2023 Defined Contribution Plan Sponsor Survey Findings

Continued progress through partnership

Expanding the trend of doing more for participants

J.P.Morgan
ASSET MANAGEMENT

Our fifth *Defined Contribution (DC) Plan Sponsor Survey* offers insights into how plans have navigated the remarkable past four years. The period began with the COVID-19 pandemic; subsequently moved through the Great Resignation, rapidly rising inflation and elevated market volatility; and then saw the passage of the SECURE 2.0 Act. Plan sponsors appear to have emerged with an ever-expanding focus on how to help position participants for greater retirement funding success.

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Overview

This report marks an important milestone. We conducted our first survey in 2013 and now have a decade of data tracking the evolution of DC plan sponsors' views and actions around their retirement platforms. The history of DC plans has been one of continual advancements, representing a unique partnership between plan sponsors and participants. Participants must do their part, of course, but plan sponsors play a critical role in this process. Their decisions and actions have been shown to have a tremendous impact on participants' outcome potential, and this recognition has been reflected in the progression of responses over time.

This year's results show that many sponsors continue to build and expand on their efforts to help their participants achieve retirement security. We present these findings in four parts, covering how plan sponsors are approaching employee financial wellness, plan design, plan investments and—an area of increasing focus—retirement income.

Methodology and respondent profile

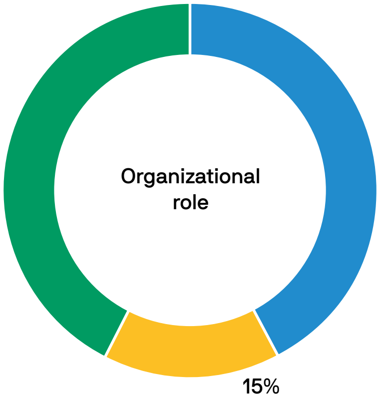
From January 9 through February 28, 2023, we partnered with Greenwald Research, a market research firm based in Washington, D.C., to conduct an online survey of 788 plan sponsors. All respondents are key decision-makers for their organizations' DC plans. All organizations represented have been in business for at least three years and offer a 401(k) or 403(b) plan to their domestic U.S. employees.

Below are breakdowns of our sample of plan sponsors, both by plan assets and by their organizational role. Results aggregated across plan size categories were weighted to reflect the size distribution of plans in the U.S. DC universe.

Respondent composition by plan assets

Plan size (AUM)	Number of respondents	
Less than $1 million	155	
$1 million to just under $10 million	198	
$10 million to just under $50 million	157	
$50 million to just under $250 million	125	
$250 million to just under $1 billion	93	153
$1 billion or more	60	
Total	**788**	

Respondent composition by organizational role (% of total)



Source: J.P. Morgan Plan Sponsor Research 2023. Organizational role definitions: "C-Suite" is owner/partner, chairman, president, CEO, executive director or other general senior management position; "human resources" is human resources or employee benefits; "financial" is CFO, chief investment officer or other financial, investment or treasury position.

Participants' perspectives

Throughout these findings, we highlight how plan sponsors' responses align with participants' views about their retirement plans and what they want from employers, based on our related *DC Plan Participant Survey* research, which was last conducted in 2021. There were 1,281 respondents in the online survey.

Part One: Employee financial wellness

Key takeaways

1. The vast majority feel a sense of responsibility for employees' financial wellness.
2. DC plans and health insurance are the most frequently offered benefits, but employers, particularly larger ones, are expanding into other areas of financial and personal wellness.
3. Most offer or are considering offering a financial wellness program.

1. The vast majority feel a sense of responsibility for employees' financial wellness

Employers' sense of duty regarding employees' financial wellness continues to grow. Nearly nine out of 10 surveyed sponsors report feeling a "very high" or "somewhat high" level of responsibility, up from 74% in 2019 and 59% 10 years ago, when we conducted our first survey (**Exhibit 1**).

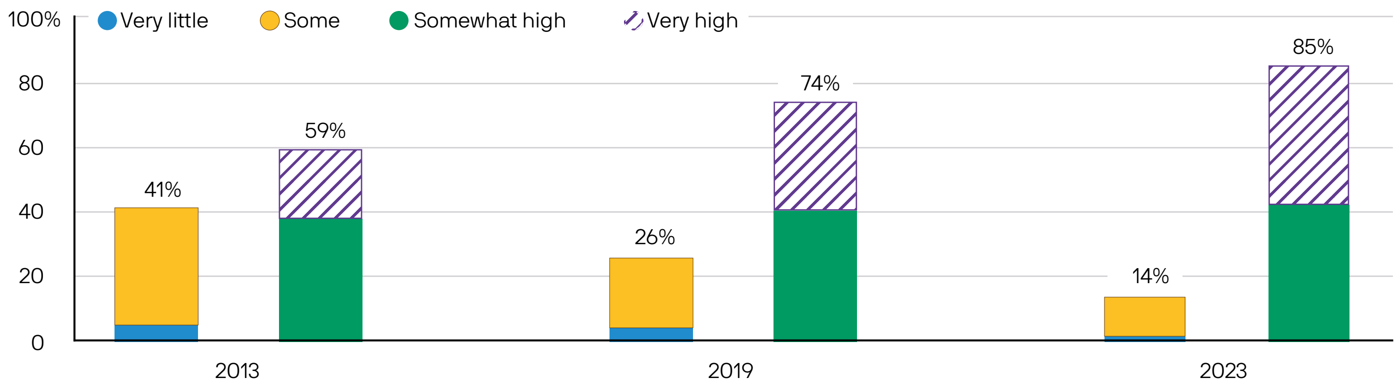
PARTICIPANT PERSPECTIVE

Nearly 7 of 10

surveyed participants believe that their employers have a responsibility to help with employees' financial wellness.[1]

A full 85% of plan sponsors feel a strong sense of responsibility for employee financial wellness, up from 59% in 2013

Exhibit 1: As an employer, what level of responsibility do you feel for your employees' overall financial wellness?



Note: 2013 total n=396; 2019 total n=838; 2023 total n=788.
Source: J.P. Morgan Plan Sponsor Research 2023.

[1] J.P. Morgan Plan Participant Research 2021.

2. DC plans and health insurance are the most frequently offered benefits, but employers, particularly larger ones, are expanding into other areas of financial and personal wellness

All respondents offer a DC plan, of course, since that was a requirement to participate in the survey. Almost all also provide employer-sponsored health insurance. In addition, there has been a clear expansion into other wellness-related benefits as employers have recognized the interconnection of overall employee financial and personal wellness, productivity and turnover. More than seven out of 10 surveyed sponsors report offering employees life insurance, six out of 10 offer disability insurance and mental health benefits, half make health savings accounts (HSAs) available, and just under half provide paid parental or caregiving leave (**Exhibit 2**). These numbers grow even bigger for larger plan sponsors, with more than $250 million in plan assets.

