



**Defined Contribution Plan Survey Report  
Published March 2009**

**Scope of Survey**

The 2009 NAGDCA Defined Contribution Plan survey covered 107 government defined contribution plans which is a 67% response rate, including:

- 457 – 69 plans (32 state, 34 local, 3 other)
- 401(k) – 15 plans (9 state, 6 local)
- 401(a) – 20 plans (12 state, 7 local, 1 other)
- 403(b) – 3 plans

These plans held \$80 billion in assets and had approximately 2 million active participants in 2008.

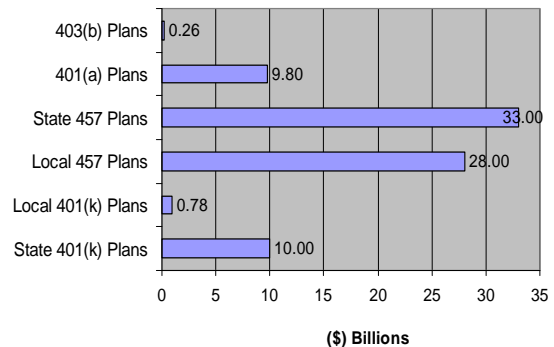
**Plan Assets**

As of December 31, 2008, 69 responding governmental 457 plans had assets valued at approximately \$61 billion. Thirty-two state 457 plans held approximately \$33 billion of this total, while 34 local and 3 other 457 plans held the remaining \$28 billion. The state 457 plans with the largest asset bases are New York State (\$8 billion); Ohio (\$6 billion); State of California Savings Plus Program (\$2 billion). The largest local plans responding to the survey are New York City (\$6 billion); County of Los Angeles (\$4 billion) and the City of Los Angeles (\$3 billion).

In comparison, NAGDCA’s 2007 Survey had 72 responding governmental 457 plans with assets valued at approximately \$72.5 billion. Thirty-four state 457 plans held approximately \$42.5 billion of this total, while 33 local and 5 additional (universities and utility districts) 457 plans held the remaining \$30.1 billion.

NAGDCA also solicited responses from public 401(k) plans. Fifteen responding governmental 401(k) plans had assets valued at nearly \$11 billion. The 9 responding state 401(k) plans held \$10 billion of these assets, while 6 local government 401(k) plans held the remaining \$920 million in assets. The largest state 401(k) plan is the State of California Savings Plus Program with \$2 billion in assets, and the largest local 401(k) plan is the County of Los Angeles with \$1 billion in assets.

**2008 Plan Assets**



In comparison, NAGDCA’s 2007 survey had 12 responding governmental 401(k) plans with assets valued at nearly \$15 billion. The 7 responding state 401(k) plans held \$13.7 billion of these assets, while 5 local government 401(k) plans held the remaining \$1.2 billion in assets.

NAGDCA, also solicited responses from public 401(a) and 403(b) plans. Twenty responding governmental 401(a) plans had assets valued at nearly \$9.8 billion. The 12 responding state 401(a) plans held \$9.2 billion of these assets, while the 7 local government 401(a) plans held \$592 million and one other (Special District) held the remaining \$28

million in assets. The largest state 401(a) plan is Florida Retirement System Investment Plan with nearly \$3.7 billion in assets, and the largest local 401(a) plan is the District of Columbia with \$297 million in assets. This year NAGDCA had three responding 403(b) plans which had assets valued at \$257 million.

In 2007 NAGDCA solicited responses from public 401(a) and 403(b) plans. Sixteen responding governmental 401(a) plans had assets valued at nearly \$5.9 billion. The 4 responding state 401(a) plans held \$4.6 billion of these assets, while the 11 local government 401(a) plans held \$889 million and one higher educational institution held the remaining \$387 million in assets. NAGDCA had one responding 403(b) plan, which had assets valued at \$74 million.

**Eligibility and Participation**

Based on the 107 state and local plans reporting eligibility figures, there are 6.5 million governmental employees eligible to participate in a defined contribution plan. Approximately 2 million of these eligible employees made deferrals in 2008. The average participation rate for state and local plans combined is 32%.

In 2007, 105 state and local governments had approximately 7 million eligible employees, and over 1.6 million of those employees (22.9%) made active deferrals in 2007.

