

T. Rowe Price reports on trends in its retirement plans

By Editorial Staff Thu, Aug 18, 2016

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T. Rowe Price Retirement Plan Services, which serves nearly 1.9 million retirement plan participants across more than 3,500 plans, has released the latest version of [Reference Point](#), an annual benchmarking report based on T. Rowe Price's full service recordkeeping client data.

The report provides plan sponsors the ability to review retirement plan trends and plan participant behavior patterns to help them make more informed plan decisions. Here's a summary of the report's findings:

Auto-services trends

Among T. Rowe Price clients, the use of auto-enrollment has increased every year since the enactment of the Pension Protection Act in 2006. T. Rowe Price found that as of year-end 2015:

- About half (51%) of the plans it administers have adopted an auto-enrollment feature, up 28% since 2011.
- 30% of plans have auto-enrolled participants at 6% or more, compared with just 17% in 2011.
- Participation rates continue to be strongly tied to the adoption of auto-enrollment. Plans with an auto-enrollment feature have a participation rate of 88%, while those that do not have this feature have a participation rate of just 48%.
- Target-date investments continue to be the default of choice for 96% of plan sponsors.

Contribution trends

By the end of 2015, the option to make Roth contributions was available to participants in half of the 401(k) plans record-kept by T. Rowe Price, an increase of nearly 49% since 2011. Roth contributions among participants increased for the eighth consecutive year. In terms of matching contributions, 40% of plan sponsors are now matching at a threshold of 6%.

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recommended level of 15% (which includes the employer match). About one-third of participants are not deferring any money to their retirement account.

Generational findings

Generational differences often exist when it comes to saving behaviors and attitudes that plan sponsors should consider. Of the T. Rowe Price plan participant base:

- Of all age groups, participants between ages 20 and 29 have the widest difference in participation rates when auto-enrolled (84%) versus not auto-enrolled (30%).
- Younger participants invested in target date funds at higher rates (70%) than other age groups (36%).
- Younger participants save 5% of pay, considerably lower than the rate of older participants (between 7-10%).
- The 40-59 and 50-59 age groups continue to maintain the highest outstanding loan balances, which have increased each of the past two years.

Manufacturers lead in adoption of auto-increase

Significant industry-specific findings include:

- Only 35% of plans in the retail industry have adopted an auto-enrollment feature, compared with 51% of plans across all industries.
- Only 14% of participants in the finance and insurance industries have an outstanding loan, compared with 24% of participants across all industries.
- 77% of the manufacturing industry plans have adopted an auto-increase feature, compared with 69% of plans across all industries.
- In the utilities industry, plans with auto-enrollment have a 92% participation rate, compared with 78% for non-auto-enrollment plans. The all-industry average is a 88% participation rate with auto-enrollment and a 46% participation rate without.

Methodology

Data are based on the large-market, full-service universe—TRP Total—of T. Rowe Price Retirement Plan Services, Inc., retirement plans (401(k) and 457 plans), consisting of 662 plans and over 1.6 million participants.

For plan-level analysis (e.g., averages by industry), a plan-weighted average is shown. This process takes the average from each plan and averages them together. A plan-weighted average assigns plans with a smaller number of participants the same weight as plans with a larger number of participants.

For participant-level analysis (e.g., averages by age and tenure), a participant-weighted average is shown. This process adds up all participants for all plans and takes one overall average. A participant weighted average assigns plans with a smaller number of participants less weight than plans with a larger number of participants.

Data and analysis cover the time periods spanning calendar years ended December 31, 2007, through December 31, 2015.

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