PARTICIPANT PERSPECTIVE

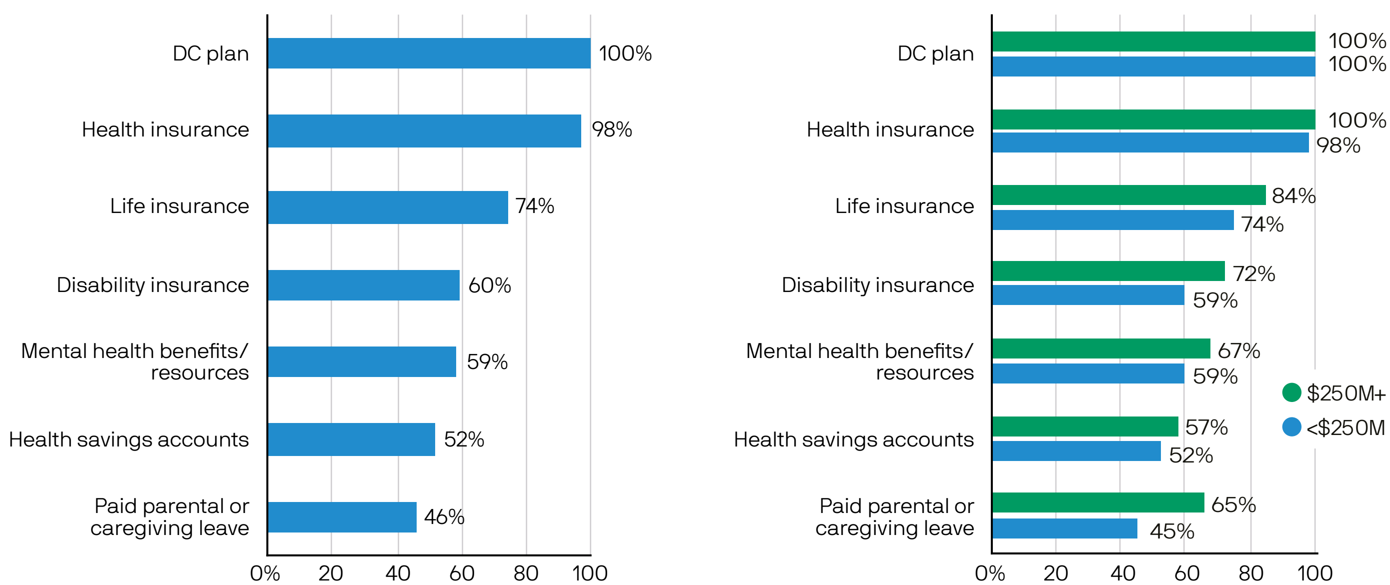
Nearly 9 of 10

surveyed participants consider retirement benefits an important factor when deciding whether to stay with their current employer or consider a new opportunity.[1]

When plan sponsors are asked for the three most important benefits for attracting and retaining employees, health insurance (reported by 73% of sponsors) and DC plans (68%) top the list, followed at a notably lower level by life insurance (36%), paid parental or caregiving leave (21%), mental health resources (19%), health savings accounts (18%) and disability insurance (14%). Interestingly, mental health resources move slightly ahead of paid parental or caregiving leave when considered in the context of the pandemic vs. the Great Resignation.

Many have expanded into overall financial and personal wellness benefits, led by larger plans

Exhibit 2: Which of the following benefits do you offer employees? (% yes)



Note: total n=788; $250M+ n=153; <$250M n=635.
Source: J.P. Morgan Plan Sponsor Research 2023.

[1] J.P. Morgan Plan Participant Research 2021.

3. Most offer or are considering offering a financial wellness program

Four out of 10 surveyed sponsors report offering a financial wellness program beyond their retirement and health benefits, and an additional three out of 10 are considering offering one (**Exhibit 3**). The most frequently cited goals of these programs are to help employees' financial stability, retirement planning and financial education.

Surveyed sponsors offering a financial wellness program are significantly more likely to provide income protection benefits, such as life and disability insurance. One-quarter offer student loan debt assistance, and around four out of 10 offer emergency savings benefits, one-on-one financial coaching and/or debt management assistance.

Additionally, sponsors with a financial wellness program more often see their retirement plans as effective in meeting key goals, compared with those without such a program; 95% believe they are helping make sure employees have a financially secure retirement.

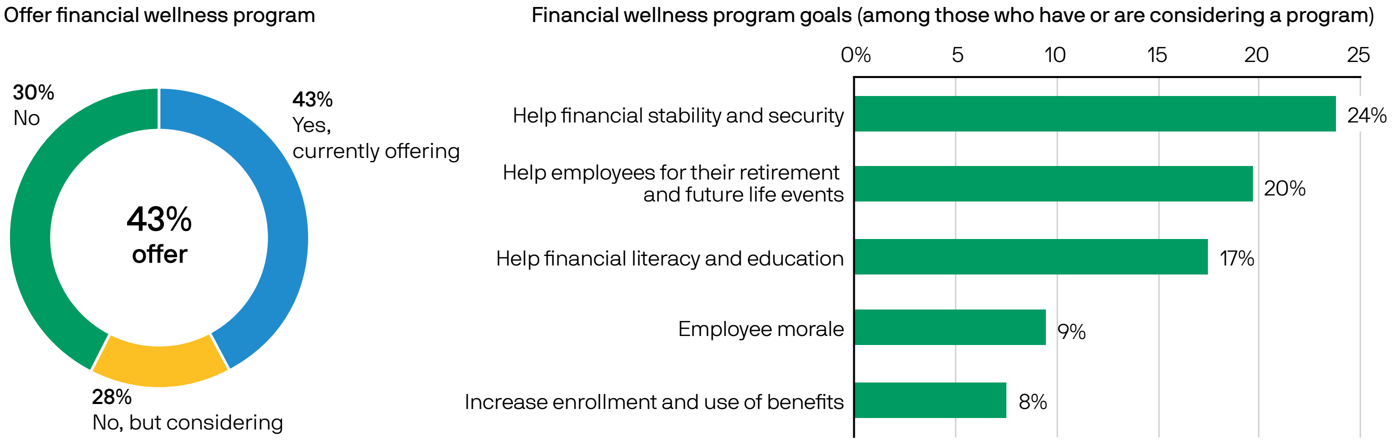
PARTICIPANT PERSPECTIVE

More than 9 of 10

participants feel that financial wellness programs are an important benefit.[1]

Nearly three-quarters of sponsors offer or are considering offering a financial wellness program

Exhibit 3: Do you currently have a financial wellness program within your organization, separate of your retirement and health benefit offerings?



Note: total n=788; offering or considering a program n=591.
Source: J.P. Morgan Plan Sponsor Research 2023.

[1] J.P. Morgan Plan Participant Research 2021.

Implications

Financial wellness programs can be challenging to define, and what different people and different organizations consider a financial wellness benefit can vary considerably. Plan sponsors and participants, however, are clearly thinking more about these types of benefits and what they can mean to both employees' and companies' overall fiscal health. Indeed, the connection among overall employee financial and personal wellness, productivity and workforce sentiment has become even more apparent through recent workplace trends, such as the Great Resignation, "quiet quitting" and the struggle to find talent.

Research also has shown a strong link between participants' retirement outcomes and their overall financial well-being. In our own related data, participants with financial stress, such as spending spikes they cannot absorb through income or immediate savings, generally have lower retirement balances and worse retirement outcomes. These participants tend to be poorly equipped to deal with spending volatility, often tapping into their DC balances, which can leave them with less money at retirement. The reality is that it is all inherently linked.

With SECURE 2.0, the regulatory environment is evolving, making it easier for plan sponsors to offer emergency savings and debt management programs, for example. Still, nearly 60% of plan sponsors are not currently offering a financial wellness program. Looking ahead, we expect a steadily growing number of plan sponsors to continue evolving these types of offerings, just as we have seen advancement and innovation in other areas of retirement benefits design.