At the end of 2008, 69 of the 457 plan respondents reported that approximately 4 million employees are eligible to participate. Approximately 1.2 million of those employees actively made deferrals in 2008, giving responding 457 plans a participation rate of 33%.

Fifteen of the 401(k) respondents reported that approximately 1 million employees are eligible to participate. Of those eligible, almost 400,000 employees actively made

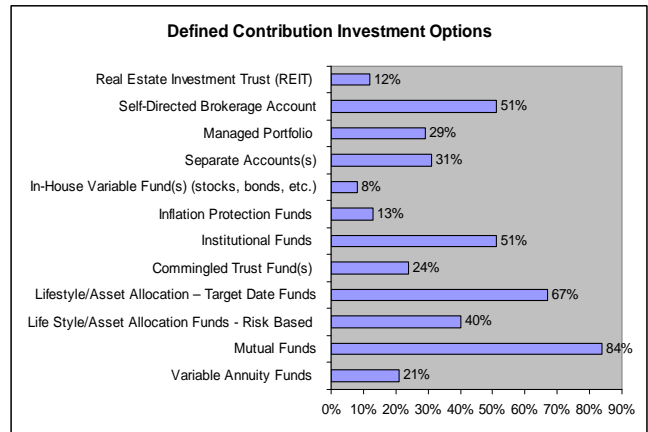
deferrals in 2008, giving responding 401(k) plans a participation rate of 25%.

Twenty of the 401(a) respondents reported that approximately 1.6 million employees are eligible to participate. Of those eligible approximately 325,000 employees actively made deferrals in 2008, giving responding 401(a) plans a participation rate of 24%.

Based on the 107 state and local plans reporting, there are 508,044 inactive participants (current employees who did not make deferrals in 2008).

There are 406,670 terminated participants (former employees who maintain an account balance).

**Types of Investment Options**



**Defined Contribution Investment Options**

- Variable Annuity Funds 21%
- Mutual Funds 84%
- Life Style/Asset Allocation Funds - Risk Based 40%
- Lifestyle/Asset Allocation – Target Date Funds 67%
- Commingled Trust Fund(s) 24%
- Institutional Funds 51%
- Inflation Protection Funds 13%
- In-House Variable Fund(s) (stocks, bonds, etc.) 8%
- Separate Accounts(s) 31%
- Managed Portfolio 29%
- Self-Directed Brokerage Account 51%
- Real Estate Investment Trust (REIT) 12%

State 457 Investment Options

- Variable Annuity Funds 16%
- Mutual Funds 81%
- Life Style/Asset Allocation Funds – Risk Based 34%
- Lifestyle/Asset Allocation – Target Date Funds 81%
- Commingled Trust Fund(s) 31%
- Institutional Funds 63%
- Inflation Protection Funds 16%
- In-House Variable Fund(s) (stocks, bonds, etc.) 0%
- Separate Accounts(s) 44%
- Managed Portfolio 28%
- Self-Directed Brokerage Account 56%
- Real Estate Investment Trust (REIT) 9%

Local 457 Investment Options

- Variable Annuity Funds 22%
- Mutual Funds 96%
- Life Style/Asset Allocation Funds – Risk Based 48%
- Lifestyle/Asset Allocation – Target Date Funds 56%
- Commingled Trust Fund(s) 7%
- Institutional Funds 41%
- Inflation Protection Funds 0%
- In-House Variable Fund(s) (stocks, bonds, etc.) 7%
- Separate Accounts(s) 11%
- Managed Portfolio 30%
- Self-Directed Brokerage Account 56%
- Real Estate Investment Trust (REIT) 11%

401(k) Investment Options

- Variable Annuity Funds 13%
- Mutual Funds 80%
- Life Style/Asset Allocation Funds – Risk Based 20%
- Lifestyle/Asset Allocation – Target Date Funds 73%
- Commingled Trust Fund(s) 40%
- Institutional Funds 67%
- Inflation Protection Funds 0%
- In-House Variable Fund(s) (stocks, bonds, etc.) 7%
- Separate Accounts(s) 60%
- Managed Portfolio 26%
- Self-Directed Brokerage Account 60%

