Top reenrollment misperceptions

Reenrollment may help put participants on the path to better retirement outcomes, but some common misperceptions could be preventing plan sponsors from leveraging this strategy.

What’s holding plan sponsors back?

1. “If I conduct a reenrollment, my participants will push back.”
   - Of participants would rather push the easy button: 62%
   - Of participants are supportive or neutral toward employers conducting a reenrollment: 89%

2. “A reenrollment is too much of a fiduciary risk.”
   - Of plan sponsors are not aware of the potential to receive fiduciary protection for assets reenrolled into a qualified default investment alternative (QDIA): 40%

3. “My plan is well diversified at an aggregate level, so everything is fine.”
   - Of participants fall outside of the range of equity exposure generally considered appropriate for their ages: 72%
   - Only 4 in 10 participants are confident they know which of their 401(k) plan investment options they should invest in.

4. “I added target date funds (TDFs) to the plan’s lineup, so there’s nothing I can do about my participants not taking action.”
   - A reenrollment can dramatically increase TDF utilization rates: 22%
   - Add-to-menu reenrollment: 49% vs. 97% target date fund utilization rates (as % of plan assets)

ERISA safe harbor protection may be available for assets reenrolled into a QDIA during a reenrollment.

Safe harbor protection QDIA regulation provides that safe harbor protection may be available when “the participant…had the opportunity to direct the investment of the assets in his or her account but did not direct the investment of the assets.”

Source: ERISA Regulation Section 2550.404c-5(c)(2).

If I conduct a reenrollment, my participants will push back.”

Participants say they need help.

A reenrollment is too much of a fiduciary risk.”

ERISA safe harbor protection may be available for assets reenrolled into a qualified default investment alternative (QDIA).

My plan is well diversified at an aggregate level, so everything is fine.”

The view at the participant level often tells a different story.

A reenrollment can dramatically increase TDF utilization rates.

Target date fund utilization rates (as % of plan assets)

Add-to-menu Reenrollment

1% to 4%

49% to 97%

22%
Did you know?

A plan reenrollment is a process by which participants are notified that their existing assets and future contributions will be invested in the plan’s qualified default investment alternative (QDIA), which may be a target date fund based on their dates of birth. All participants’ assets are automatically moved into the QDIA on a certain date unless the participants make new investment elections during a specified time period.

**Participant benefits**
- Potential for improved asset allocation
- Helps new and existing participants

**Plan sponsor benefits**
- Potential for protection from investing liability
- Better participant experience

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