Part Two: DC plan design

Key takeaways

1. More plan sponsors are taking a proactive approach in driving participant outcomes.
2. Many are taking an active role around contributions, with automatic features continuing to gain momentum and employer matches becoming more generous.
3. Most see their plan communications as effective, with more moving toward customization.
4. Most work with a financial professional and are generally satisfied with the services, though clear opportunities exist.

1. More plan sponsors are taking a proactive approach in driving participant outcomes

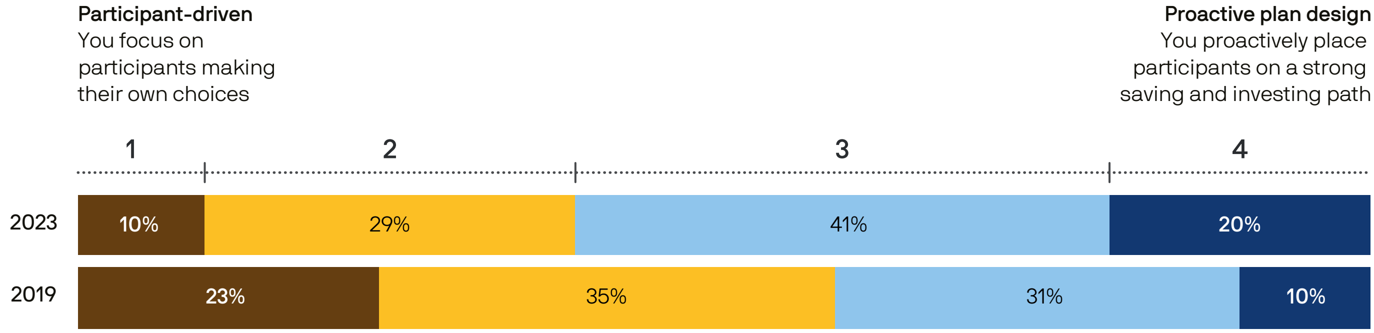
A fundamental difference in plan design is how sponsors approach participant decision-making. At a high level, there are two main philosophies:

- **Participant driven:** These sponsors believe participants should primarily make their own plan choices, including whether to participate, how much to contribute and how to invest.
- **Proactive plan design:** These sponsors believe in taking a more active approach to help better position participants for retirement funding success through programs that make it easy to tap into the benefits of the plan, such as automatic enrollment and contribution escalation, personalized communications, and investment defaults into target date funds (TDFs) and other professionally managed asset allocation strategies.

Through the years, there has been a clear trend toward being more proactive in plan design, as sponsors have become increasingly comfortable with these types of advancements. These programs also have been shown to work extremely well in helping to drive stronger participant outcomes. In this year's survey, 61% of respondents now apply a more proactive plan design philosophy—an almost 50% increase from 2019's 41% (**Exhibit 4**). In 2013, that figure was only 24%, though the question was poised as a five-point scale vs. the current four-point scale, so it is not an exact apples-to-apples comparison.

More than 60% of respondents take a more proactive plan design approach to help drive stronger participant outcomes

Exhibit 4: On a four-point scale, which of the following comes closest to your organization's philosophy on driving participant decisions?



Note: total n=788; proactive n=503; participant-driven n=285.
Source: J.P. Morgan Plan Sponsor Research 2023.

Additionally, sponsors with a more proactive plan design philosophy are more likely to see their plans as successful across a broad range of goals, from employee recruitment and retention to helping ensure participants' retirement financial security (**Exhibit 5**).

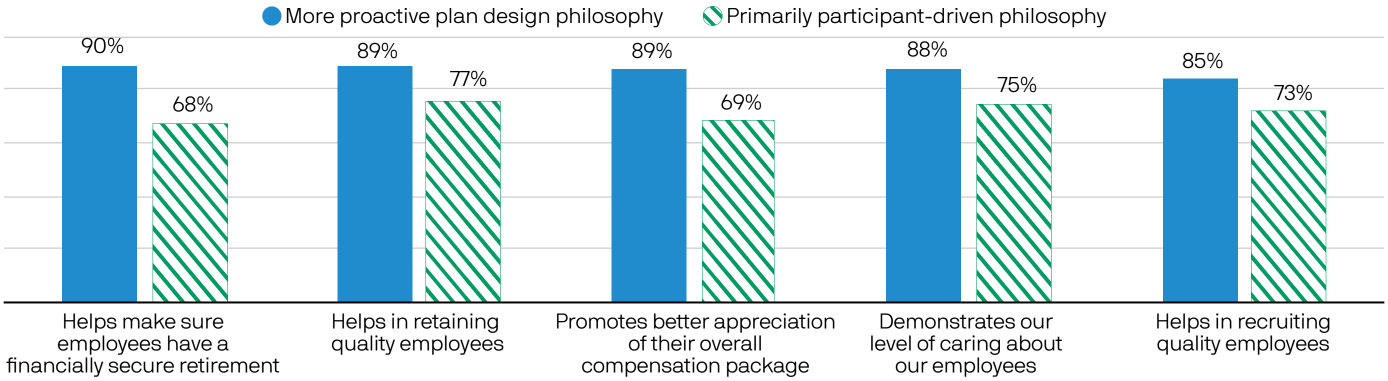
PARTICIPANT PERSPECTIVE

Sponsors' proactive efforts seem to be largely welcomed by many employees—

62% of surveyed participants wish they could just push an easy button and completely hand over retirement planning.[1]

A higher number of plan sponsors with a more proactive plan design philosophy view their plans as "extremely effective" or "very effective"

Exhibit 5: In your opinion, how effective has your plan been in meeting the following goals? (Combined "extremely effective" and "very effective" responses)



Note: total n=788; proactive n=503; participant-driven n=285.
Source: J.P. Morgan Plan Sponsor Research 2023.

2. Many are taking an active role around contributions, with automatic features continuing to gain momentum and employer matches becoming more generous

Automatic enrollment and automatic contribution escalation programs have been shown to be highly effective in increasing plan participation rates and helping participants gradually step up saving rates to more appropriate levels than many might have elected on their own. This year's survey results show that sponsors continue to expand the adoption of these types of programs for a growing number of participants. Also, a plan favorite—employer matches—remains extremely popular, with many sponsors expanding this benefit over the past three years.

Automatic enrollment: In this year's survey, 52% of respondents say they offer automatic enrollment, significantly up from 10 years ago (**Exhibit 6**).

