

ERISA 403(b) Plans Offer Wide Range of Investment Options

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New BrightScope/ICI research also shows high employer contribution rate

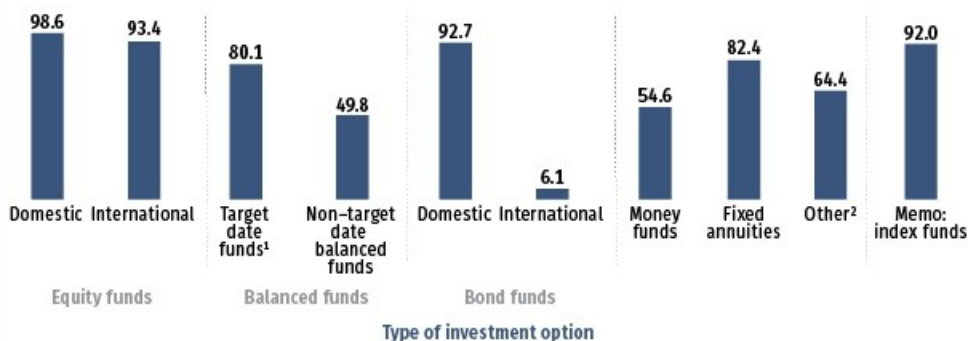
Washington, DC; April 16, 2020—The average large 403(b) plan subject to the Employee Retirement Income Security Act of 1974 (ERISA) offered 25 “core” investment options in 2016, a joint research study released today by BrightScope and the Investment Company Institute (ICI) has found. These retirement plans, offered by public schools and universities, nonprofit employers, and church organizations, allow employees to make tax-deferred contributions, and often include employer contributions.

The study, “[The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at ERISA 403\(b\) Plans, 2016](#),” examines 403(b) retirement plan design, including automatic enrollment of employees into the plan, employer contributions, and participant loans, as well as investment lineups. The study found that the average large ERISA 403(b) plan offered 11 equity funds, three bond funds, and nine target date funds in 2016. Nearly all plans offered domestic equity, international equity, and domestic bond funds in their core investment offerings.

“By emphasizing plan design, including offering a robust investment lineup, 403(b) plans allow employers to customize plans that attract and retain quality workers,” said Sarah Holden, ICI senior director of retirement and investor research. “The flexibility of plan features—such as automatic enrollment, employer contributions, and actively managed and index investment options—help plan participants accumulate substantial retirement savings.”

Incidence of Core Investment Options Offered by Type of Investment in Large ERISA 403(b) Plans

Percentage of plans in the BrightScope database offering the specified core investment option, 2016



¹ A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund’s name.

² Other includes commodity funds, real estate funds, and brokerage accounts.

Note: The sample is 5,335 plans with \$389.2 billion in assets that had audited 403(b) filings. Participant loans are excluded. Funds include mutual funds and variable annuities. Audited 403(b) filings generally include plans with 100 participants or more. Investment options include mutual fund, variable annuity, and fixed annuity options. Core investment options are those that have at least 0.5 percent of plan assets. The funds in a target date fund suite are included if at least 0.5 percent of plan assets are invested in that suite.

Source: BrightScope Defined Contribution Plan Database

Large 403(b) Plans Have High Employer Contribution Rates

Employers offering 403(b) plans can choose to make contributions to their employees' plans by either matching employee contributions or making automatic contributions. The study found that the majority of employers chose to contribute in some way. The DOL Form 5500 Research File data indicate that 79 percent of large ERISA 403(b) plans had employer contributions in 2016, up from 71 percent in 2009.

"The majority of employers contribute to large ERISA 403(b) plans and contributed \$9 billion to these plans in 2016," said Brooks Herman, associate director of data and research. "Employer contributions, which are often designed as matching contributions, promote retirement saving among workers and allow them to continue building retirement nest eggs for the future."

Other findings about large ERISA 403(b) plans' investment options and asset allocations include:

- Mutual funds were the largest share of plan assets (57 percent) in large ERISA 403(b) plans in 2016. Variable annuities (including variable annuity mutual funds) and fixed annuities each held 21 percent of plan assets.
- Mutual fund expense ratios in 403(b) plans have trended downward over time. In 2016, the average asset-weighted expense ratio for domestic equity mutual funds—including both index and active—was 0.44 percent, down from 0.56 percent in 2009. Similarly, domestic bond mutual fund expense ratios declined from 0.47 percent to 0.37 percent in the same time frame.
- Index funds are widely available in large ERISA 403(b) plans: 92 percent of large ERISA 403(b) plans included index funds in their core investment lineups and index funds held 24 percent of large 403(b) plan assets in 2016.
- Target date funds have become more common in large ERISA 403(b) plans. In 2016, 80 percent of plans included target date funds in their core investment lineups, up from 51 percent in 2009. Target date funds represented 22 percent of large 403(b) plan assets in 2016, up from 7 percent in 2009.