



Defined Contribution
Institutional Investment
Association

Dedicated to Enhancing Retirement Security

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NEW SURVEY ILLUSTRATES WIDESPREAD USE OF AUTOMATIC FEATURES
AMONG LARGER PLAN SPONSORS

Over 60% of All Plans Surveyed Have Implemented Auto Enrollment
Half Have Implemented Auto Escalation
Both Are More Likely Among Larger Plans

WASHINGTON DC (December 5, 2017) -- The Defined Contribution Institutional Investment Association (DCIIA) today released the results of its fourth biennial survey of plan sponsors' use of and attitudes toward automatic plan features, or "auto features," including automatic enrollment, automatic escalation and re-enrollment in default investment funds known as qualified default investment alternatives (QDIAs). The survey represents the views of 194 defined contribution (DC) plan sponsors.

"This data illustrates the continued growth in the use of auto features among plan sponsors, particularly among larger plans," said Lew Minsky, DCIIA president and CEO. "We also found that an increasing number of smaller plans are recognizing the benefits—33% identified auto enrollment as a top strategy for closing the savings gap, more than double the number (15%) from our survey two years ago. The results illustrate how far we, as an industry, have come with respect to auto feature usage since we first fielded this survey in 2010. We believe that widespread auto feature adoption can improve retirement security for millions of Americans."

Plan sponsors' fears of participant complaints about the use of auto features have proven largely unwarranted. The opt-out rates for both auto enrollment and auto escalation are most frequently found to be 1% or less and no respondent indicated a percentage larger than 5%.

Other key findings include:

Auto enrollment

- Over 60% of all plans surveyed have implemented auto enrollment. The majority of those are larger plans.
- Default savings rates for auto enrollment are increasing. For example, the percentage of plans that set the default rate at 6% versus 3% has risen from 9% in 2010 to 28%.
- This year, we also saw a notable jump from the 2014 survey (from 38% to 58%) in adoption of auto enrollment in plans between \$5 million–\$50 million.

Auto escalation

- Half of the plan sponsors surveyed have implemented auto escalation.
- Half of those plans have adopted it as a default, rather than as a participant-elected feature.
- The default annual contribution escalation rate remains steady at 1%.

DCIIA recommends the following best practices for plan sponsors:

- Automatically enroll new hires, and periodically conduct auto enrollment sweeps of non-participating employees
- Set a higher default contribution rate as appropriate for your plan
- Change plan-matching formulas to “stretch” the match benefit in order to “nudge” employees to adopt better savings behaviors
- Implement automatic contribution escalation as a default and increase savings until the ideal rate is achieved.

DCIIA also advocates for an ongoing effort to address perceived barriers to auto feature adoption. They include: concerns about the costs associated with auto features; concerns that employees will complain; philosophical opposition, or the belief held by some plan sponsors that they are already doing enough; and simple lack of awareness of the availability and benefits of auto features.

For additional reading on the subject of auto features, please see the following DCIIA publications:

- *Automatic Plan Features in Defined Contribution Plans: What’s in it for Plan Sponsors?* (July 2016)
- *Implementing Automatic Features in Defined Contribution Plans: Answers to Frequently Asked Questions* (March 2014)
- *Best Practices When Implementing Auto Features in DC Plans* (June 2013)

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: www.dciia.org.

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