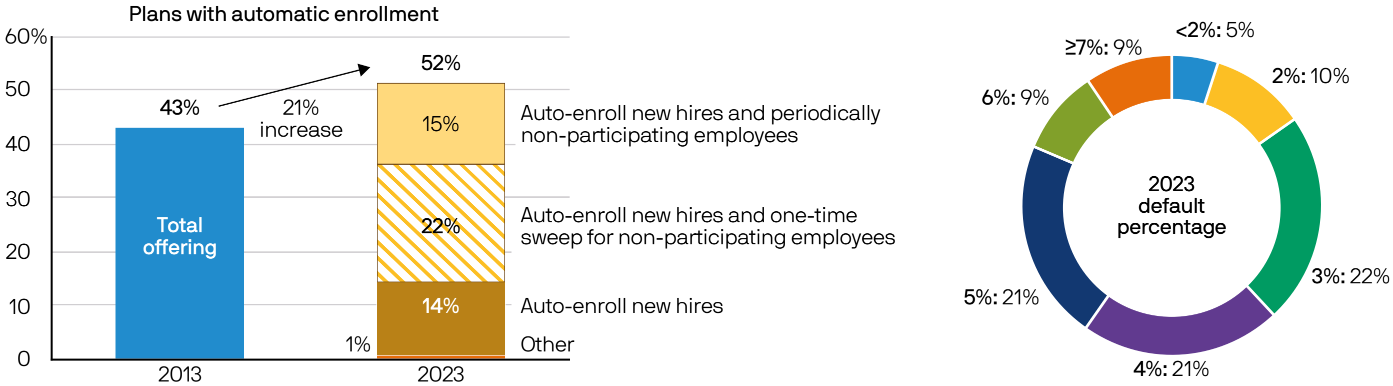
- 15% automatically enroll new hires and periodically automatically enroll employees not participating in the plan.
- 22% automatically enroll new hires and have conducted a one-time sweep for employees not participating in the plan.
- 14% automatically enroll only new hires.

Starting enrollment contribution default percentages range from less than 2% to more than 7%, with the majority—63%—falling between 3% and 5%.

[1] J.P. Morgan Plan Participant Research 2021.

More than half of plan sponsors offer automatic enrollment for new hires, with a sizable portion also sweeping nonparticipating employees into the plan

Exhibit 6: What method of automatic enrollment, if any, does your plan offer?



Note: total n=788; offer automatic enrollment n=432.
Source: J.P. Morgan Plan Sponsor Research 2023. Totals may not equal 100% due to rounding. 3% responded "don't know."

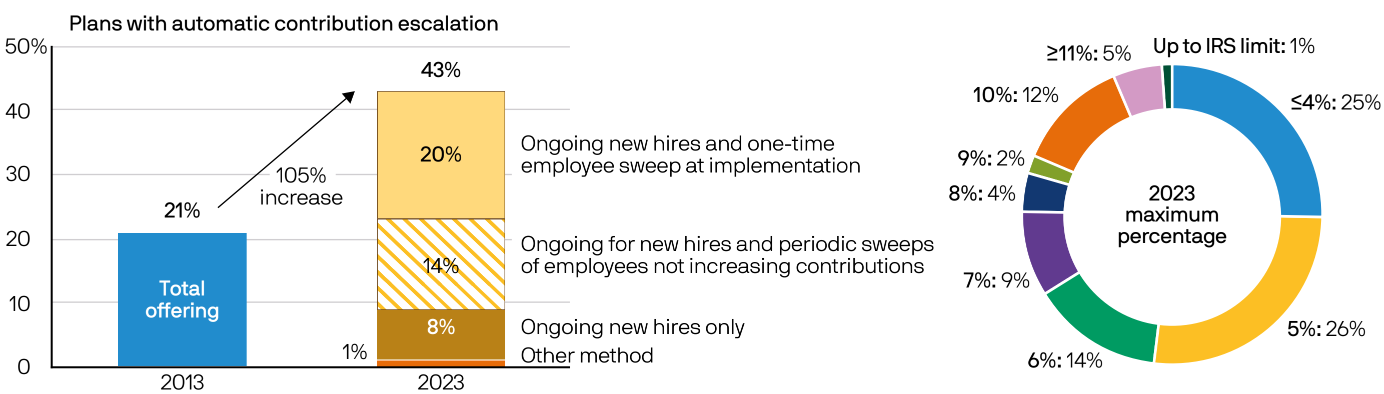
Automatic contribution escalation: There also has been an increase in the number of plans that offer automatic contribution escalation, with 42.6% of surveyed sponsors reporting this feature, just over double 2013's 21% (**Exhibit 7**). This trend has been led by larger plans, with 60% of plans with $250 million or more in assets under management offering automatic contribution escalation, compared with 42% of plans with less than $250 million in assets.

- 20% automatically escalate contributions for new hires and have conducted a one-time sweep of all employees.
- 14% do so for new hires and periodically conduct sweeps for participants who are not increasing their contributions.
- 8% do so for new hires only.

Unfortunately, the maximum contribution levels reached by many of these programs remain well below industry recommendations for appropriate retirement savings amounts. For sponsors that offer this type of feature in their plans, 50% report a maximum escalation rate of 5% or less.

The number of plans offering automatic contribution escalation has notably grown

Exhibit 7: What method of automatic contribution escalation, if any, does your plan offer?



Note: total n=788; offer automatic contribution escalation n=344.
Source: J.P. Morgan Plan Sponsor Research 2023. Totals may not equal 100% due to rounding. 1% responded "don't know."

Adoption reluctance: Still, 47% of surveyed sponsors continue to choose not to offer automatic enrollment in their plans, and 51% do not offer automatic contribution escalation. The top reasons for these decisions, representing 78% of responses, are:

- 23% feel one contribution rate is not right for everyone.
- 14% feel it may lead some people to save less than they should.
- 16% feel employees are responsible for saving on their own.
- 13% feel they would get too much employee pushback.
- 12% do not want to incur the costs.

PARTICIPANT PERSPECTIVE

Although some plan sponsors may fear pushback, **75%** of surveyed participants want help determining how much to save in their plans, and almost **90%** have favorable or neutral views about automatic enrollment and automatic contribution escalation programs.[1]

Unsurprisingly, sponsors with a more proactive plan design philosophy are more likely to offer both automatic enrollment (56% vs. 46%) and automatic contribution escalation (51% vs. 29%) features than plans with a primarily participant-driven philosophy.

Employer contributions: By far, one of the most frequently utilized plan features is an employer contribution/match. Nine out of 10 surveyed sponsors report offering this type of benefit. Further, more than half have added or enhanced their employer contributions/matches in the past three years, and a quarter have added or enhanced their immediate vesting schedules. This trend is even more pronounced for sponsors with a more proactive plan design philosophy, 65% of which added or enhanced their employer contributions/matches, significantly higher than the 35% of sponsors with a primarily participant-driven philosophy that did so.

[1] J.P. Morgan Plan Participant Research 2021.

3. Most see their plan communications as effective, with more moving toward customization

The majority of surveyed sponsors believe their communication efforts are having a positive impact. Nearly eight out of 10 are confident their communications are helping increase plan participation, contribution rates and the percentage of participants making appropriate investment decisions, significantly higher than 2019's 44%–45%.

