

# The Definitive 401(k) Plan Benchmark

A guide to making sure your  
retirement plan measures up  
and stands apart

An exclusive excerpt from Sequoia's  
complete 2019 benchmarking report  
revealing how people-first companies  
shape their employee experience.



SEQUOIA CONSULTING GROUP

## Employee Experience Benchmarking Report 2019



# Helping you help your people.

For over a decade, we've helped hundreds of our clients realize the value in unifying their benefits and retirement programs to improve the employee experience, ease administrative burdens, and reduce business risk.

Today, Sequoia's Retirement Services team manages \$2.6 billion in assets for companies big and small. From educating millennials about their retirement options to taking on the judiciary responsibility of running your retirement program, we offer the guidance and customization you need to protect the financial future of your employees.

We hope you enjoy this excerpt from our annual benchmarking report focused specifically on what people-first companies are doing with their 401(k) programs.

## Need retirement plan guidance? Let's talk.

Sequoia is dedicated to making sure client retirement plans measure up and stand apart.

As Principal & Director of Retirement Services at Sequoia, Luciano Costantini and his team have your back. Whether you are a Sequoia 401(k) client or not, we're always available to answer questions or help you learn more about our retirement services.

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**Luciano Costantini**  
Principal & Director of  
Retirement Services



# Introduction

This guide, exclusively available to Sequoia clients, is an excerpt from Sequoia's 2019 Employee Experience Benchmarking Report. Rich in competitive data and industry insights, the report compiles survey responses from 684 U.S.-based companies. Weighted toward the technology space and tech hub states of California and New York, the report sheds light on the investments some of the most savvy, people-first employers are making to attract and retain the talent they need to execute their mission.

As pension plans become a thing of the past, the importance of employer-sponsored 401(k) plans has increased, making it the primary retirement savings vehicle used by employees. 97% of surveyed companies with more than 500 employees offer a 401(k) plan.

Employers are looking to improve the employee experience and engage them by offering full-service retirement programs that are enhanced by financial wellbeing tools and hands-on financial wellbeing resources in addition to the self-service tools that have become the standard. This guide gives detailed insight into the specifics.

For more information on how Sequoia retirement experts can ensure your retirement plan measures up and stands apart, contact us today: [401k@sequoia.com](mailto:401k@sequoia.com)

## Trending in 2019

Automatic enrollment practices have been trending upward over the past few years, with survey respondents showing a spike in adoption. 48% of companies offer auto-enrollment in 2019 compared to 33% in 2016. As employers and employees get more comfortable with the concept, we expect even more companies to utilize this automatic provision, including 5% of the respondents who say their company is planning to add auto enrollment in the next year.

For companies who match employee retirement contributions, offering an after-tax deferral program has allowed their employees to fully utilize the annual plan contribution limit of \$55,000 (as indexed).



# Plan Design

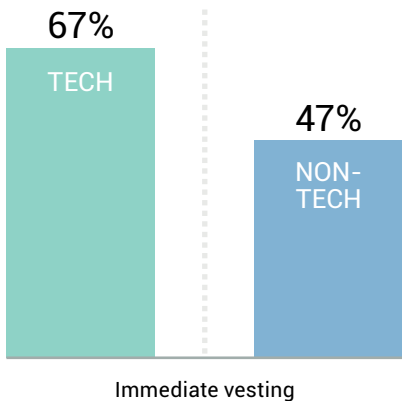
## Plan Options & Eligibility

Fortunately for employees starting new jobs, more than half of the companies who responded to our survey offer immediate eligibility in their 401(k) retirement plans.

Additionally, the majority of surveyed companies indicated they offer both Traditional and Roth options. Each offer their own tax advantages, giving the employee the flexibility to choose what's best for them based on their tax situation.

