



Transamerica Center for Retirement Studies ***Employers, Workers, and Retirement Plan Fees***

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TRANSAMERICA CENTER
FOR RETIREMENT STUDIES®

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About The Center

- **The Transamerica Center for Retirement Studies (“The Center”)** is a non-profit corporation dedicated to educating the public on emerging trends surrounding retirement security in the United States. The Center’s research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes.
- **The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. For more information about The Center, please refer to www.transamericacenter.org.**
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- **Although care has been taken in preparing this material and presenting it accurately, The Center disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.**

About The Survey

- **Since 1999, the Transamerica Center for Retirement Studies has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public.**
- **Harris Interactive was commissioned to conduct the Tenth Annual Retirement Survey for Transamerica Center for Retirement Studies.**

Methodology and Terminology

Worker Survey

- **A 22 minute, online survey was conducted between December 16, 2008 – January 13, 2009 among a nationally representative sample of 3,466 for-profit workers using the Harris online panel. Respondents met the following criteria:**
 - All U.S. residents, age 18 or older
 - Full-time workers or part-time workers
 - Employer size of 10 or more
- **Data were weighted as follows:**
 - To account for differences between the population available via the internet versus by telephone
 - To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range

Employer Survey

- **A telephone study was conducted among a nationally representative sample of 596 employers. Potential respondents were targeted based on job title at for-profit companies and met the following criteria:**
 - Business executive who makes decisions about employee benefits at his or her company
 - Employs 10 employees or more across all locations
- **17 minute telephone interviews were conducted between January 5 and February 29, 2009.**
- **Results were weighted as needed using weighting targets from the Dun & Bradstreet database for ensuring each quota group had a representative sample based on the number of companies in each employee size range. A full methodology is available.**

Both Surveys

- **Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.**
- **Significance is tested at 95% confidence.**

This report uses the following terminology:

- **Echo Boomer: a person born after 1978**
- **Generation X: Born 1965 - 1978**
- **Baby Boomer: Born 1946 - 1964**
- **Mature: Born before 1946**

Introduction

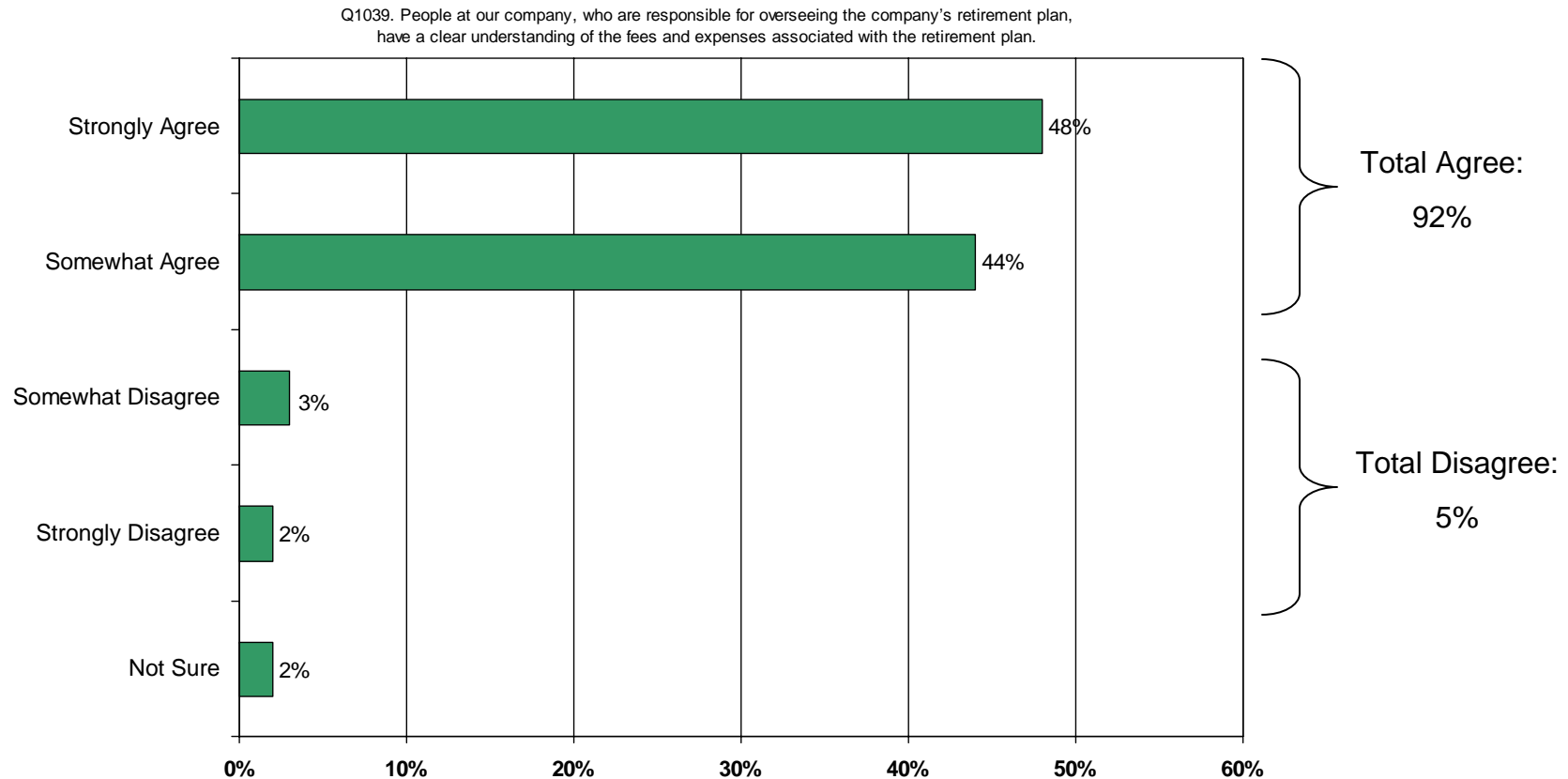
- **Concerns about fee disclosures in 401(k) plans have recently garnered much attention in the government, media, and retirement industry.**
- **Findings from the 10th Annual Retirement Survey help to illustrate:**
 - Current levels of awareness of 401(k) fees
 - Employer and worker preferences for receiving information about fees
 - Opportunities for increasing awareness