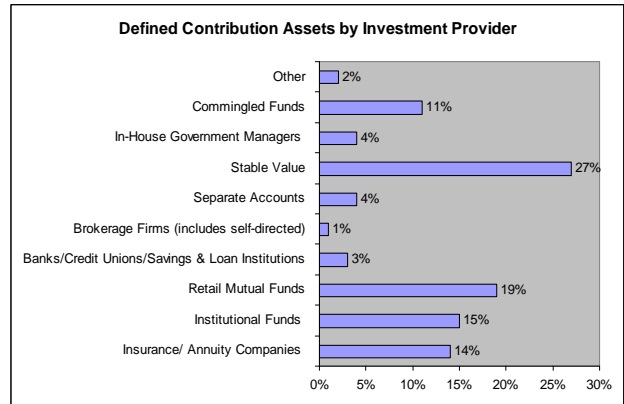
- Real Estate Investment Trust (REIT) 7%

401(a) Investment Options

- Variable Annuity Funds 25%
- Mutual Funds 80%
- Life Style/Asset Allocation Funds – Risk Based 40%
- Lifestyle/Asset Allocation – Target Date Funds 65%
- Commingled Trust Fund(s) 15%
- Institutional Funds 45%
- Inflation Protection Funds 25%
- In-House Variable Fund(s) (stocks, bonds, etc.) 15%
- Separate Accounts(s) 15%
- Managed Portfolio 30%
- Self-Directed Brokerage Account 35%
- Real Estate Investment Trust (REIT) 20%

**Asset Allocation by Investment Provider**

Survey participants were asked to break down their plan’s assets by category of investment provider.



Defined Contribution Assets

- Insurance/ Annuity Companies 14%
- Institutional Funds 15%
- Retail Mutual Funds 19%
- Banks/Credit Unions/Savings & Loan Institutions 3%
- Brokerage Firms (includes self-directed) 1%
- Separate Accounts 4%
- Stable Value 27%
- In-House Government Managers 4%
- Commingled Funds 11%
- Other 2%

State 457 Assets

- Insurance/ Annuity Companies 10%
- Institutional Funds 18%
- Retail Mutual Funds 17%
- Banks/Credit Unions/Savings & Loan Institutions 2%
- Brokerage Firms (includes self-directed) 1%
- Separate Accounts 4%
- Stable Value 37%
- In-House Government Managers 5%
- Commingled Funds 5%
- Other 1%

Local 457 Assets

- Insurance/ Annuity Companies 29%
- Institutional Funds 10%
- Retail Mutual Funds 13%
- Banks/Credit Unions/Savings & Loan Institutions 3%
- Brokerage Firms (includes self-directed) 1%
- Separate Accounts 18%
- Stable Value 24%
- In-House Government Managers 0%
- Commingled Funds 1%
- Other 1%

State 401(k) Assets

- Insurance/ Annuity Companies 6%
- Institutional Funds 12%
- Retail Mutual Funds 20%
- Banks/Credit Unions/Savings & Loan Institutions 6%
- Brokerage Firms (includes self-directed) 2%
- Separate Accounts 12%
- Stable Value 26%
- In-House Government Managers 3%
- Commingled Funds 11%
- Other 2%

Local 401(k) Assets

- Insurance/ Annuity Companies 0%
- Institutional Funds 1%
- Retail Mutual Funds 15%
- Banks/Credit Unions/Savings & Loan Institutions 0%
- Brokerage Firms (includes self-directed) 6%

- Separate Accounts 35%
- Stable Value 42%
- In-House Government Managers 0%
- Commingled Funds 1%
- Other 0%

State 401(a) Assets

- Insurance/ Annuity Companies 3%
- Institutional Funds 5%
- Retail Mutual Funds 23%
- Banks/Credit Unions/Savings & Loan Institutions 0%
- Brokerage Firms (includes self-directed) 0%
- Separate Accounts 1%
- Stable Value 3%
- In-House Government Managers 5%
- Commingled Funds 60%
- Other 0%

