

INVESTMENT CHOICE Is Key to Retirement Saving Success



INVESTMENT OPTIONS

Retirement plans typically allow participants to choose from investment options that provide diversification and cover a range of investment risk and return options.

A plan fiduciary must select the investment options to be offered in a 401(k) plan prudently and in the best interests of plan participants. Participants are typically allowed to invest their accounts in any of the available options.

Plan fiduciaries are liable for the selection and monitoring of the plan's investment options, but they can avoid liability for losses resulting from participants' exercise of investment control by designing the plan to meet certain regulatory requirements.

Avoiding liability for losses depends on participants having control over their assets, receiving sufficient information about the investments, having adequate opportunity to diversify their holdings, and on plans offering at least three diversified investment options with materially different risk and return characteristics. (Although 401(k) plans can offer company stock or any individual stock, neither would qualify as one of the three core options.)

Plans generally must allow transfers among the diversified investment options at least quarterly. (In practice, most 401(k) plan participants have daily transferability.)



LAWS

Regulations regarding investment options offered in 401(k) plans fall under the Employee Retirement Income Security Act of 1974 (ERISA) enforced by the DOL.

Regulations on Fiduciaries' Selection of Plan Investment Options (§2550.404a-1 Investment duties)

www.ecfr.gov/cgi-bin/text-idx?SID=89181e22f45fbfe103fd44b2cb15d337&mc=true&node=se29.9.2550_1404a_61&rqn=div8

Regulations on Fiduciary Relief for Participants' Investment Choices (§2550.404c-1 ERISA section 404(c) plans)

www.ecfr.gov/cgi-bin/text-idx?SID=89181e22f45fbfe103fd44b2cb15d337&mc=true&node=se29.9.2550_1404c_61&rqn=div8

Meeting Your Fiduciary Responsibilities

www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/publications/meeting-your-fiduciary-responsibilities.pdf

Final Rule to Improve Transparency of Fees and Expenses to Workers in 401(k)-Type Retirement Plans

www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/fact-sheets/final-rule-improve-transparency-of-fees-and-expenses.pdf

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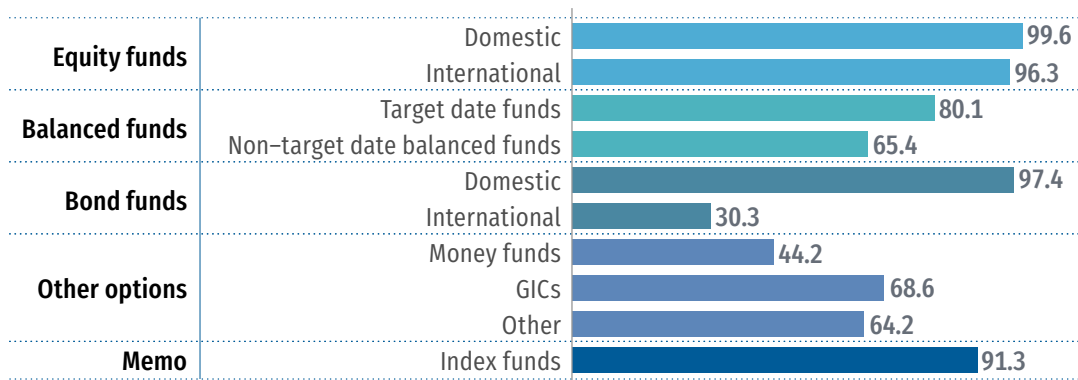


RESULTS

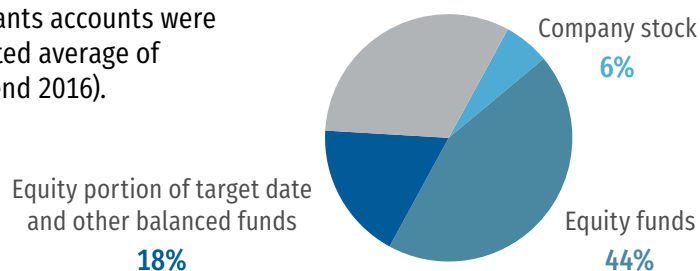
95 percent of defined contribution plan participants agree that it is important to have choice in, and control of, the investments in their retirement plan accounts.

The average 401(k) plan offers 21 investment options.

Nearly all large 401(k) plans include domestic and foreign equity options in their investment lineups (percentage of large 401(k) plans in the BrightScope database offering the investment, 2016).



Two-thirds of 401(k) plan participants accounts were invested in equities (dollar-weighted average of 401(k) plan account assets, year-end 2016).



RESOURCES

“The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2018,”
ICI Research Perspective
www.ici.org/pdf/per25-04.pdf

“American Views on Defined Contribution Plan Saving, 2019,” *ICI Research Report*
www.ici.org/pdf/20_ppr_dc_plan_saving.pdf

The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2016
www.ici.org/pdf/19_ppr_dcplan_profile_401k.pdf

“401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2016,”
ICI Research Perspective
www.ici.org/pdf/per24-06.pdf