Summary of Findings

- **The 10th Annual Transamerica Retirement Survey found that awareness of 401(k)-related fees is high among employers:**
 - The majority (92 percent) of employers surveyed agree that they have a clear understanding of fees --including (48 percent) who strongly agree.
 - Most employers (65 percent) are not interested in receiving more information about fees.
- **A significant disparity exists between employers' perceptions compared to workers' awareness of fees:**
 - Most employers (73 percent) believe that their employees have a clear understanding of 401(k) fees.
 - Yet, only 29 percent of workers who are participating in 401(k) or similar plans are aware of such fees.
- **When were asked how they would like to receive information about fees:**
 - The majority of workers (75 percent) would like to access information electronically on their retirement plan provider's Web site and/or quarterly account statements.
 - More than two-thirds of the workers surveyed stated either a preference for some form of summary information (54 percent) or no preference (14 percent) for the level of fee detail they receive. Thirty-two percent of workers prefer the information to be somewhat summarized with a break-down of fees for services and investments, while 22 percent prefer a high-level summary with a total, all-inclusive cost. Only 31 percent of workers prefer a highly detailed account of fees and expenses.

Employers: Understanding of Fees

Employers overwhelmingly agree that the people responsible for overseeing the company's retirement plan have a clear understanding of the fees associated with the plan.

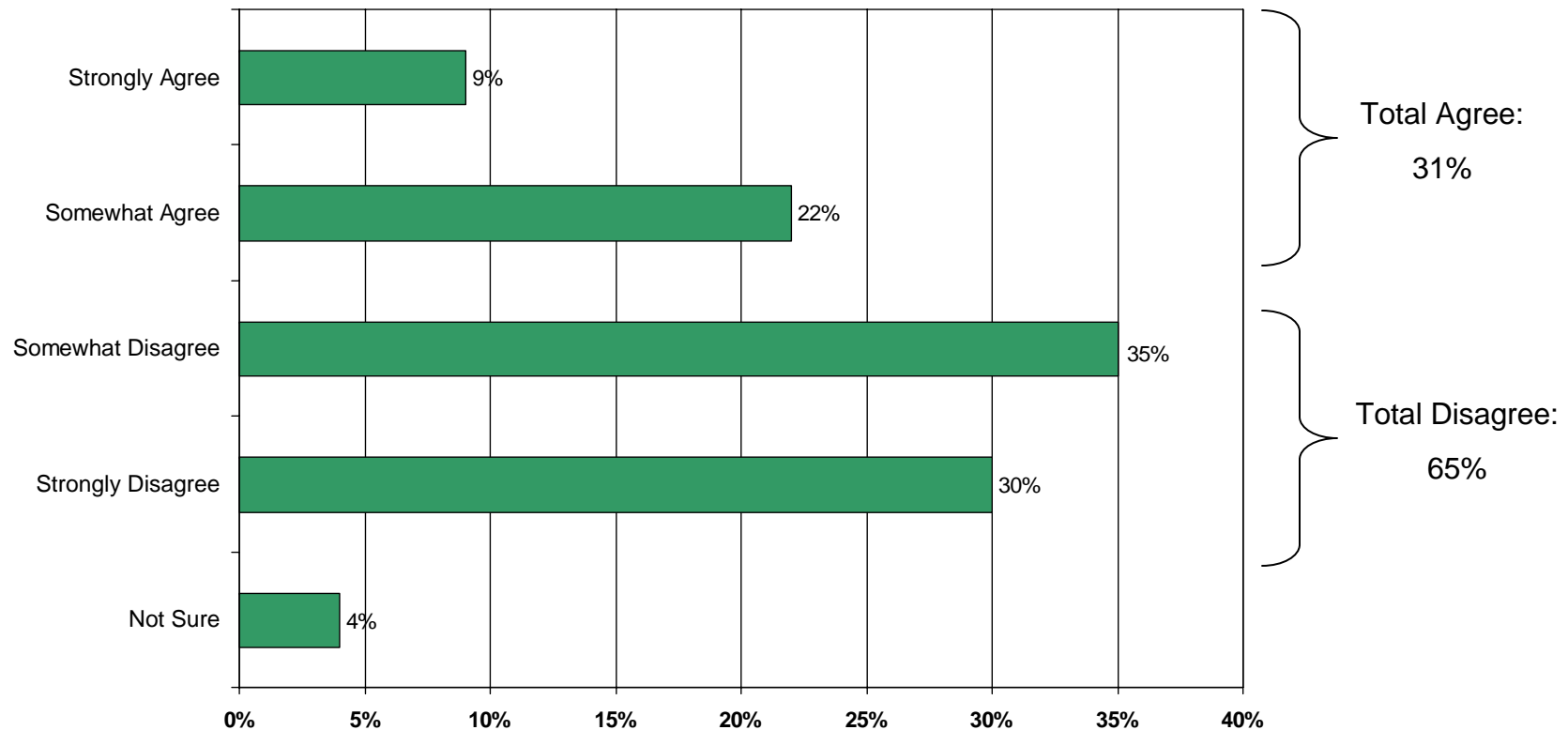


Base: For Profit, Employers w/10+ employees. Offers 401(k) or other self-funded plan. All (n = 526)

Employers: More Information on Fees?