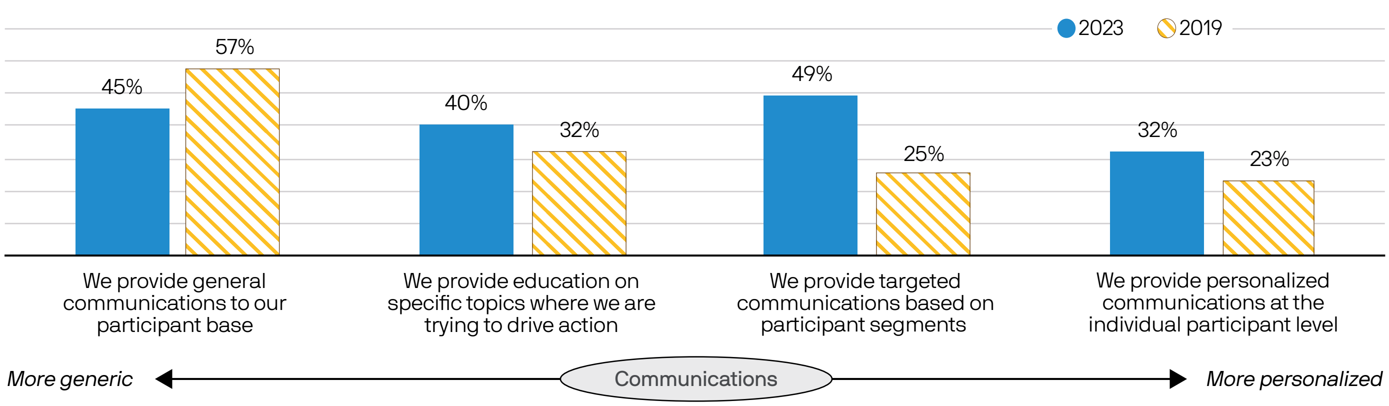
Additionally, fewer sponsors are relying on general participant communications, and more are providing more targeted and personalized messaging (**Exhibit 8**), a trend likely driven by advancements in technology.

- 45% provide only general communications to participants, markedly down from 57% in 2019.
- 40% provide education on specific topics they are trying to drive action on, up from 32% in 2019.
- 49% target communications based on the participant segment, up from 25% in 2019.
- 32% provide personalized communications at the individual level, up from 23% in 2019.

Sponsors with a more proactive plan design philosophy tend to be more frequent adopters of customized communications, but even sponsors with a primarily participant-driven philosophy are tapping into this type of innovation, albeit at more subdued levels.

More sponsors, particularly those with a more proactive plan design philosophy, are using customized communications

Exhibit 8: Which of the following best describes your plan's approach to participant communications?



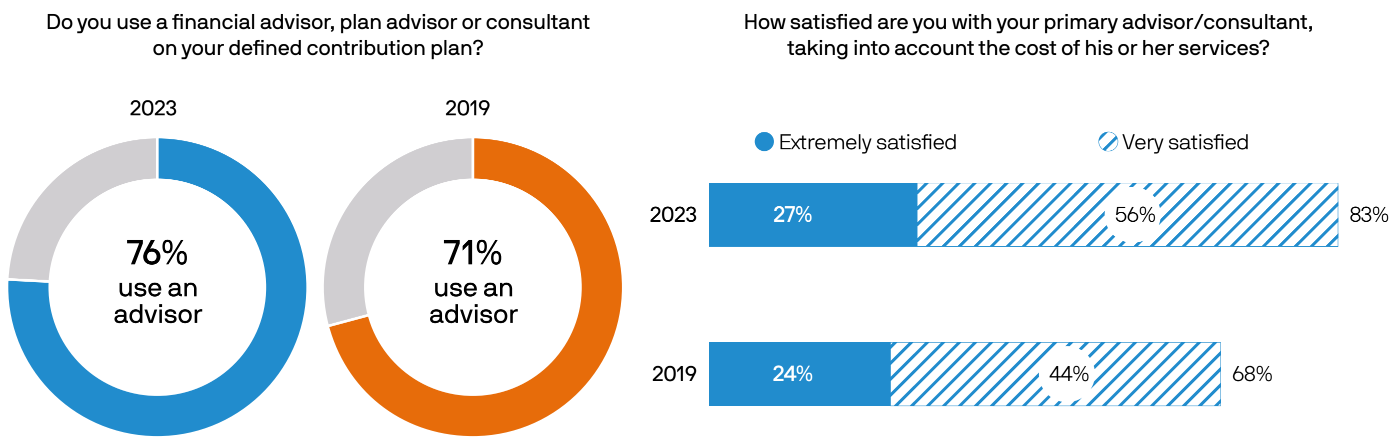
Note: 2023 total n=788; 2019 total n=838.
Source: J.P. Morgan Plan Sponsor Research 2023.

4. Most work with a financial professional and are generally satisfied with the services, though clear opportunities exist

In this year's survey, 76% of sponsors report working with financial professionals, up from 71% in 2019 (**Exhibit 9**). Of those, 84% express a high level of satisfaction with the relationships, sharply up from 67% in 2019. Yet only 27% say they are "extremely satisfied."

Three out of four sponsors work with financial professionals, with generally high satisfaction rates

Exhibit 9: Do you use a financial advisor, plan advisor or consultant on your plan? If so, how satisfied are you, taking into account the cost of the services?



Note: 2023 total n=788; 2019 total n=838.
Source: J.P. Morgan Plan Sponsor Research 2023.

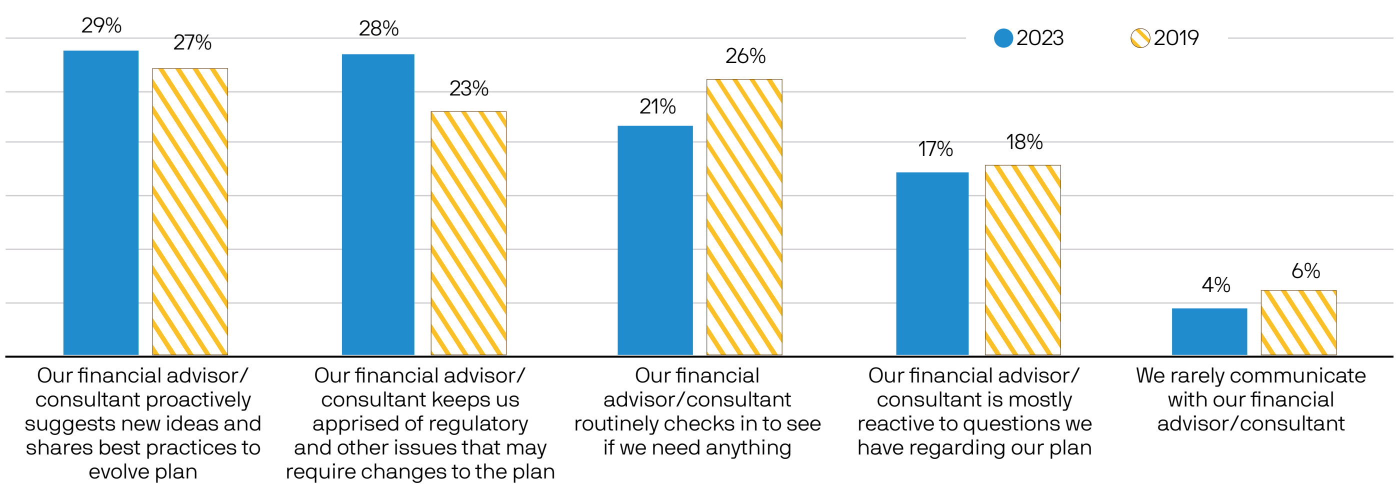
The increased recognized value of financial professionals is unsurprising, given the roller-coaster markets and notable regulatory changes that have taken place over the past several years. Additionally, almost 80% of surveyed sponsors working with financial professionals note some degree of proactive interaction (**Exhibit 10**; respondents could select one of the following that best describes their financial professionals' behaviors):

- 29% say their financial professionals proactively suggest new ideas and share best practices to evolve their plans.
- 28% say their financial professionals keep them apprised of regulatory and other issues that may require changes to their plans.
- 21% say their financial professionals routinely check in to see if they need anything.

