



Defined Contribution
Institutional Investment
Association

Dedicated to Enhancing Retirement Security

Defined Contribution Institutional
Investment Association (DCIIA)
2025 M Street, Suite 800, Washington,
DC 20036
Telephone: 202.367.1124
www.dciia.org

CONTACT: Lew Minsky
President & CEO
DCIIA
mobile: 561.308.8457
lew.minsky@dciia.org

FOR IMMEDIATE RELEASE

DCIIA releases white paper on plan design

Growing institutional investment industry organization provides information on the influence of plan design on retirement outcomes.

Washington, DC, July 25, 2017 – A new publication by the Defined Contribution Institutional Investment Association (DCIIA) presents an unbiased, fact-based assessment that validates and dispels assertions and assumptions that are made about DC plans' contribution to retirement adequacy. *Design Matters: The Influence of Plan Design on Retirement Outcomes* draws on Employee Benefit Research Institute (EBRI) records, which comprise the nation's largest and most comprehensive retirement savings database. It highlights where the 401(k) system is working well and where it could be improved, and identifies initiatives, behaviors, policies, and approaches that may either boost or diminish retirement readiness among American workers.

This paper examines the first set of findings of this project, in which DCIIA explored the current state of retirement readiness in a post-Pension Protection Act of 2006 (PPA) defined contribution environment. The paper focuses on the positive effects of automatic plan features, opportunities for improvement without additional legislative regulatory action, and the effect of limiting asset "leakage."

"We thank Jack VanDerhei of EBRI who provided the data analytics and simulation analysis. As DCIIA gets this initiative off the ground, we invite other retirement industry organizations to join us in this effort," says Lew Minsky, President & CEO of DCIIA.

KEY FINDINGS

Automatic plan features work.

The difference in retirement savings for workers in plans with automatic features, and those whose plans do not have auto features, is dramatic. Middle-income workers who spend their entire careers in plans with auto enrollment and auto escalation are projected to experience significantly better outcomes than middle-income workers in plans without auto features.

The current system can do better, even without additional legislative or regulatory action.

The DC system is already equipped with many of the tools it needs to drive improved retirement outcomes. Wider and more consistent adoption of these tools, including automatic features and adequate initial

savings rates, even among companies that already sponsor DC plans, could make a significant difference for today's workers.

Limiting asset “leakage” works.

While loans taken against retirement plan assets may be a better choice than other forms of consumer debt, they can be particularly problematic when an employee terminates employment with an unpaid loan outstanding. Some participants in this situation are required to pay the loan balance in full immediately, and, given the job termination, they may not be well-positioned to pay it off, resulting in a default. Limiting plan loans, hardship withdrawals and cash-outs could increase projected retirement assets and income by almost 10 percent for participants who otherwise take advantage of these features. This assumes no second order effects from the elimination of leakages. Many practitioners have suggested that if some or all of the leakages were eliminated, participation and contribution levels would likely decrease, especially for the lowest-income quartile.

Today's older workers are especially vulnerable.

Optimal plan design cannot necessarily ensure adequate retirement savings for workers who have not spent their entire careers in the DC system, reaping the benefits associated with auto features. Younger workers are, on average, in better shape than these older workers; particularly older workers who may not have a defined benefit (DB) plan and whose DC plan, prior to implementation of the PPA, did not include automatic features and other savings-boosting measures.

DCIIA's whitepaper can be obtained by clicking on the link below.

[Design Matters: The Influence of Plan Design on Retirement Outcomes](#)

About DCIIA:

The Defined Contribution Institutional Investment Association (DCIIA) is a nonprofit association dedicated to enhancing the retirement security of American workers. Toward this end, DCIIA fosters a dialogue among the leaders of the defined contribution community who are passionate about improving defined contribution outcomes. DCIIA members include investment managers, consultants, law firms, record keepers, insurance companies, plan sponsors and others committed to the best interests of plan participants. For more information, visit: <http://www.dciia.org>.

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