### Most employers don't have a waiting period for benefit eligibility

	OVERALL
Immediate	62%
After 1 month of service	17%
After 3 months of service	12%



### 401(k) retirement plans are a staple in total benefits packages, regardless of company size



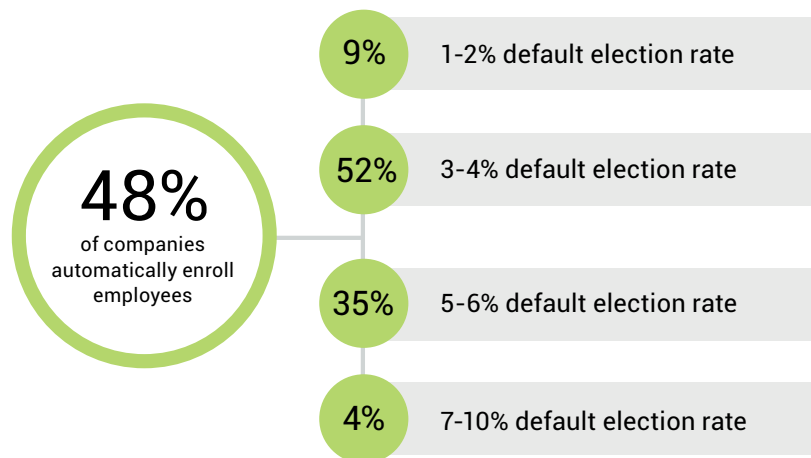


## Automatic Enrollment

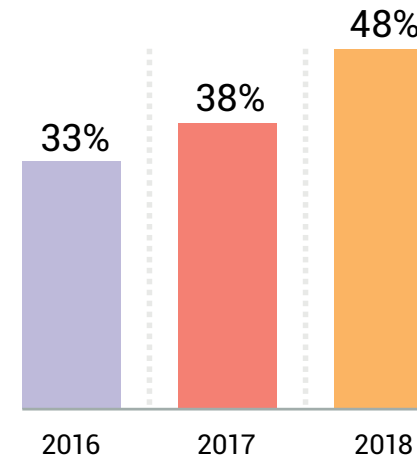
The adoption of automatic enrollment has been trending over the past few years, with utilization rising 15% since 2016. Nearly half of surveyed companies are now automatically enrolling eligible employees.

Auto enrollment encourages employees to begin saving for retirement as soon as they are eligible. It is also an effective way for companies to increase participation and thus make it easier for the plan to pass annual nondiscrimination testing.

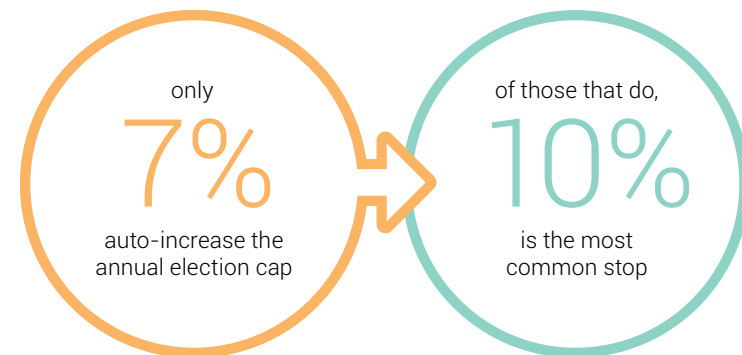
### The most common election rate for auto enrollment is 3%



### Auto enrollment in 401(k) plans is at a tipping point



### Most companies do not auto-increase the annual election cap



## Company Matching

HR professionals continue to cite that job candidates reference the company 401(k) plan, especially plans that offer matching contributions, as a deciding factor.

While the majority of companies still reported having no plans to begin a matching program in the near future, the number of plans offering match has continued to increase over the past three years. In addition, 14% of the companies not currently matching are considering implementing a matching program within the next year.

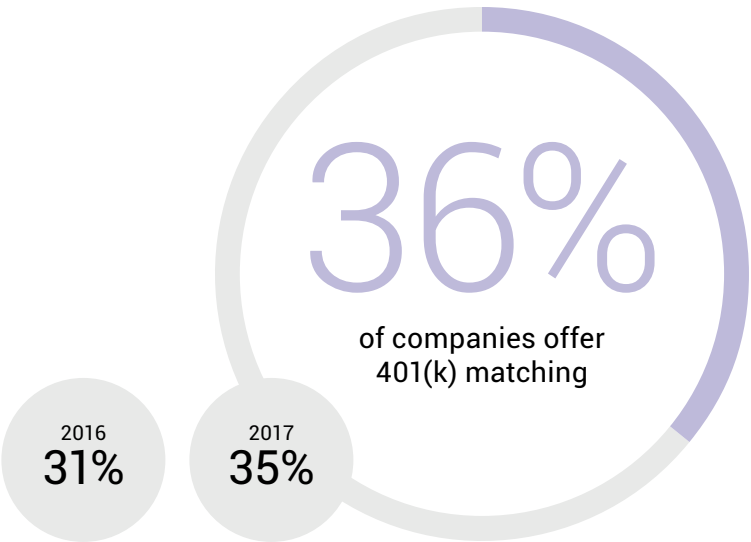
### Vesting Strategies

For companies that match, vesting schedules are commonly used as a method to encourage employee retention. Vesting adds additional motivators for employees to stay with the company for a set amount of time. However, tech companies use immediate vesting as a recruiting tactic in a competitive talent pool, often forgoing the benefits that a longer vesting schedule can provide for retention.