Still, about one out of five sponsors working with financial professionals describe the relationships as mostly reactive or with little communication. In a related question, sponsors who work with financial professionals they consider to be proactive are more likely to be "extremely satisfied" or "very satisfied" with the relationship: 95% vs. 79% of plan sponsors with financial professionals who do not offer these types of insights.

Most sponsors say their financial professionals demonstrate proactive behaviors

Exhibit 10 Which of the following best describes your organization's current relationship with the plan's financial advisor/consultant?



Note: 2023 total n=788; 2019 total n=838.
Source: J.P. Morgan Plan Sponsor Research 2023.

Implications

The number of sponsors taking a more proactive approach to plan design continues to grow. However, there are opportunities to continue to expand adoption of these types of programs and help drive stronger outcomes for as many participants as possible.

If they are not already, plan sponsors may want to:

- Consider the benefits of implementing automatic features to expand plan participation rates.
- Work with a financial professional to help determine the most appropriate automatic contribution rates and escalation caps for a plan's participant demographic base (SECURE 2.0 mandates that new plans escalate to 10%).
- Take advantage of technological advancements to personalize communications.

Additionally, financial professionals can help by proactively communicating best practices to help ensure their plan sponsor clients are well positioned for success.

Taking a more proactive approach has been shown to offer a strong win-win for participants and plan sponsors alike, helping to strengthen outcome potential as well as notably increase overall plan satisfaction levels.

Part Three: Plan investments

Key takeaways

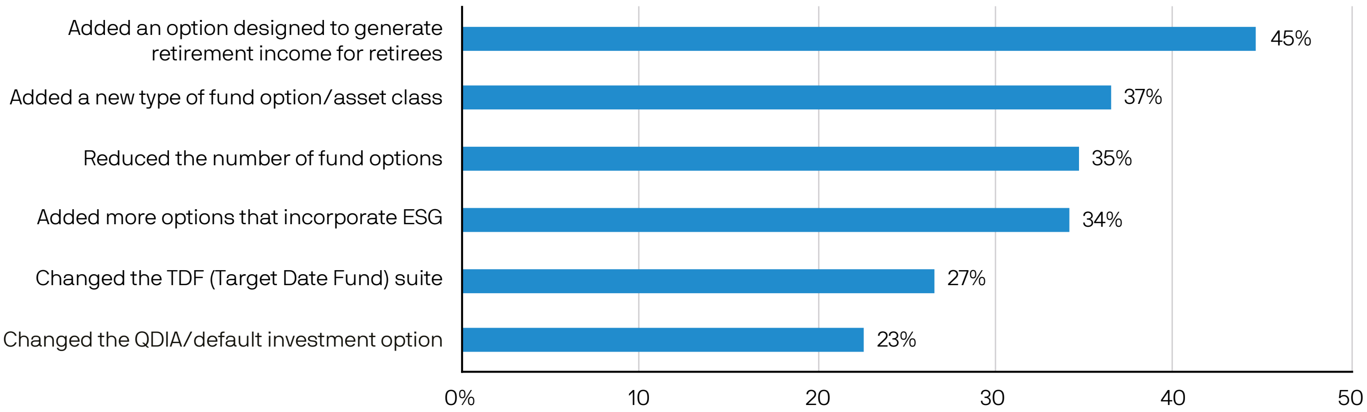
1. Many have made changes to their investment menus.
2. Almost half do not realize they are a plan fiduciary.
3. Performance and fees continue to drive investment selection.
4. Target date fund usage remains high, and sponsors are confident in their understanding of these strategies.

1. Many have made changes to their investment menus

The most frequently reported investment menu changes were "adding an option designed to generate retirement income for retirees" (45%), "adding a new type of fund/asset class" (37%), and "reducing the number of investment options" (35%). Around one-quarter have changed their plan TDF suite and/or their qualified default investment alternative (QDIA) (**Exhibit 11**). Interestingly, larger plans are more likely to have streamlined their investment menus than smaller plans: 55% to 34%.

More than two-thirds have either added to or reduced the number of fund options

Exhibit 11: Have you made any of the following changes to your plan's investment menu in the past 3 years? (% yes)



Note: 2023 total n=788.
Source: J.P. Morgan Plan Sponsor Research 2023.

2. Almost half do not realize they are a plan fiduciary

Only 55% of surveyed sponsors know that they are a plan fiduciary, even though all the respondents have fiduciary responsibilities. Of those that correctly identified themselves as fiduciaries, the top fiduciary concerns are:

- Whether we are getting the best value for the fees that the plan and participants are paying (33%)
- That I am making prudent decisions (21%)
- Keeping up with changes in the rules that apply to our plan (19%)

Clearly, the DC industry needs to do more educational work in this arena. It is critical that sponsors understand and are prudently performing their roles as plan fiduciaries. Lack of awareness is not a defense against liability. While sponsors may be able to engage service providers that can share this responsibility and help reduce their liability exposure, they are never completely free from it, since even selecting the service providers requires them to act in a fiduciary capacity.

3. Performance and fees continue to drive investment selection

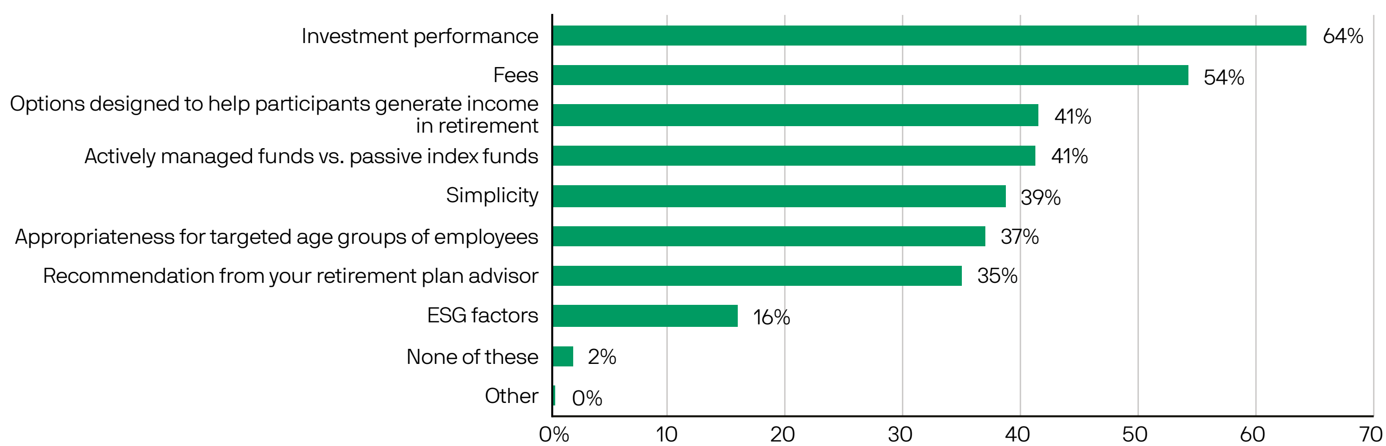
From a fiduciary perspective, ERISA standards for DC plans require that investment selection follow an informed and reasoned decision-making process. Performance and fees came in as the top two investment selection criteria, at 64% and 54%, respectively (**Exhibit 12**).

Retirement income generation also ranked relatively high among selection criteria (41%). While adoption of these types of strategies has remained low, it is unsurprising that the topic made the list, given the amount of participants who lack access to pension benefits continues to increase and the amount of industry attention to the matter. (See the next section for more insights into how sponsors are navigating the issue.)

