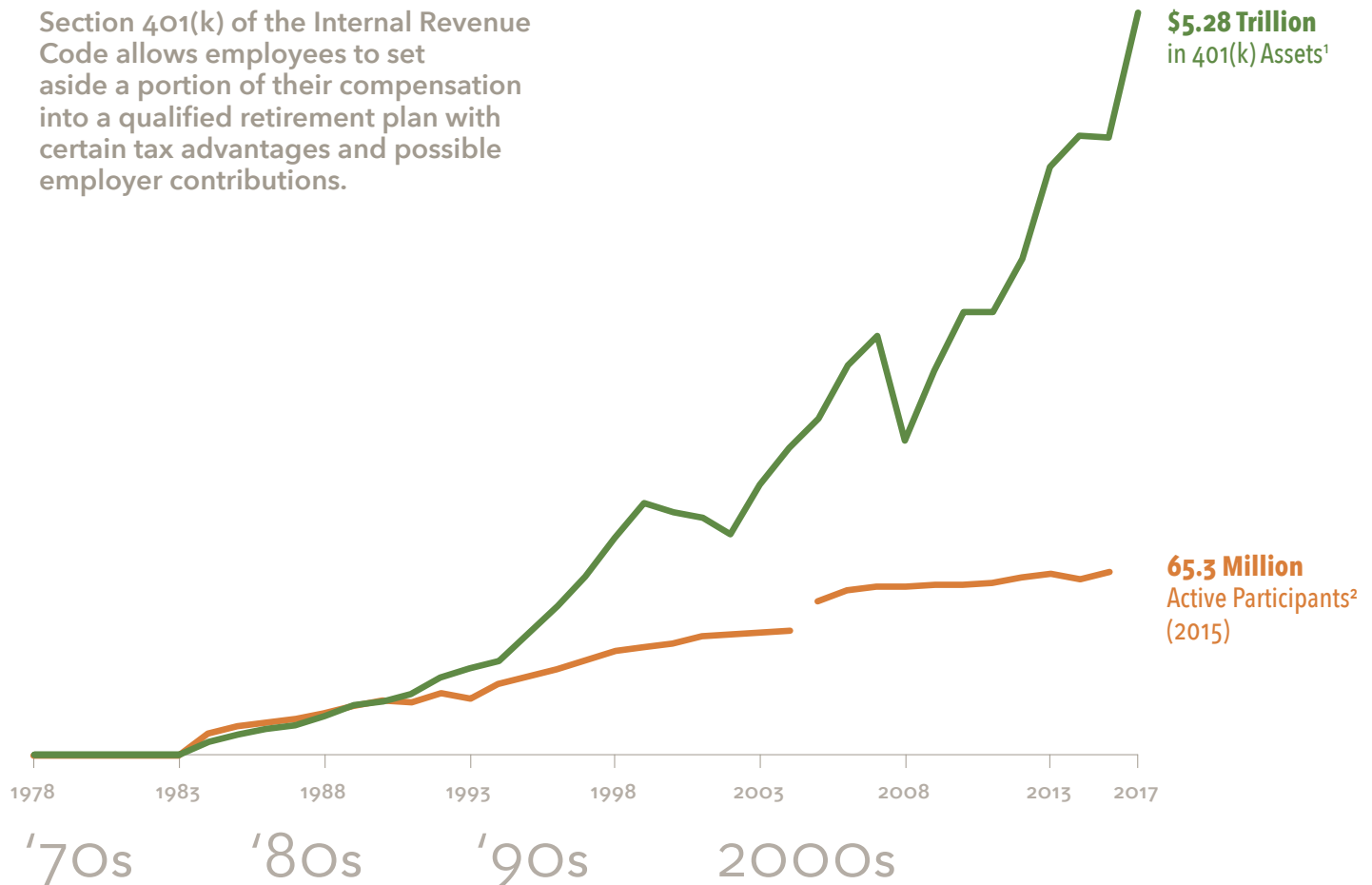


At a Glance | November 5, 2018

# The Rise of the 401(k) Plan

## Zero to \$5.28 trillion in 40 years

Section 401(k) of the Internal Revenue Code allows employees to set aside a portion of their compensation into a qualified retirement plan with certain tax advantages and possible employer contributions.



### '70s

**1978**  
The Revenue Act of 1978 includes a provision that becomes Internal Revenue Code (IRC) Sec. 401(k).

**1979-1982**  
Several companies, including Hughes Aircraft Company, PepsiCo, Johnson & Johnson, JC Penney, and Honeywell, begin the process of adopting 401(k) plans.

### '80s

**1981**  
The IRS proposes regulations on 401(k) plans sanctioning the use of employee salary reductions as a source of retirement plan contributions.

**1982**  
The first 401(k) plans officially begin.

### '90s

**1992**  
Section 404(c) of the Employee Retirement Income Security Act was issued, providing that fiduciaries may be relieved of liability for participants' investment decisions under certain conditions.

**1996**  
The Department of Labor issues Interpretive Bulletin 96-1: Participant Investment Education.

**1998**  
The IRS permits a plan to use "negative elections" (i.e., automatic enrollment).

### 2000s

**2001**  
Among its many provisions, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) allows additional "catch-up" contributions by participants ages 50 and older and establishes Roth accounts.

**2006**  
The Pension Protection Act of 2006 (PPA) facilitates employers' automatically enrolling workers into plans.

Separately, the law firm of Schlichter Bogard &

Denton brings its first 401(k) fee lawsuits.

**2010**  
The Department of Labor issues 404(a)(5) participant disclosure rules.

**2012**  
The Department of Labor issues 408(b)(2) service provider disclosure rules.

**2016**  
A Department of Labor survey found that 62 percent of workers had access to some type of defined contribution plan, most likely a 401(k) plan. Of those with access, 72 percent were participating.

1. The 2017 assets value is from Investment Company Institute, "The US Retirement Market, Second Quarter 2018."

2. Since 2005, active participants include any workers currently in employment covered by a plan and who are earning or retaining credited service under a plan. For 2004 and earlier, active participants were adjusted to exclude individuals who were not contributing to the retirement plan and not entitled to receive benefits.

Source: Department of Labor Form 5500 private pension plan data, 1975-2015.