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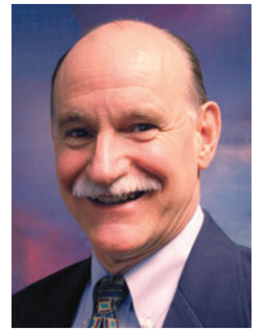

2010: Practice Trends Continue

Throughout the next year, plan sponsors will continue to offer and expand their current plan benefits.

By David Wray

Well-established defined contribution plan trends will continue without interruption for another year as plan sponsors build on 2008 and 2009 — even in these times. According to PSCA's *Annual Survey of Profit Sharing and 401(k) Plans*, the availability of target-date funds increased to 57.7 percent of plans with 73.2 percent offering some type of managed investment option in 2008. The number of plans with target-date funds will continue to increase in 2010. In 2008, 51.8 percent of companies offered investment advice to participants. That percentage will increase in 2010. In 2008, 56.3 percent of large companies had automatic enrollment. That percentage will increase in 2010.

Among plans that permitted participant contributions in 2008, 36.7 percent allowed participants to make Roth after-tax contributions, up from 30.3 percent in 2007 and 18.4 percent in 2006. Roth is more widely available in combination profit sharing/401(k) plans (41.4 percent) than in stand-alone 401(k) plans (34.6 percent). 15.6 percent of participants made Roth contributions when offered the opportunity, up from 12.6 percent in 2007. In plans where Roth 401(k) contributions are permitted, the average Roth contribution rate was 3.7 percent of pay among non-highly compensated employees and 3.9 percent of pay among highly-compensated employees. Roth availability and usage will increase in 2010.

The number of funds available for participant contributions in 2008 remained the same as the previous two years — 18 funds. The funds most commonly offered for participant contributions were actively managed domestic equity funds (81.3 percent of plans), actively managed international equity funds (78.5 percent of plans), indexed domestic equity funds (70.2 percent of plans), and actively managed domestic bond funds (65.8 percent of plans). The trend toward more choices has come to an end, and many companies are in the process of reducing the number of plan fund options. I expect the average number of funds in a plan to decrease in 2010.

Overwhelmingly, defined contribution assets are managed in mutual funds — except in very large plans where collective trusts and separately managed accounts are also used. In plans with more than 5,000 participants, 32.0 percent use collective trusts, and 10.7 percent use separately managed accounts for indexed domestic equity funds. Large companies will continue to explore and use non-mutual fund approaches in 2010.

The trend toward immediate eligibility for plan participation will continue. In 2005, approximately 65 percent of sponsors permitted participants to begin making voluntary contributions to their plans within three months or less of when they started to work. That percentage had increased to 76 percent in 2009, according to PSCA's *Annual Eligibility Survey* released in the fall of 2009, and this number will continue to increase.

The number of plan sponsors using investment policy statements will continue to grow. According to PSCA's *Annual Survey of Profit Sharing and 401(k) Plans*, 84.8 percent of plan sponsor's had an investment policy statement in 2008, up from 69.7 percent in 2003. The percentage of plan sponsors monitoring plan investments on a quarterly basis grew from 52.5 percent in 2003 to 61.6 percent in 2008. The trend toward more frequent monitoring of plan investments will continue and has been accelerated by the recent market volatility. The move to open architecture plan investing will continue. In 2003, 56.6 percent of plans had investments in their plan other than those offered by their recordkeeper. That percentage had increased to 69.3 percent in 2008.

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