Also of note in this year's findings is the relatively low percentage of surveyed sponsors—just 35%—that report using the recommendations of their retirement plan advisors in their selection criteria. This may represent an opportunity for financial professionals to play a bigger role in helping plan sponsor clients fulfill their fiduciary duties, beyond examining performance and fees, to help make appropriate decisions for their plans.

The majority of sponsors focus on performance and fees to make investment selections

Exhibit 12: What criteria do you and your retirement plan investment committee consider when selecting investment options for the plan? (Select all that apply)



Source: J.P. Morgan Plan Sponsor Research 2023.

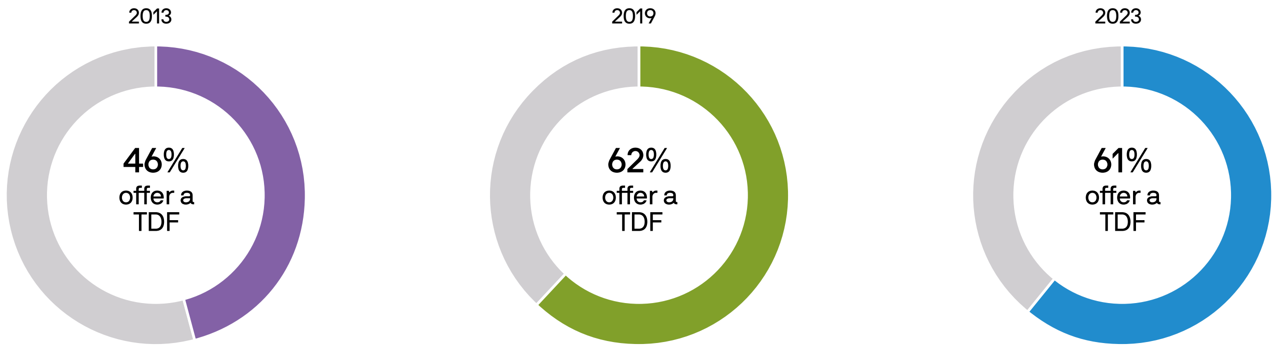
4. Target date fund usage remains high, and sponsors are confident in their understanding of these strategies

The appeal of TDFs' easy-to-access, age-appropriate asset allocation benefits remains strong for many sponsors. This year, 61% report their plans offer a TDF series, nearly unchanged from 62% in 2019 and markedly higher than the 46% in 2013 (**Exhibit 13**).

Larger plans continue to lead the way in providing participants with a TDF investment option, at 73% vs. 60% of smaller plans. Further, surveyed sponsors offering a QDIA as part of their plan mostly use a TDF to fill that role (76%).

Most plans offer a TDF

Exhibit 13: Total plans with a TDF



Note: 2023 total n=788; 2019 total n=838; 2013 total n=796.
Source: J.P. Morgan Plan Sponsor Research 2023.

A potentially related finding indicates that TDFs appear to be working well for plans. Three out of four surveyed sponsors report feeling "extremely confident" or "very confident" that their participants have an appropriate asset allocation, led by proactive sponsors, at 85% vs. 59% for sponsors with a participant-driven philosophy. This high degree of confidence is significantly up from the only 33% of sponsors reporting the same level of confidence from 10 years ago, and it is likely due to the broad adoption of TDFs and the rapidly growing amount of contributions being directed to these vehicles. The increasing popularity of reenrollment may also be playing a part here: 55% of plan sponsors have considered it, and 26% have already conducted or plan to conduct a reenrollment in the next 18 months (up from 7% in 2019).

PARTICIPANT PERSPECTIVE

53% of surveyed participants want help selecting their investment strategies and prefer to leave most ongoing investment decisions to experienced professionals, with almost nine out of 10 indicating they find it appealing to have access to a TDF in their plans.[1]

For surveyed sponsors offering a TDF in their plan, almost nine out of 10 express strong confidence in their selection and monitoring process, up from 75% in 2019 (**Exhibit 14A**). Similarly, almost nine out of 10 of those sponsors indicate they understand the construction methodologies for the TDFs in their plans "completely" or "reasonably well" (**Exhibit 14B**). Compared with sponsors of smaller plans, larger plan sponsors express a more complete understanding of their TDFs: 66% vs. 28%.

[1] J.P. Morgan Plan Participant Research 2021.

Most sponsors with TDFs in their plans feel confident about their investment oversight and understanding

Exhibit 14A: As it relates to the TDF offered in your plan, how confident are you that:

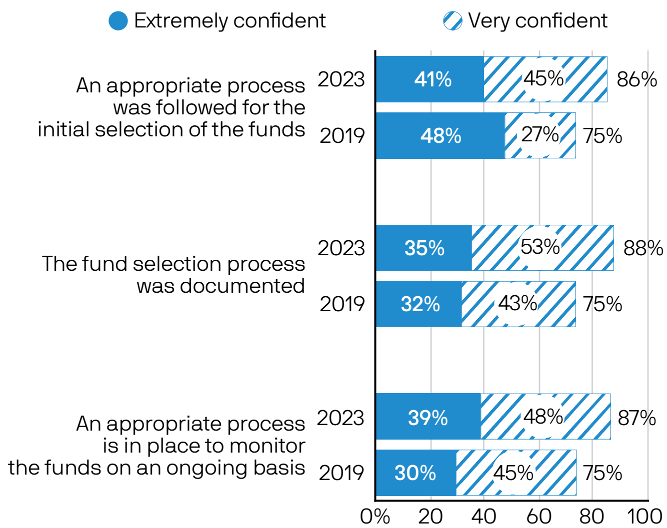
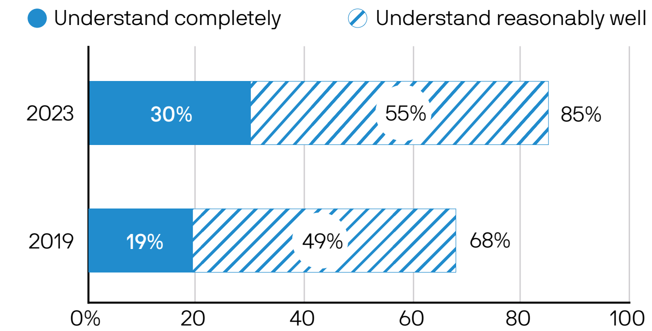


Exhibit 14B: What is your level of understanding of the methodology used to construct the TDF in your plan?



Note: 2023 total n=788.
Source: J.P. Morgan Plan Sponsor Research 2023.

Implications

Selecting the right investments for a plan is critical for participant success. On the plus side, the broad adoption of TDFs has been a major positive development for plans and participants. However, it is troubling how many of this year's respondents are not aware of their roles as fiduciaries.

To help strengthen their plans' investment offerings, sponsors may want to:

- Ensure they are following a prudent, well-documented fiduciary process for investment selection and monitoring.
- Look deeper than performance and fees alone to fully understand the plan's investment strategies, the role they serve, the potential value they add and how they are likely to perform through a broad range of market conditions.
- Work with financial professionals to benefit from their investment insights and advice.
- Stay current with new industry advancements and investment best practices that may help better position participants for retirement funding success.
- Consider conducting a plan reenrollment into a TDF to help more participants take advantage of the diversification and professional asset allocation and glide paths offered by these strategies.