Local 401(a) Assets

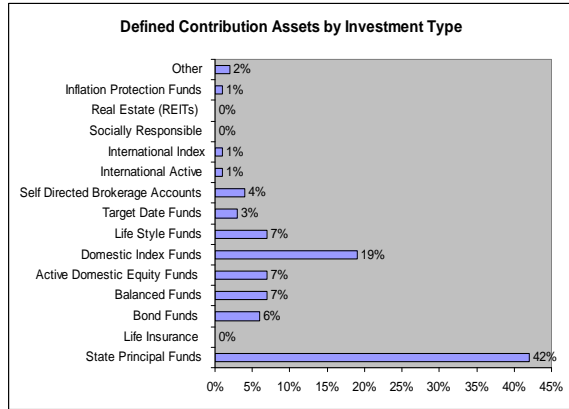
- Insurance/ Annuity Companies 3%
- Institutional Funds 50%
- Retail Mutual Funds 17%
- Banks/Credit Unions/Savings & Loan Institutions 0%
- Brokerage Firms (includes self-directed) 2%
- Separate Accounts 0%
- Stable Value 25%
- In-House Government Managers 0%
- Commingled Funds 0%
- Other 3%

403(b) Assets

- Insurance/ Annuity Companies 0%
- Institutional Funds 49%
- Retail Mutual Funds 9%
- Banks/Credit Unions/Savings & Loan Institutions 0%
- Brokerage Firms (includes self-directed) 0%
- Separate Accounts 0%
- Stable Value 42%
- In-House Government Managers 0%
- Commingled Funds 0%
- Other 0%

**Asset Allocation by Investment Type**

Survey respondents were asked to break down their plan’s assets by category of investment type.



**Defined Contribution Assets**

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 42%
- Life Insurance 0%
- Bond Funds 6%
- Balanced Funds 7%
- Active Domestic Equity Funds 7%
- Domestic Index Funds 19%
- Life Style Funds 7%
- Target Date Funds 3%
- Self Directed Brokerage Accounts 4%
- International Active 1%
- International Index 1%
- Socially Responsible 0%
- Real Estate (REITs) 0%
- Inflation Protection Funds 1%
- Other 2%

**State 457 Assets**

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 47%
- Life Insurance 0%
- Bond Funds 6%
- Balanced Funds 5%
- Active Domestic Equity Funds 21%
- Domestic Index Funds 8%
- Life Style Funds 2%

- Target Date Funds 2%
- Self Directed Brokerage Accounts 1%
- International Active 4%
- International Index 1%
- Socially Responsible 0%
- Real Estate (REITs) 0%
- Inflation Protection Funds 0%
- Other 3%

**Local 457 Assets**

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 41%
- Life Insurance 0%
- Bond Funds 9%
- Balanced Funds 3%
- Active Domestic Equity Funds 13%
- Domestic Index Funds 7%
- Life Style Funds 5%
- Target Date Funds 8%
- Self Directed Brokerage Accounts 1%
- International Active 6%
- International Index 1%
- Socially Responsible 1%
- Real Estate (REITs) 0%
- Inflation Protection Funds 0%
- Other 5%

**State 401(k) Assets**

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 39%
- Life Insurance 0%
- Bond Funds 7.5%
- Balanced Funds 9.5%
- Active Domestic Equity Funds 23%
- Domestic Index Funds 0%
- Life Style Funds 6%
- Target Date Funds 3%
- Self Directed Brokerage Accounts 4%
- International Active 8%
- International Index 0%
- Socially Responsible 0%
- Real Estate (REITs) 0%
- Inflation Protection Funds 0%
- Other 0%

Local 401(k) Assets

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 51%
- Life Insurance 0%
- Bond Funds 3%
- Balanced Funds 3%
- Active Domestic Equity Funds 13%
- Domestic Index Funds 7%
- Life Style Funds 2%
- Target Date Funds 13%
- Self Directed Brokerage Accounts 1%
- International Active 3%
- International Index 0%
- Socially Responsible 0%
- Real Estate (REITs) 0%
- Inflation Protection Funds 3%
- Other 1%

State 401(a) Assets

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 19%
- Life Insurance 0%
- Bond Funds 9%
- Balanced Funds 33%
- Active Domestic Equity Funds 17%
- Domestic Index Funds 6%
- Life Style Funds 0%
- Target Date Funds 2%
- Self Directed Brokerage Accounts 0%
- International Active 7%
- International Index 2%
- Socially Responsible 0%
- Real Estate (REITs) 0%
- Inflation Protection Funds 4%
- Other 1%