When employers were asked if they wanted more information on fees, 65 percent disagreed, with 30 percent who strongly disagree.

Q1045. I would like to receive more information from my retirement plan provider about the fees and expenses associated with the retirement plan.

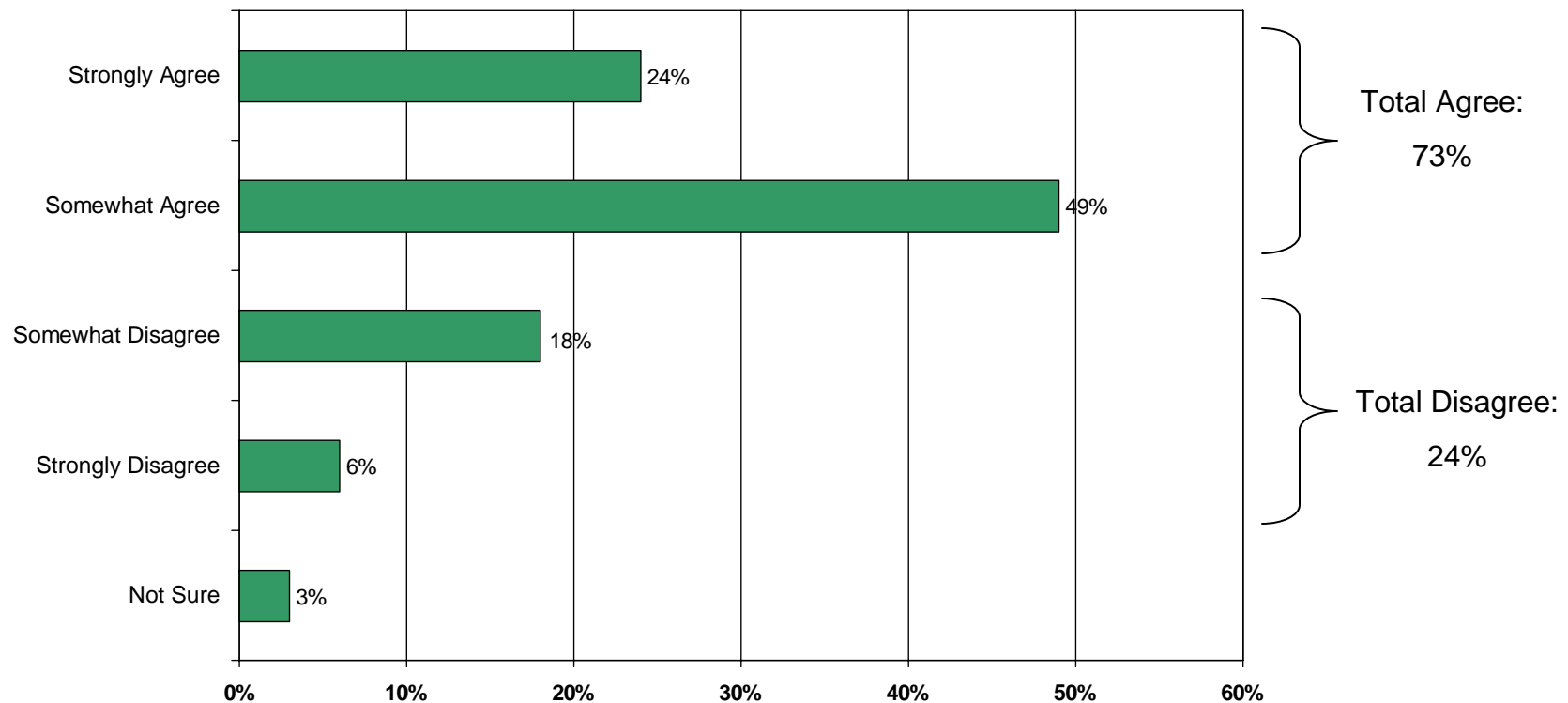


Base: For Profit, Employers w/10+ employees. Offers 401(k) or other self-funded plan. All (n = 526)

Employers: On Worker Understanding of Fees

Most employers agree that their employees have a clear understanding of fees associated with participating in the retirement plan.

Q1041. Our employees have a clear understanding of the fees associated with participating in the retirement plan.

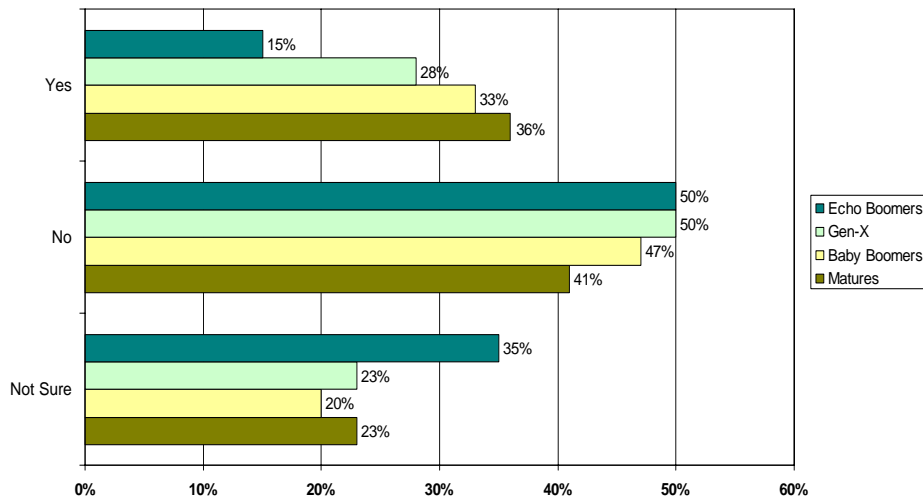


Base: For Profit, Employers w/10+ employees. Offers 401(k) or other self-funded plan. All (n = 526)

