State of Retirement Plan Industry

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Retirement Plan Coverage

• “79 percent of full-time employees in medium- and large- sized firms are covered by an employment-based retirement plan, compared with 46 percent in small firms”.

DOL segments employers by size:
• Small: less than 100 employees
• Medium: 100 – 250 employees
• Large: 250+ employees

Source: Department of Labor
Types of Defined Contribution Plans Offered Among Small Employers

Among companies offering a defined contribution plan

- 401(k): 46%
- SIMPLE: 46%
- SEP: 12%
- Deferred profit-sharing: 8%
- Money purchase: 8%
- 403(b): 4%
- Thrift savings: 4%
- Cash balance plan: 0%
- ESOP: 0%
- Keogh: 0%
- Other: 4%

Source: 2003 EBRI SERS
Small Employer Beliefs About Retirement Plan

Among companies without a retirement plan

A retirement plan would have a positive effect on your employees’ attitudes and performance

- A Great Deal: 17%
- Somewhat: 48%
- Not At All: 33%

A retirement plan would offer a competitive advantage for your business in employee recruitment and retention

- A Great Deal: 15%
- Somewhat: 44%
- Not At All: 39%

You have an obligation to provide a retirement plan for your employees

- A Great Deal: 5%
- Somewhat: 41%
- Not At All: 51%

Source: 2003 EBRI SERS
Top Five Reasons for Offering a Retirement Plan to Employees

Among companies offering a defined contribution plan

<table>
<thead>
<tr>
<th>Reason</th>
<th>Major Reason</th>
<th>Minor Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive impact on employee attitude and performance</td>
<td>68%</td>
<td>23%</td>
</tr>
<tr>
<td>Competitive advantage in recruitment/retention</td>
<td>52%</td>
<td>29%</td>
</tr>
<tr>
<td>Tax advantages for employees</td>
<td>32%</td>
<td>48%</td>
</tr>
<tr>
<td>Plan customized to meet your business’ needs</td>
<td>29%</td>
<td>35%</td>
</tr>
<tr>
<td>Demand from employees</td>
<td>26%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: 2003 EBRI SERS
Deciding Factor for Offering Retirement Plan

Among companies offering a defined contribution plan

- Better able to hire/keep employees: 35%
- Employees wanted it: 29%
- Owners wanted/planned to do it: 23%
- Other: 13%

Source: 2003 EBRI SERS
Top Reasons Why Small Employers Do Not Offer a Retirement Plan

Among companies without a retirement plan

- Revenue is too uncertain to commit: 27%
- Costs too much to set up and administer: 16%
- Too much goes to short-term employees: 12%
- Business too new: 7%

Source: 2003 EBRI SERS
What Might Lead to Serious Consideration of Plan Sponsorship

Among companies without a retirement plan

- Increase in business’ profits: 34% Much More Likely, 39% Somewhat More Likely
- Plan requiring no employer contributions: 30% Much More Likely, 37% Somewhat More Likely
- Business tax credits for starting: 23% Much More Likely, 43% Somewhat More Likely
- Plan with reduced administrative requirements: 20% Much More Likely, 37% Somewhat More Likely
- Easy to understand information: 20% Much More Likely, 35% Somewhat More Likely

Source: 2003 EBRI SERS
Does Passage of the Law Leads to Action?

Awareness about EGTRRA passed in 2001 among employers without retirement plan

- Aware: 30%
- Not Aware: 69%
- Don’t know: <0.5%

Impact of new tax law on employers without a retirement plan to establish one

- Much more attractive: 14%
- Somewhat more attractive: 43%
- No more attractive: 41%

Source: 2003 EBRI SERS
Saving for Retirement Through the Workplace Is Far More Effective than Individual Savings Arrangements

• Employer sponsored plans offer:
  – Discipline of payroll deduction
  – Educational assistance and on-going communication
  – Employer match

• Support for Employer Retirement Savings Account

• Lifetime Savings Accounts could undermine employer-sponsored retirement plans

• Short-term savings versus long-term financial security