Local 401(a) Assets

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 27%
- Life Insurance 0%
- Bond Funds 3%
- Balanced Funds 1%
- Active Domestic Equity Funds 10%
- Domestic Index Funds 6%
- Life Style Funds 3%

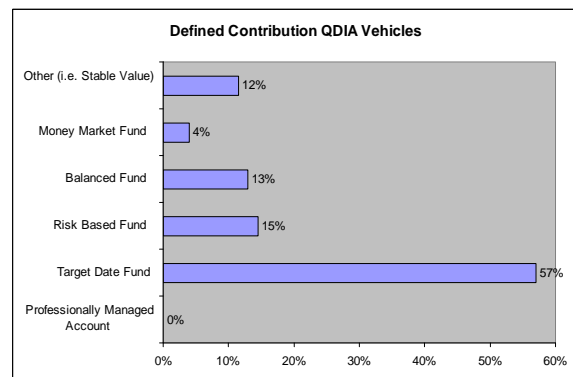
- Target Date Funds 44%
- Self Directed Brokerage Accounts 2%
- International Active 3%
- International Index 0%
- Socially Responsible 0%
- Real Estate (REITs) 1%
- Inflation Protection Funds 0%
- Other 0%

403(b) Assets

- State Principal Funds (GICs, separate accounts, stable value accounts, fixed accounts, money market accounts, savings accounts, CDs) 42%
- Life Insurance 0%
- Bond Funds 5%
- Balanced Funds 3%
- Active Domestic Equity Funds 25%
- Domestic Index Funds 9%
- Life Style Funds 0%
- Target Date Funds 6%
- Self Directed Brokerage Accounts 0%
- International Active 5%
- International Index 2%
- Socially Responsible 0%
- Real Estate (REITs) 1%
- Inflation Protection Funds 2%
- Other 0%

**Qualified Default Investment Alternative (QDIA)**

Based on the 107 state and local plans reporting, 53.8% of them have implemented a QDIA. Of those plans, these were the vehicles chosen.



#### Defined Contribution

- Professionally Managed Account 0%
- Target Date Fund 57%
- Risk Based Fund 14.5%
- Balanced Fund 13%
- Money Market Fund 4%
- Other (i.e. Stable Value) 11.5%

#### State 457

- Professionally Managed Account 0%
- Target Date Fund 44%
- Risk Based Fund 17%
- Balanced Fund 28%
- Money Market Fund 5.5%
- Other (i.e. Stable Value) 5.5%

#### Local 457

- Professionally Managed Account 0%
- Target Date Fund 65%
- Risk Based Fund 6%
- Balanced Fund 6%
- Money Market Fund 13%
- Other (i.e. Stable Value) 10%

#### State 401(k)

- Professionally Managed Account 0%
- Target Date Fund 71%
- Risk Based Fund 29%
- Balanced Fund 0%
- Money Market Fund 0%
- Other 0%

#### Local 401(k)

- Professionally Managed Account 0%
- Target Date Fund 67%
- Risk Based Fund 0%
- Balanced Fund 0%
- Money Market Fund 0%
- Other (i.e. Stable Value) 33%

#### State 401(a)

- Professionally Managed Account 0%
- Target Date Fund 67%
- Risk Based Fund 22%
- Balanced Fund 11%
- Money Market Fund 0%
- Other 0%

#### Local 401(a)

- Professionally Managed Account 0%
- Target Date Fund 60%
- Risk Based Fund 20%
- Balanced Fund 20%
- Money Market Fund 0%
- Other 0%

#### **Number of Participants That Invest in Only One Fund**

Of the 107 respondents to the 2009 defined contribution survey, 28% of entities reported that 21-30% of participants invest in only one fund. Twenty percent say 1-10%, and 14% of respondents reported higher than 50% of participants invest in only one fund.

#### **Number of Participants Invested in Target Date Funds**

Of the defined contribution plans that responded 20 of the 41, state and local 457 plans reported 1-10% of their plan participants are invested in target date funds while 10 reported 11-20%. Three of the 10 state and local 401(k) plans reported 1-10% and 3 reported higher than 50% of plan participants invest in target date funds. Five of the 12 state and local 401(a) plans reported 1-10% while 3 reported higher than 50% of participants are invested in target date funds. All 3 of the 403(b) plans reported 1-10%.