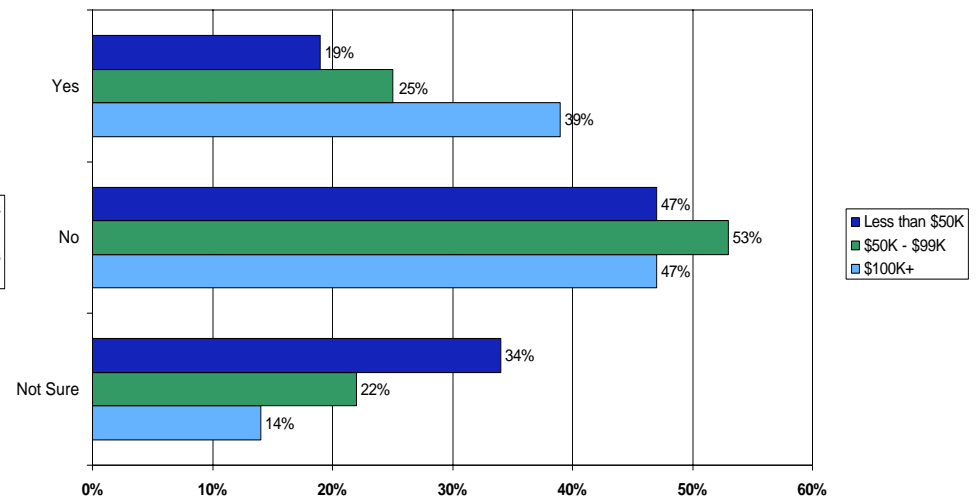
Workers: Awareness of Fees

Only 29 percent of workers report being aware of fees, with 48 percent unaware and 23 percent “not sure.” The disparity between employers’ perceptions and workers’ actual awareness suggests that workers are currently receiving fee-related information in an ineffective manner.

Q634. Are you aware of any fees that may be charged to your participant account associated with your company's retirement plan?



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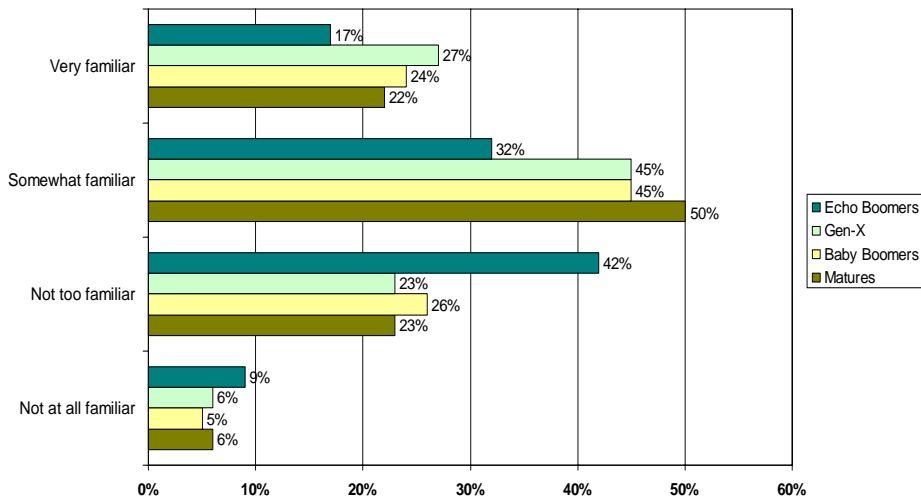
Base: For-profit, Full & Part-time, plan currently offered to them. Echo (N = 300); Gen-X (N = 632); Baby Boomers (N = 1274); Matures (N = 192)

Base: For-profit, Full & Part-time, plan currently offered to them. <\$50K (N = 577); \$50K-\$99K (N = 929); \$100K+ (N = 601)

Workers: Familiarity with Fees

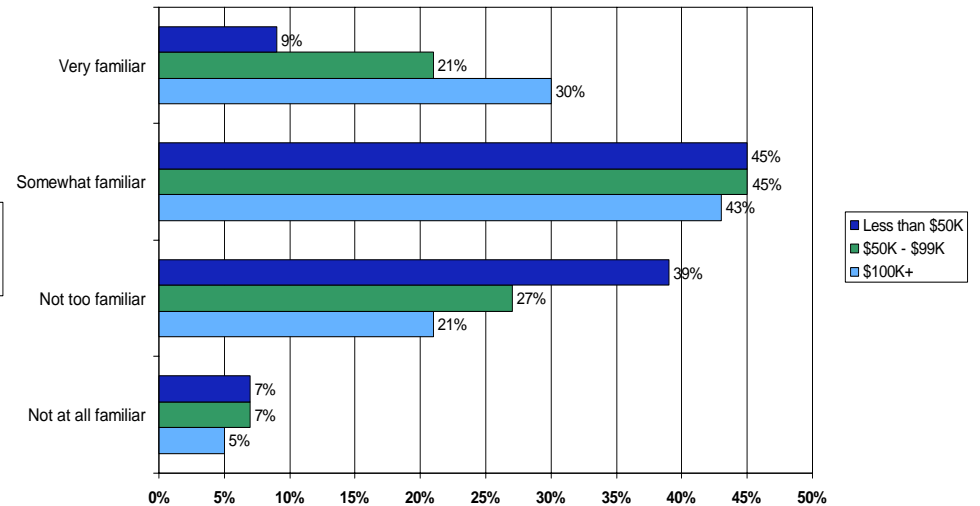
Among workers who are aware of fees, most (68 percent) are very/somewhat familiar with fees. Older and higher-income workers are the most familiar with fees.

