

ByTheNumbers

DC plan participation rises

Automatic enrollment drives record-high participation rates

As more employers adopt automatic enrollment, employees are participating in DC plans at a record high rate, a new study from Aon Hewitt finds.

The study shows that 76% of eligible employees participated in their company's DC plan in 2010 — the highest level since Aon Hewitt began tracking this data in 2002. This is up from 74% in 2009 and 67% in 2005.

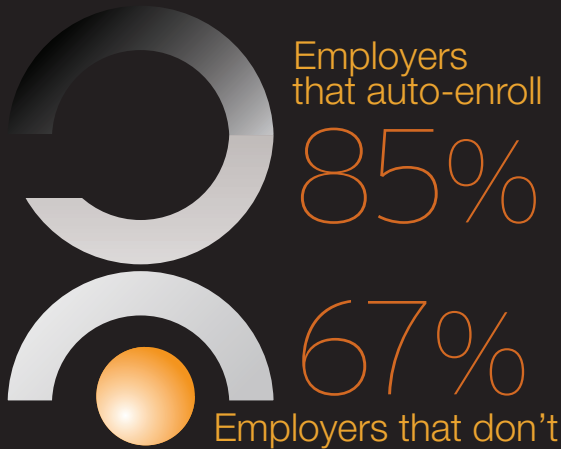
The record-high participation rate is due in large part to the rapid adoption of automatic enrollment. "Employers are increasingly concerned that their workers are not adequately prepared to meet their future retirement savings needs," explains Pamela Hess, director of retirement research at Aon Hewitt. "Automatically enrolling employees in company-sponsored DC plans is an easy way for companies to encourage workers to save more. However, this really is only a nudge in the right direction."

To drive higher savings rates, consider combining automatic enrollment with automatic contribution escalation and target-date portfolios, Hess says. "Also, defaulting contribution levels at, or greater than, the employer-match rate will also ensure greater success for employees struggling to save for retirement. Employers can also periodically back-sweep participants — or automatically enroll any worker who is not currently participating in the 401(k) plan — to ensure they are reaching all employees on an ongoing basis, rather than only at the point of hire." **EBA**

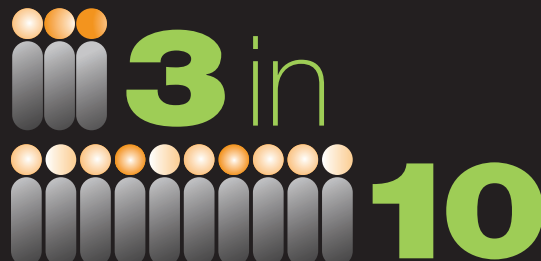
AUTOMATIC ENROLLMENT



PARTICIPATION RATES

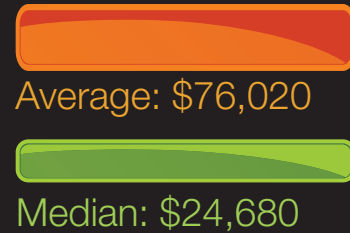


PARTICIPANTS



CONTRIBUTE LESS THAN THE COMPANY MATCH LIMIT

2010 ACCOUNT BALANCE



EIGHTY FIVE PERCENT of employers that auto-enroll only do so for new hires

TWENTY EIGHT PERCENT of the participants have a loan outstanding — the highest figure in 10 years

Source: Aon Hewitt