Additionally, sponsors should consider their plan demographics in their investment selection process. Factors such as age, wealth and general investment sophistication can significantly affect the types of strategies that make sense as part of a plan's investment menu.

Part Four: Retirement income

Key takeaways

1. More than half of sponsors say providing retirement income is a core purpose of their plans.

2. Most feel a degree of responsibility to help participants generate income in retirement.

3. Almost half without a current solution are considering adding retirement income options in the upcoming year.

1. More than half of sponsors say providing retirement income is a core purpose of their plans

Every day, 12,000 people turn 65 in the U.S. The number of people in this age demographic is projected to more than double over the next several decades to top 88 million people and represent more than 20% of the population by 2050.[2] This surge in participants entering and preparing to enter retirement is driving the next evolution of innovation in DC plans: retirement income.

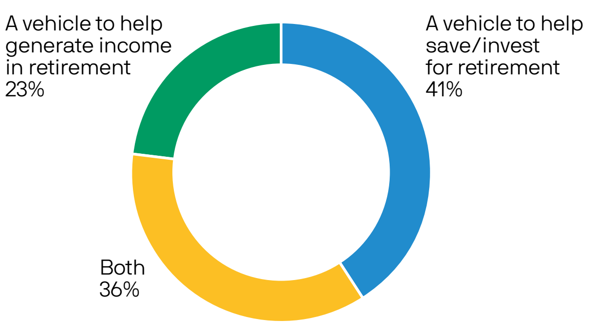
Given the tremendous focus on the topic across the retirement industry, it is unsurprising that sponsors have begun to evolve their views to see their plans not just as retirement savings accumulation vehicles but also potentially as a way to help participants manage the decumulation of these assets once they retire. Six out of 10 surveyed sponsors now believe DC plans should be vehicles for retirement income generation (**Exhibit 15**).

2. Most feel a degree of responsibility to help participants generate income in retirement

Eight out of 10 surveyed sponsors feel a "very high" or "somewhat high" level of responsibility to help participants generate income in retirement (**Exhibit 16**). Additionally, nine out of 10 "strongly agree" or "somewhat agree" that it is important to offer investments that help participants generate income in retirement.

Nearly 60% believe retirement income is at least a part of a plan's purpose

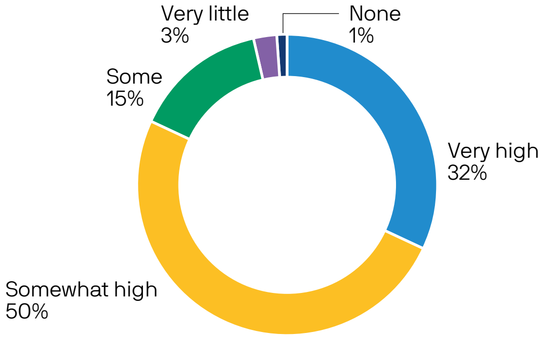
Exhibit 15: In your view, which of the following describes the purpose of DC plans?



Note: 2023 total n=788.
Source: J.P. Morgan Plan Sponsor Research 2023.

More than 80% feel a strong sense of responsibility to help participants generate income in retirement

Exhibit 16: As an employer, which of the following best describes the level of responsibility you feel for helping participants generate income in retirement?



Note: 2023 total n=788.
Source: J.P. Morgan Plan Sponsor Research 2023.

[2] U.S. Census Bureau data, 2020; AARP.

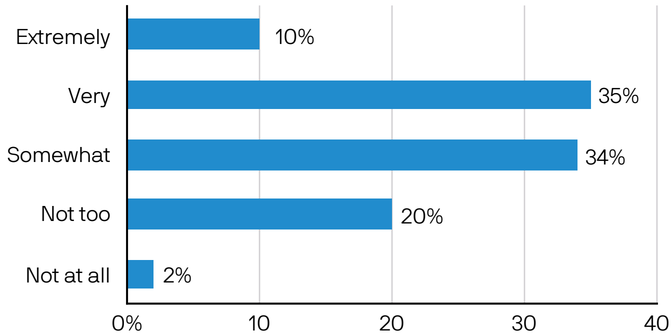
3. Almost half without a current solution are considering adding retirement income options in the upcoming year

Surprisingly, 66% of surveyed sponsors say they already offer a retirement income option. This may be because the term “retirement income” is not yet well defined and can run a broad gamut. Plan sponsors that said they have an offering may be referring to simple participant education, the allowance of partial distributions, or common investment options like stable value and/or balanced funds (the ending point for many TDFs). The space is now shifting into more deliberately designed products that help participants decumulate their savings throughout retirement and may incorporate various types of annuity products. However, it is still an area where more work and research are needed.

Of plan sponsors without a current retirement income option, 45% say that they are “extremely likely” or “very likely” to consider offering one in the upcoming year (**Exhibit 17**). Similar to many past DC plan innovations, this trend is being led by sponsors with a more proactive plan design philosophy. The “extremely/very likely” figure reported by sponsors in this group is 59%, compared with 29% for plans with a primarily participant-driven philosophy.

Many expect to actively explore retirement income options this year

Exhibit 17: How likely are you to consider offering retirement income options in the coming year? (Currently do not offer retirement income solutions)



Note: total n=788; do not offer retirement income solution total n=264.
Source: J.P. Morgan Plan Sponsor Research 2023.

For the 22% of surveyed sponsors without a current retirement income option who are not likely to consider adding a solution in the upcoming year, these are the top 5 reasons:

PARTICIPANT PERSPECTIVE

85% of surveyed participants say they would likely leave their balances in their plans post-retirement if there was an option to help generate monthly retirement income.[1]

- 39% want retired participants to make their own choices.
- 27% are not aware/unfamiliar with these types of options.
- 25% are concerned about fiduciary risk/liability.
- 21% believe their current investment menus are sufficient to help retirees.
- 15% do not want retired participants to stay in the plan.

This is a very familiar pattern to past areas of plan innovation when they were first introduced. It will be interesting to see how these attitudes evolve as new retirement income products are developed and more broadly adopted.

[1] J.P. Morgan Plan Participant Research 2021.

Implications

It is clear from this year's research that retirement income solutions remain the next big area of innovation for the DC industry. The demand is there and growing for both participants and sponsors. Consequently, we expect this will continue to be an intense area of focus and development for the near future.

For sponsors interested in offering retirement income options:

- Consider a short survey to gauge and better understand the needs of your participants.
- Research the available retirement income products and their different features, benefits and trade-offs.
- Determine which product type best aligns with the plan's demographics.
- Amend current plan documents to make any necessary changes to accommodate the selected retirement income solution.
- Develop a robust communication program to help employees make informed decisions.

As always, fiduciaries should consult legal and financial professionals and document their decision-making process.

Conclusion

At J.P. Morgan Asset Management, we remain deeply committed to supporting the continuing evolution of DC plans. We are excited to bring you this year's plan sponsor survey findings and are proud of the advancements that the DC industry has accomplished through its strong sense of partnership since we began the survey 10 years ago.

Today, DC plans have become the primary retirement savings vehicle for most working Americans, and sponsors have risen to the occasion. This is reflected in the high degree of confidence most have in their plans. In this year's survey results, more than seven out of 10 say they are "extremely" or "very" satisfied with their plans' participation rates, investment performance, TDF offerings, average contribution rates and quality of participant education.

We look forward to the next step in this innovation. Working together, we can help ensure a greater number of participants are well positioned to achieve the safer levels of retirement security they deserve.

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