Q635. How familiar are you with the fees, if any, charged to your participant account associated with your company's retirement plan?



Base: Aware of Fees. Echo (N = 41); Gen-X (N = 163); Baby Boomers (N = 402); Matures (N = 69)

Q635. How familiar are you with the fees, if any, charged to your participant account associated with your company's retirement plan?

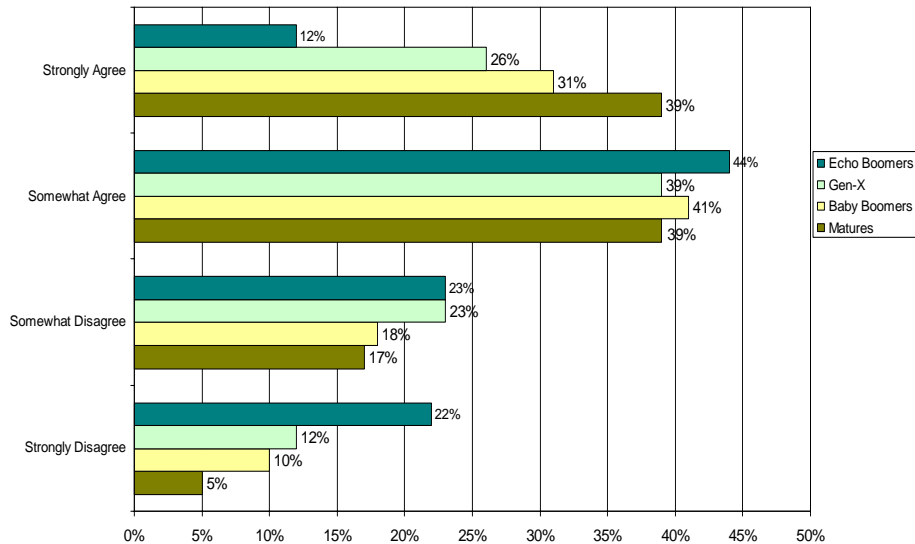


Base: Aware of Fees. <\$50K (N = 107); \$50K-\$99K (N = 239); \$100K+ (N = 245)

Workers: Involvement in Managing Retirement Savings

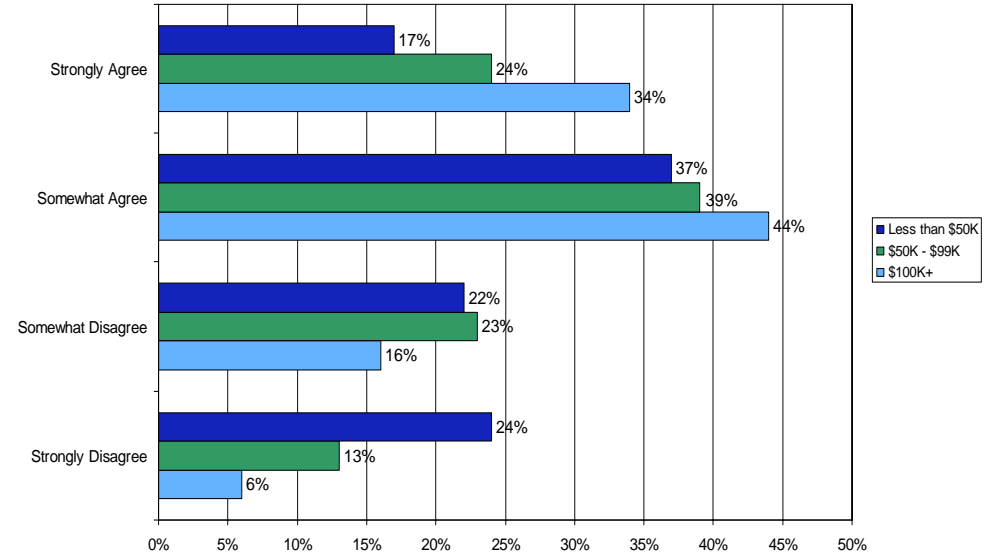
Many workers agree (67 percent) that they are very involved in monitoring and managing their savings, however 33 percent disagree. Older generations of workers and households with higher incomes are more likely to agree that they are involved.

Q931_1. I am currently very involved in monitoring and managing my retirement savings:



Base: Qualified plan offered to them. Echo (N = 300); Gen-X (N = 632); Baby Boomers (N = 1274); Matures (N = 192)

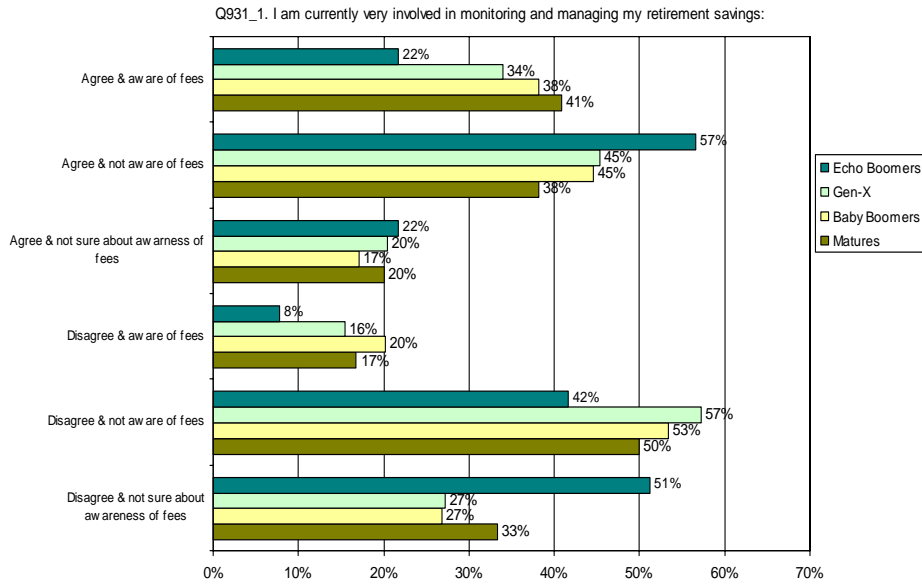
Q931_1. I am currently very involved in monitoring and managing my retirement savings:



