

# The Private Employer System Passes Its Stress Test

Spring 2011 Pension Research Council Conference  
At The Wharton School  
May 5-6, 2011

David L. Wray

President

Profit Sharing/401k Council of America

[davidw@psca.org](mailto:davidw@psca.org)

# Overview

---

The Employer Sponsored DC System Was Stress Tested For Its Response To the Great Recession

What Was Tested?

- Sponsor Behavior
- Participant Behavior

What Period Was Tested?

- 2006 to 2010

Some Data Sets Are Incomplete



# Plan Sponsors

---

## Sponsorship/Total Plans

2006	2007	2008	2009	2010
645,971	658,805	669,156	N/A	N/A

## Employer Contributions (All Companies)

\$101B	\$110B	\$120B	N/A	N/A
Normal	Normal	Normal	76% Normal Match 15% Suspended 4% Reduced 5% Increased	78% Normal 9% Suspended 4% Reduced 9% Increased



# Plan Sponsors

---

## Plans With Immediate Eligibility

2006	2007	2008	2009	2010
48.5%	51.0%	55.1%	57.4%	60.3%

## Plans With Automatic Enrollment

10%	15%	19%	21%	24%
-----	-----	-----	-----	-----

## Plans With Roth Feature

18%	30%	37%	41%	N/A
-----	-----	-----	-----	-----



# Plan Sponsors

---

## Investment Allocation Support

Type	2006	2007	2008	2009	2010
TDF	43%	58%	68%	75%	79%
Advice	45%	49%	52%	60%	N/A

## Quarterly Investment Monitoring

	53%	60%	62%	64%	N/A
--	-----	-----	-----	-----	-----



# Participants

---

## Resignation Rates

2006	2007	2008	2009	2010
2.5%	2.4%	3.1%	2.9%	2.0% (estimated)

## NHCE Contribution Rate (includes non-participants at 0)

5.4%	5.6%	5.5%	5.2%	N/A
------	------	------	------	-----

## Eligible Participants With Loans

24%	24%	24%	23%	N/A
-----	-----	-----	-----	-----



# Participants

---

## Hardship Withdrawals

2006	2007	2008	2009	2010
1.7%	1.8%	2.0%	2.2%	2.2%

## Terminated Vested Choosing Qualified Distribution Solutions

72%	71%	69%	69%	70%
-----	-----	-----	-----	-----

## Total DC Plan Assets

\$3.6T	\$3.8T	\$2.7T	\$3.4T	\$3.9
--------	--------	--------	--------	-------



# Participants

---

## Exchanges

2006	2007	2008	2009	2010
14%	15%	16%	12%	12%

## Asset Allocation

	2006	2007	2008	2009	2010
Equity	73%	73%	61%	66%	68%
Fixed	27%	27%	39%	34%	32%





# Conclusion

---

Sponsors Chose To Maintain and Even Improve Their Plans

Participants Chose To Continue Saving and Investing in Plans

The Employer Sponsored DC System Passed Its Stress Test