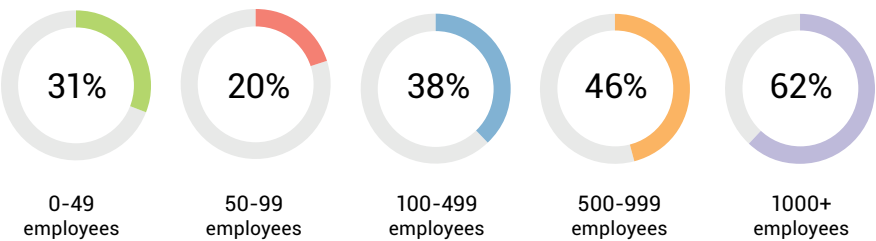
### Immediate vesting remains popular in tech

	TECH	NON-TECH
Immediate vesting (100%)	62%	47%
Graded Vesting (2-6 years)	21%	40%
Cliff Vesting (1-3 Years)	17%	13%

### Growth in company matching is slow but steady



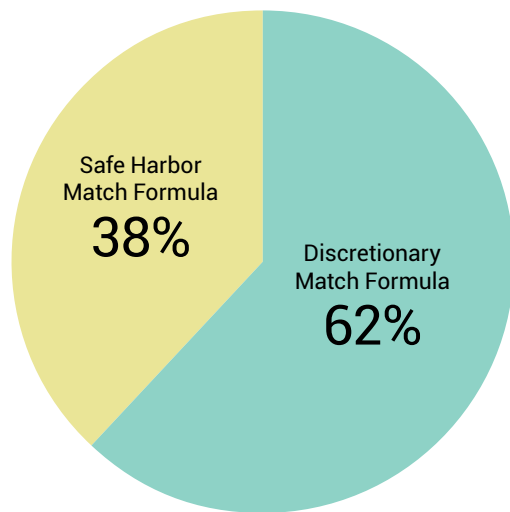
### Larger companies are more likely to match 401(k) contributions



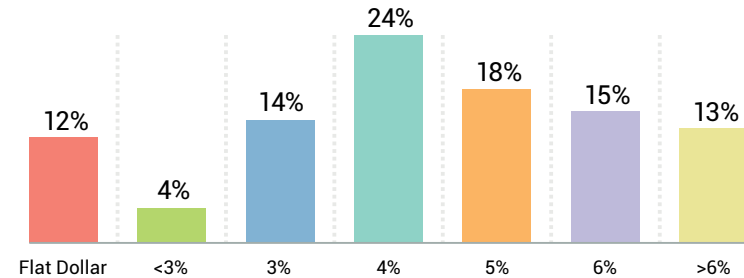
## Match Formulas

When determining how to match, there is a wide range of formulas companies may use. Employers desiring to promote healthier savings practices “stretch” their match formula by electing a fraction of their total available spend. For example, a company with a 3% match spend would set their match formula as 50% up to the first 6% instead of 100% on the first 3%.

**Most companies use discretionary match formulas, where they match 50% up to a specific percentage**

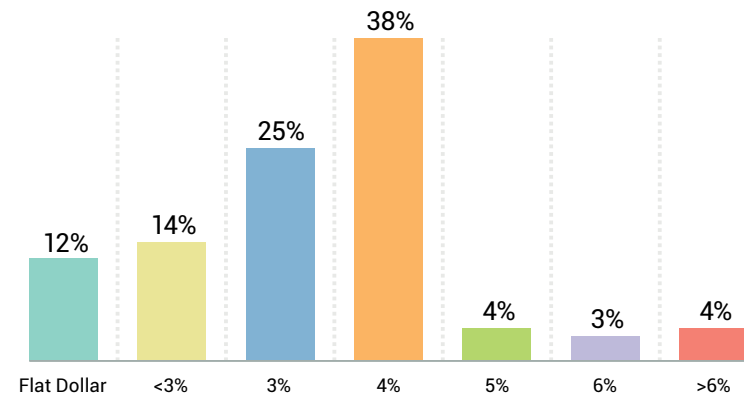


## The most common match ceiling\* is 4%



The match ceiling is the deferral rate at which a participant must contribute to maximize the company match.