Base: Qualified plan offered to them. <\$50K (N = 577); \$50K-\$99K (N = 929); \$100K+ (N = 601)

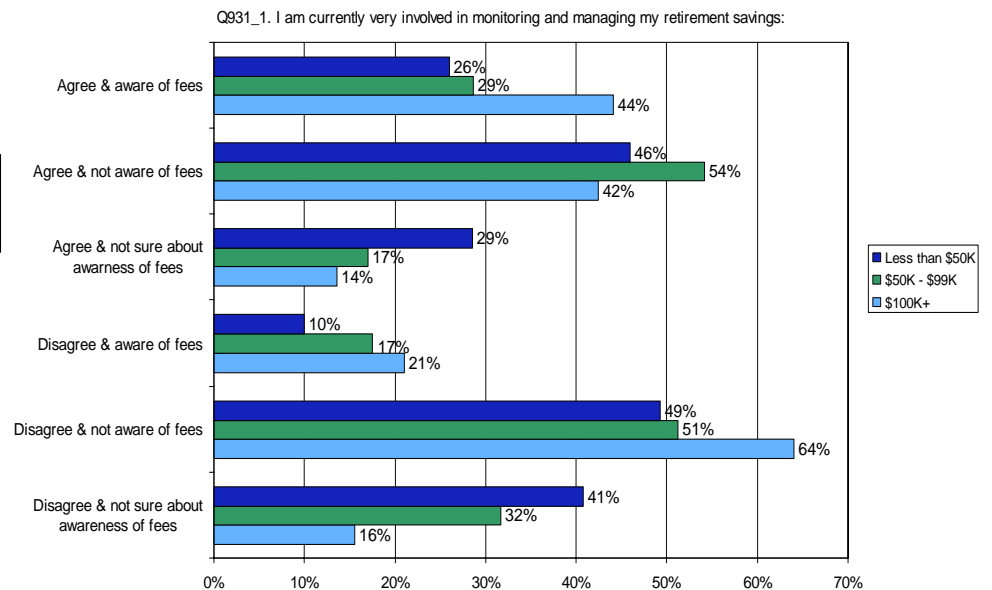
Workers: Level of Involvement and Awareness of Fees

While overall awareness of fees among workers is low, workers who agree that they are very involved in monitoring and managing their retirement savings are more than twice as likely to be aware of fees than those who are not very involved (35 percent vs. 16 percent). This generally holds true among different generations and levels of household income.



Base: Qualified plan offered to them, Agree with statement: Echo (N = 145); Gen-X (N = 372); Baby Boomers (N = 860); Matures (N = 146); Disagree: Echo (N = 155); Gen-X (N=260); Baby Boomers (N = 414); Matures (N = 46)*

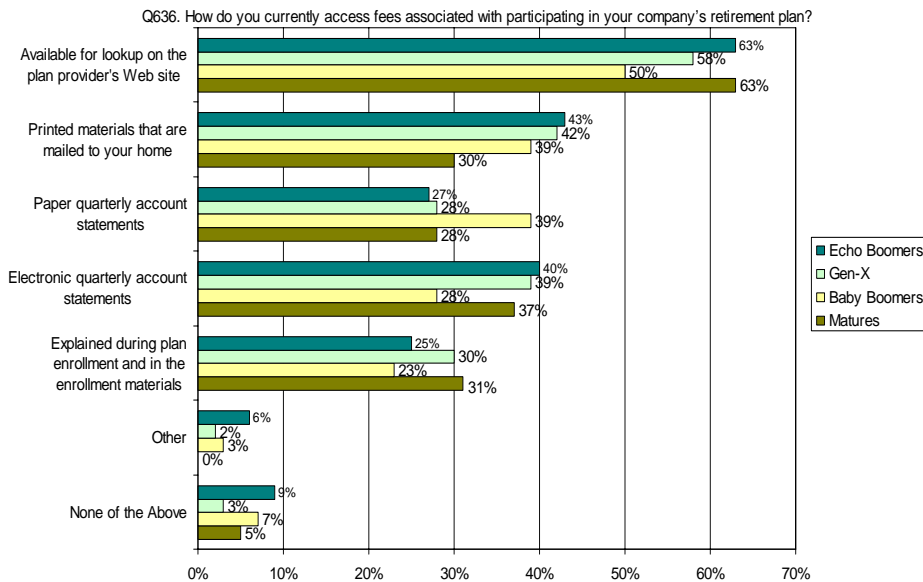
*Small base size



Base: Qualified plan offered to them, Agree with statement: <\$50K (N = 281); \$50K-\$99K (N = 218); \$100K+ (N = 467); Disagree: <\$50K (N = 296); \$50K-\$99K (N = 350); \$100K+ (N = 134)

