

News Release

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NEXT GENERATION OF 401(k)s SHOWS AUTOMATIC ENROLLMENT AND STEP-UP PROVISIONS DOUBLING AMONG EMPLOYERS: DELOITTE SURVEY

Time-Based Lifestyle Funds, Roth 401(k) Plans Also Increasing as Retirement Challenges Continue

NEW YORK, JULY 22, 2008 — Employers are taking decisive actions to make 401(k) plan participation as easy as possible for employees, according to the 2008 401(k) Benchmarking survey, conducted by Deloitte, the International Foundation of Employee Benefit Plans and the International Society of Certified Employee Benefit Specialists (ISCEBS). Survey respondents addressed such topics as eligibility and enrollment, contributions, matching formulas, investment funds, revenue sharing, defined benefit plans, fees, vendors, plan effectiveness, communications and administration.

Of the 436 plan sponsors surveyed, 42 percent now have an automatic enrollment feature — nearly double the 23 percent total in the last survey. Another 26 percent say they are considering auto-enrollment.

“401(k) plans can be considered the original ‘consumer-driven’ employee benefit, built on the assumption that employees would be self-motivated to make appropriate decisions about their 401(k) investments — however, that assumption has not necessarily held true,” explained Tim Phoenix, principal with Deloitte Consulting LLP and national leader of Total Rewards services.

“Given mixed employee commitment, today’s employers and providers are taking decisive steps to help employees get involved in investing and preparing for retirement with less effort – we are seeing the next generation of 401(k) plans,” added Mark Dzierzak, senior manager with Deloitte Consulting and director of the survey.

Some employers, for example, are helping employees increase their retirement savings by adding step-up provisions and getting more aggressive with the default deferral rate under their automatic enrollment plans. Two-thirds of respondents reported using a default of 3 percent compared with just over 50 percent of plan sponsors that participated in the previous survey. Step-up provisions that automatically increase

deferral percentages on the participant's behalf also doubled, to 35 percent from 18 percent in the last survey.

Time-Based Lifestyle Funds and Roth 401(k) on the Rise

Time-based lifestyle funds remained popular, with 57 percent of respondents offering programs, up from 44 percent in the last survey and 28 percent in 2004. Time-based lifestyle funds also emerged as the clear choice for respondents' default investment vehicles, increasing to 50 percent among respondents versus 38 percent in the last survey.

The opportunity to contribute to Roth 401(k) plans, while still not widespread, also jumped significantly as 23 percent of respondents reported offering that feature, almost doubling from 12 percent in the previous survey. This trend is expected to continue as 10 percent of employers plan to add a Roth 401(k) option in the future while another 18 percent reported they are considering it.

"Changes in the legislative landscape continue to create new opportunities for employers regarding benefit and plan options, as with the Roth 401(k)," explained Philip A. Grisafi, CEBS and ISCEBS president. "Understanding these legislative amendments and how relevant plan changes can strengthen both plan participation and the participant experience will help keep a company's retirement plan competitive."

Affording Retirement Still a Challenge

Despite employers' efforts to make participation easier, average participation rates are holding steady at around 76 percent, virtually unchanged from 75 percent in the previous poll.

And despite their efforts to improve the consumer appeal of their plans, respondents still believe the majority of their employees are not taking advantage of their 401(k) plans to effectively fund their retirement. Fewer than one in five believe "most" employees are adequately saving enough for retirement.

"Given today's economic uncertainties, employees may be tempted to stop saving as they deal with their immediate financial needs," said Michael Wilson, chief executive of the International Foundation. "It is critical that employees take advantage of their 401(k) options. To this end, we're seeing employers adjust their 401(k) offerings to be more appealing to employees. They are also stepping up their education efforts."

A noteworthy indicator of employers concerns over employees' financial security is that one in five respondents, within the past year, conducted a retirement readiness assessment. Another 38 percent are considering performing readiness assessments in the future.

On a positive note, the 401(k) plan remains an important part of an employer's benefit package - 81 percent of those surveyed believe their 401(k) is an effective recruiting tool. And, 75 percent consider their plans to be helpful in retaining employees, this up slightly from the last survey which indicated a 71 percent "yes" response.

Appropriate customization for worker perceptions, preferences and communication styles in 401(k) planning holds great promise in helping employers and employees meet their retirement goals. Generational differences, for instance, were considered by 42 percent of respondents in retirement plan development, presenting an opportunity to the 58 percent that did not.

"The lingering question comes down to retirement responsibility," said Dzierzak. "It really is a two-way street. Employers and providers should not only continue providing new tools and options that will create

the most effective participant experience, but should regularly evaluate whether or not those approaches are effective and make the necessary adjustments. Employees on the other hand, need to understand that investing in a 401(k) is not without risk or effort, but that the greater risk may lie in not taking full advantage of what employers have placed right in front of them.”

A detailed copy of the full survey report is available at www.deloitte.com/us/401k or www.iscebs.org.

About the Survey

Deloitte’s 2008 401(k) Benchmarking Survey was conducted electronically in conjunction with the International Foundation and the International Society of Certified Employee Benefit Specialists (ISCEBS). In all, 436 plan sponsors responded to the survey. The respondents were distributed across all regions of the country and all industries.

About Deloitte

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About the International Foundation

The International Foundation of Employee Benefit Plans is a nonprofit organization, dedicated to being a leading objective and independent global source of employee benefits, compensation, and financial literacy education and information. With 35,000 members representing multiemployers, public sector, corporate, and Canadian organizations, it is the largest association of its kind. Services include the CEBS designation, online training, the world’s largest employee benefits library, publications, education programs, and a jobs and resume service. For more information, please visit the International Foundation Web site at www.ifebp.org

About International Society of Certified Employee Benefit Specialists

The International Society of Certified Employee Benefit Specialists (ISCEBS) is a non-profit educational association whose members have earned the Certified Employee Benefit Specialist (CEBS) designation, which is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania. For more information on the Society or CEBS, please visit the ISCEBS Web site at www.iscebs.org.

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