## The most common match effective rate\* is 4%



The match effective rate is the percentage of income a participant will receive from the employer if they are contributing at or above the match ceiling.

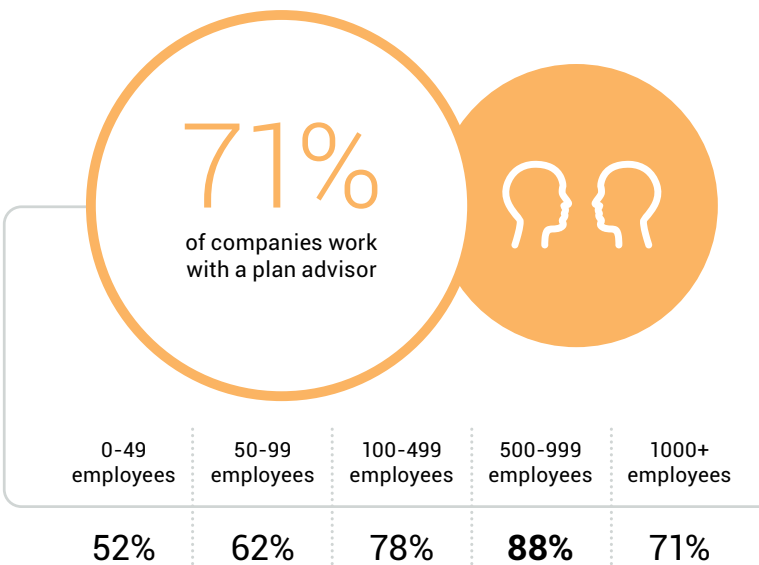
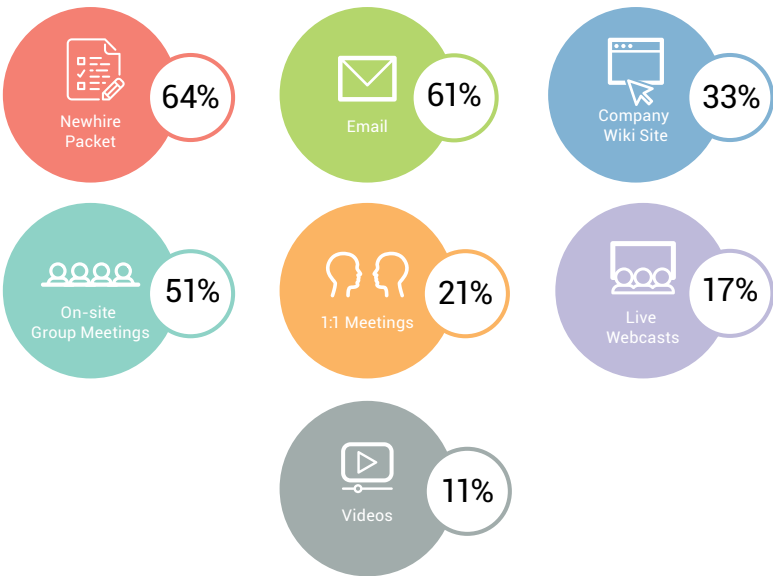
# Administration & Participation

## Plan Options & Eligibility

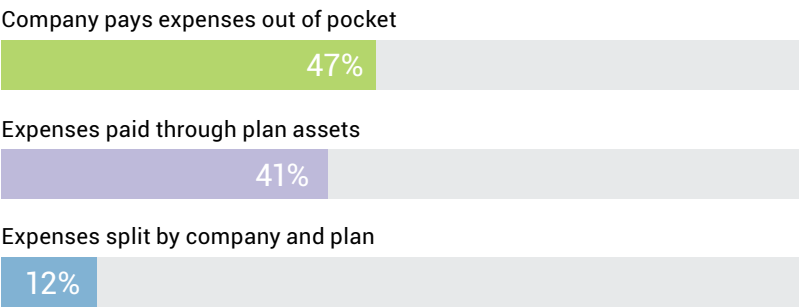
While the importance of retirement planning has been promoted more and more in the media, employees still report feeling uncomfortable with the actions they need to take achieve their retirement goals. Working with a plan advisor can reduce a company's fiduciary exposure to risk and help communicate the plan to employees. A plan advisor can also bring insight to help identify areas of enhancement or potential non-compliance.