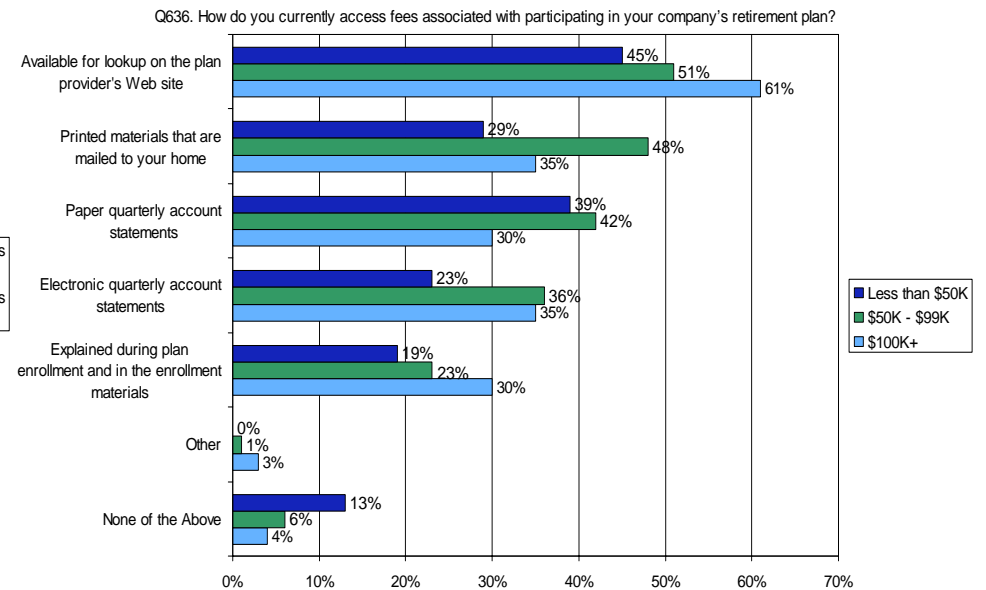
Workers: Current Access to Fee Information

Among workers who are aware of fees, a majority currently access that information via the plan provider's Web site (55 percent). Other sources of fee information include printed materials mailed to their home (40 percent), paper (34 percent) and electronic (33 percent) quarterly account statements.



Base: Aware of Fees. Echo (N = 41)*; Gen-X (N = 163); Baby Boomers (N = 402); Matures (N = 69)*

*Small base size

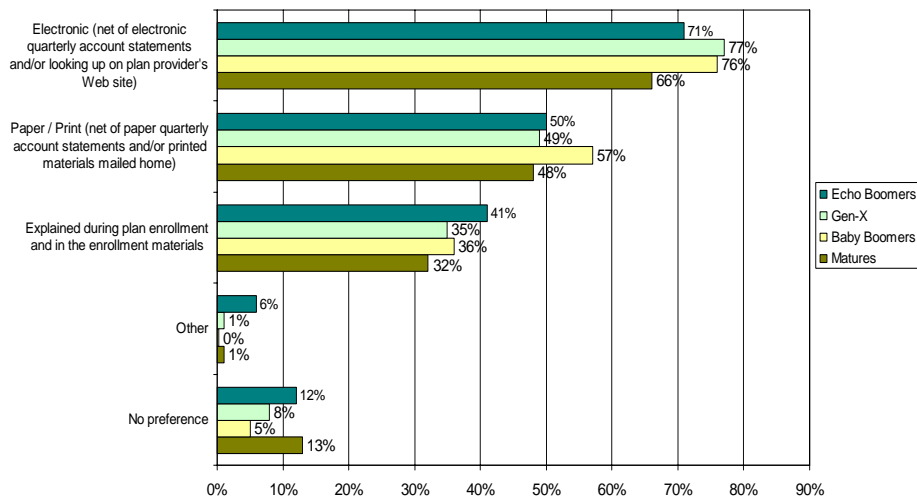


Base: Aware of Fees. <\$50K (N = 107); \$50K-\$99K (N = 239); \$100K+ (N = 245)

Workers: Preferences for Accessing Fee Information

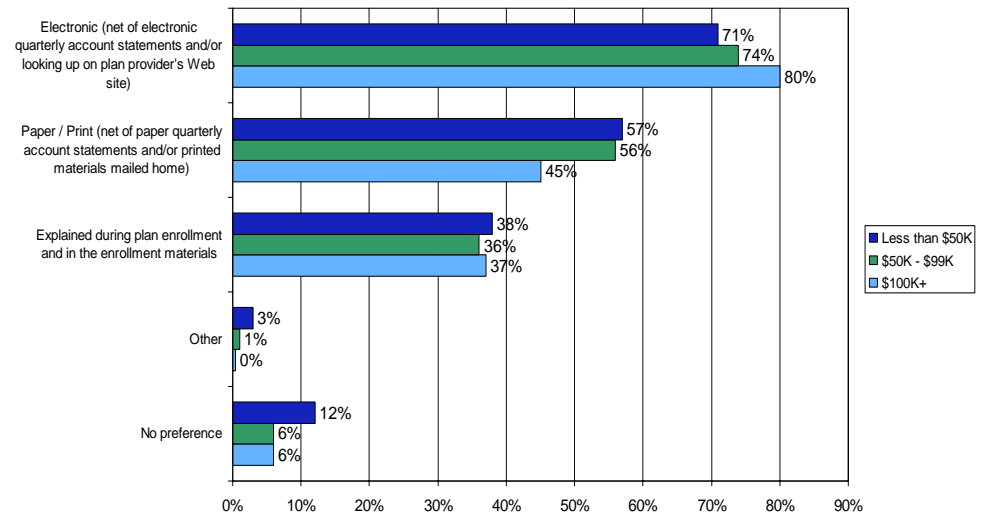
When workers who are currently offered a 401(k) or similar plan were asked about their preference for accessing fee information, most (75 percent) would prefer it in electronic format (i.e., provider's Web site and/or electronic quarterly account statement). This was generally true among different generations and household income levels.