#### **Number of Participants Invested Solely in Target Date Funds**

Eighteen of the 58 plans responding to this question stated that of the participants who are invested in target date funds, 1-10% percent are invested solely in one or more Target Date Fund and 17 stated that 11-20% are invested solely in one or more target date fund. Twelve respondents said higher than 50% are invested in one or more Target Date Fund.

Eight of the 22 state 457 plans reported that of the participants who are invested in target date funds, 1-10% of participants invest in one or more target date funds while 7 reported 11-

20%. Five of the 13 local 457 plans reported that of the participants who are invested in target date funds, 1-10% of participants invest in one or more target date funds while 4 reported 11-20% and 2 reported higher than 50% are invested in one or more target date fund.

Four of the 8 state 401(a) plans reported higher than 50% of the participants who are invested in target date funds are invested solely in target date funds while 2 reported 1-10%. The 4 local 401(a) plan responses were spread evenly with 1 respondent stating that of the participants who are invested in target date funds 1-10% of participants invest solely in one or more target date fund and 1 plan reporting 11-20%, 31-40% and higher than 50%.

Three of the 5 state 401(k) plans reported of the participants who are invested in target date funds, 11-20% and 1 of the 3 local 401(k) plans reported 1-10%, 11-20% and 21-30% of participants invest solely in one or more target date fund.

All 3 of the 403(b) plans reported that of the participants who are invested in target date funds, 1-10% of participants invest solely in one or more target date fund.

### **Investment Categories**

Forty-four percent of all responding plans reported that 3 was the average number of investment categories utilized by participants while 26% reported 2.

Thirty-nine percent of state 457 plans reported 3 was the average number of investment categories utilized by participants, 36% reported two. Fifty percent of local 457 plans reported 3 while 17% reported 2 and 5 or more as the average number of investment categories utilized by their participants.

Thirty-six percent of state 401(a) plans reported 3 while 27% reported 1 and 2. Seventy-one percent of local 401(a) plans

reported 3 is the average number of investment categories utilized by their participants.

Fifty percent of state 401(k) plans reported 3 and 38% reported 2 is the average number of investment categories utilized by participants while 33% of local 401(k) plans reported 5 or more.

### **Hardship Withdrawal or Unforeseen Emergency Withdrawal**

Eighty-one percent of all responding plans reported 0-1% of plan participants have been granted a hardship withdrawal or unforeseen emergency withdrawal within the past year. The percentage of plan participants who have been granted a hardship withdrawal or unforeseen emergency withdrawal within the past year was the same for all types of plans.

### **Loans**

Fifty-six of 107 responding plans stated that they offered loans. Eighteen of 32 state 457 plans did not offer loans. Twenty-one of 34 responding local 457 plans offered loans. One hundred percent of the 12 state 401(a) and 4 of the 7 local 401(a) respondents did not offer a loan program. Eight of the 9 state 401(k) plans and 100% of 6 local 401(k) respondents offered a loan program.

All 3 of the responding 403(b) plans stated they did offer a loan program.

### **Participants Who Took Loans**

Nineteen of 54 respondents stated 2-5% of participants took loans in the past year while 13 respondents reported 0-1% and another 13 respondents reported 11-20%. Nine reported 6-10% of participants took loans in the past year.

Five of 13 state 457 plans reported 0-1% of participants took loans in the past year and another 5 reported 2-5%. Two reported 11-20%. Eight of 20 local 457 plans reported 11-

20% of participants took loans in the past year, 7 reported 2-5% and 4 reported 6-10%.

One responding state 401(a) plan and 2 of 3 local 401(a) plans stated 0-1% of participants took loans in the past year and 1 reported 11-20%.

Four of 7 state 401(k) plans reported 2-5% and 2 stated 0-1%. Three of 6 local 401(k) plans reported 6-10% and 2 reported 2-5% of participants took loans in the past year.