Education comes in various formats, the most popular being on-site group meetings and communications via email. HR professionals cited strong feedback from employees about personal interactions but also cited needing to balance on-demand content for their busy employee population.

### Plan sponsors have embraced a variety of communication methods



### Most companies pay for administration and advisory expenses out of pocket

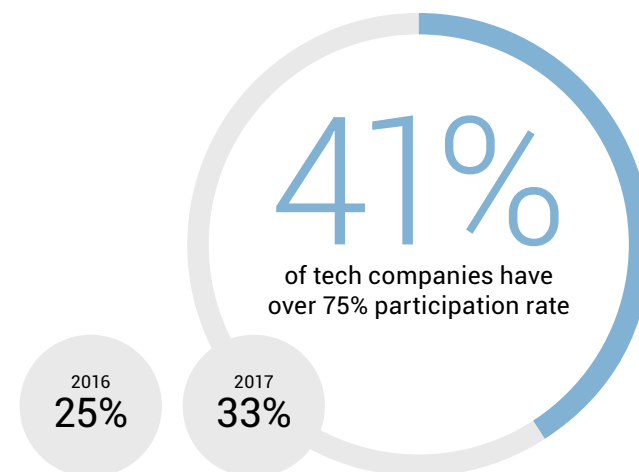




## Employee Participation

Tech company participation rates continue to rise. One of the contributing factors is likely the increase in companies utilizing automatic enrollment. 66% of companies who offer auto enrollment have 75% participation or better.

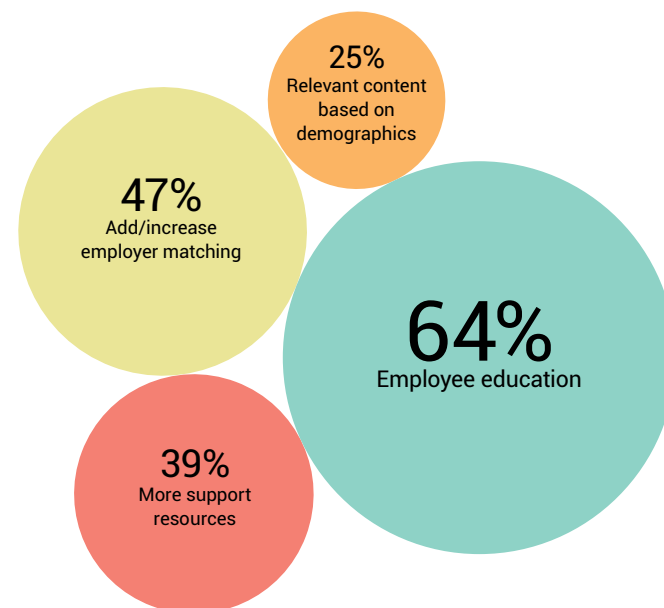
Employers are looking for more creative ways to engage their employee base. 39% of companies plan to offer better financial education in the next 12 months and 16% plan to add perks to their benefits packages that focus on financial wellbeing.



### Auto enrollment is likely a huge factor in improving participation rates

	OFFER AUTO-ENROLL PROGRAM	TECH	NON-TECH
100% Participation	5%	2%	11%
75-99% Participation	61%	39%	33%
50-74% Participation	19%	30%	19%
25-49% Participation	13%	21%	17%
< 25% Participation	3%	9%	19%

### Companies are considering various program changes to improve participation







Learn more online at  
[sequoia.com](https://sequoia.com)

## Helping great companies become great big companies

Sequoia has everything people-first companies need to grow smartly and confidently. We know how important it is to attract and retain talent, scale your operations, and get a meaningful return on your investment in your employees. With benchmarked benefits, retirement, and wellbeing, and with the highest-rated mobile app in the industry, we'll ease your administrative burdens and make it effortless for your employees to access and appreciate your programs.



Domestic Benefits



Retirement



Wellbeing



Risk Management



Global Benefits

### Unify your benefits & retirement today

Reach out to your client service manager or contact our retirement experts to learn more:

650.804.9519 / [401k@sequoia.com](mailto:401k@sequoia.com)

