filings for this analysis.

Source: BrightScope Defined Contribution Plan Database, Morningstar, and Lipper

Other key findings of the study include:

The vast majority of 401(k) plan participants are in plans that offer employer contributions. In 2016, 85 percent of large 401(k) plans covering more than nine out of 10 plan participants had employer contributions. Employer contributions most commonly are structured as a simple matching contribution. Among large 401(k) plans with employer contributions, 6 percent have automatic employer contributions, where participants receive the contribution even if they don't contribute themselves.

Most larger 401(k) plans use auto-enrollment: More than half of the larger 401(k) plans in the sample with more than $250 million in plan assets reported that they automatically enrolled their participants. For plans with more than $1 billion in assets, nearly six in 10 used auto-enrollment, compared with fewer than two in 10 plans with $10 million or less in plan assets that used auto-enrollment.

Investment lineups of large 401(k) plans offer a range of risk and return. Essentially all large 401(k) plans included domestic equity funds, international equity funds, and domestic bond funds in their investment lineups. In 2016, 80 percent of large 401(k) plans offered target date funds; 69 percent offered guaranteed investment contracts (GICs); 65 percent offered other types of balanced funds; 44 percent offered money funds; and 30 percent offered international bond funds.