Q637. How would you like to access information about the fees associated with participating in your company's retirement plan?



Base: Qualified plan offered to them. Echo (N = 300); Gen-X (N = 632); Baby Boomers (N = 1274); Matures (N = 192)

Q637. How would you like to access information about the fees associated with participating in your company's retirement plan?

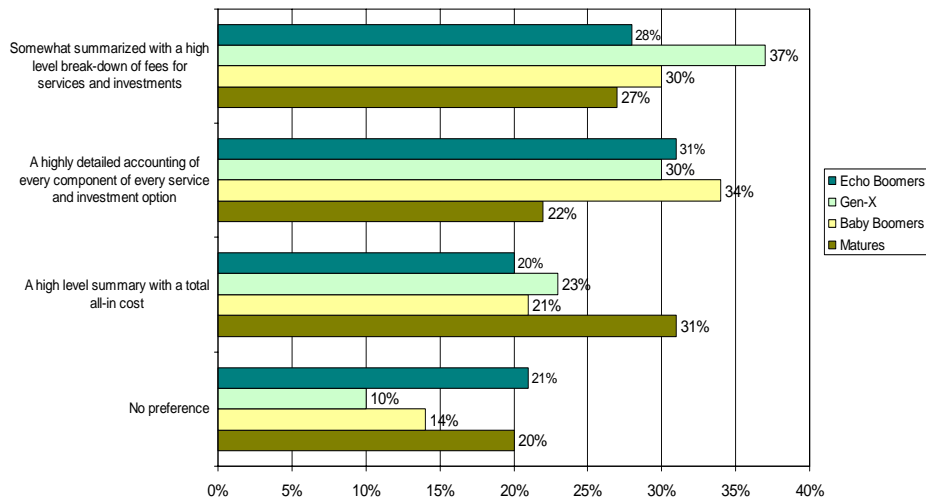


Base: Qualified plan offered to them. <\$50K (N = 577); \$50K-\$99K (N = 929); \$100K+ (N = 601)

Workers: Preferred Level of Fee Detail

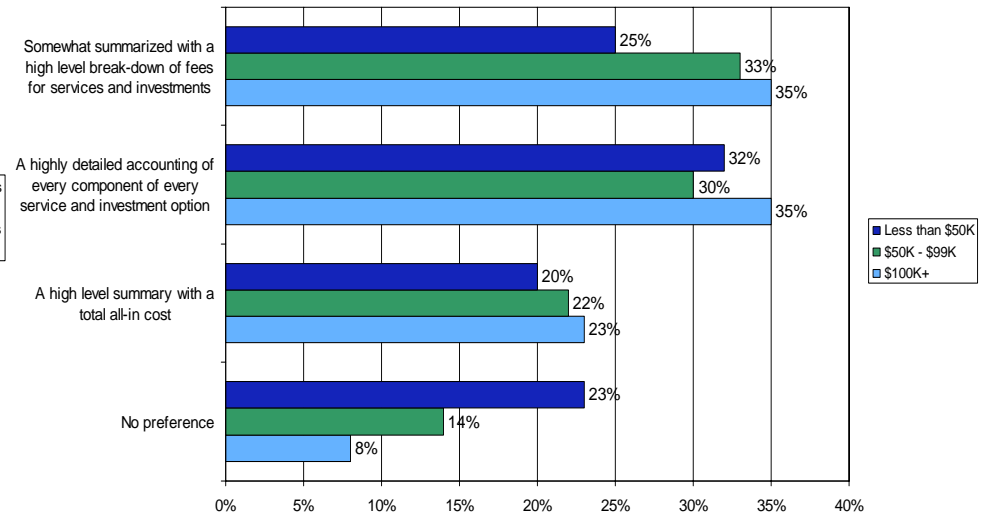
Most workers prefer some form of summary (54 percent) when receiving information about fees while others have no preference (14 percent). Fewer than one third (31 percent) would like a highly detailed accounting of fees. Echo Boomers, Matures and those with household incomes less than \$50,000 are more likely than other segments of the worker population to have no preference.

Q638. Which level of detail would you prefer when receiving information about any fees that may be charged to your participant account?



Base: Qualified plan offered to them. Echo (N = 300); Gen-X (N = 632); Baby Boomers (N = 1274); Matures (N = 192)

Q638. Which level of detail would you prefer when receiving information about any fees that may be charged to your participant account?



Base: Qualified plan offered to them. <\$50K (N = 577); \$50K-\$99K (N = 929); \$100K+ (N = 601)

Improving Awareness of 401(k) Fees

- **The 10th Annual Transamerica Retirement Survey yields important insights for improving awareness of 401(k)-related fees and offering information in a format that will help workers make informed decisions about their retirement savings.**
- **The disparity between employers' perception of their workers' awareness of fees and workers' actual awareness suggests that fee-related information is being delivered in an ineffective manner – perhaps too much detail and too much paper.**
- **Workers' preferences for receiving information about fees include:**
 - Electronically through the retirement plan provider's Web site and quarterly electronic account statements.
 - In some form of summary.
- **Given workers' stated preferences, an ideal solution would be through electronic summaries combined with ability to obtain additional detail on the plan provider's Web site.**
- **Policymakers and the retirement services industry have opportunities to:**
 - Expand the use of electronic summaries, enhance education programs for plan participants to raise awareness of fees, encourage them to take a more active role in managing and monitoring their retirement savings, and help them make more informed decisions about their retirement savings.
 - Enhance communication programs for plan sponsors to improve the flow of information to their employees.



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