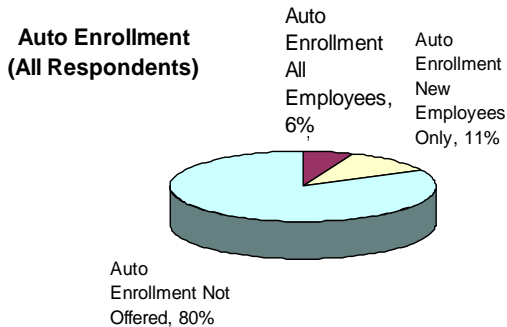
One of the responding 403(b) plans reported 2-5% and one reported 6-10% of participants took loans in the past year.

**Roth Contributions**

Sixty-six percent of all respondents whose plans are eligible for Roth Contributions do not offer them. However, 40% of all 401(k) plan respondents whose plans are eligible for Roth Contributions offer them.

**Auto Enrollment**

When asking survey respondents how they use auto enrollment, 80% of responding plans reported that auto enrollment was not offered.



Twelve percent of state 457 plans and 6% of local plans offered auto enrollment for new employees. Seventeen percent of state 401(a) plans used auto enrollment for new employees. Fifty-seven percent of local 401(a) plans used auto enrollment for all employees. Twenty-two percent of state 401(k) plans offered auto enrollment for new employees only and 100% of local

401(k) plans did not offer auto enrollment. One hundred percent of the three responding 403(b) plans did not offer auto enrollment at this time.

**Reasons for Implementing Auto Enrollment**

Fifty-four percent of all respondents who have implemented auto enrollment stated that the desire to be more proactive in assisting employees meet their retirement needs was their reason for implementing auto enrollment.

Seventy-three percent of all 457 plans and 67% of all 401(k) plans implemented auto enrollment because they wanted to be more proactive in assisting employees meet their retirement needs. Thirty-four percent of all 401(a) plans reported that their plan is the primary retirement plan for the employer and that is why they implemented auto enrollment.

**Average Employee Deferrals**

The average state 457 plan participant deferred \$3,500 in 2008, and the average local participant deferred \$3,000.

The average state 401(k) plan participant deferred \$2,500 and the average local participant deferred more than \$2,500.

The average state governmental 401(a) plan participant deferred \$500 and the average local government participant deferred \$2,500 in 2008.

The average state 403(b) plan participant deferred \$500 in 2008.

**Average Contribution Amount**

Thirty-seven percent of all plans reported they saw no change when comparing their plans average participant contribution amounts for the last four quarters, while 30% saw 1-5% and 22% saw 5-10%.

Thirty seven percent of responding state 457 plans reported that they have not seen a change. Twenty-seven percent saw a 1-5%

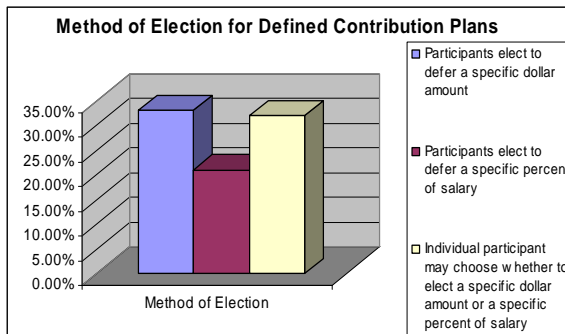
decrease in the participant contribution amount. Thirty-nine percent of local 457 plans saw a 1-5% decrease and 33% saw a 5-10% decrease in contribution amount over the last four quarters.

Eighty-two percent of responding state 401(a) plans reported seeing no change. Sixty-seven percent of local plans saw no change, 17% saw 1-5% and 17% saw a 5-10% decrease in contribution amounts.

Thirty-eight percent of state 401(k) respondents saw no change and 38% saw a 5-10% decrease. Thirty-three percent of local 401(k) plans reported a 1-5% decrease. Seventeen percent reported no change and 17% reported 6-10%, 11-15% and 16-20% change in contribution amounts over the last four quarters.

**Deferral Structure**

Thirty-three percent of all responding plans reported that participants elect to defer a specific dollar amount, 32% report that individual participants may choose whether to elect a specific dollar amount or a specific percent of salary and 21% of participants elect to defer a specific percent of salary.



Fifty-three percent of state 457 respondents allow participants to defer a specific dollar amount, 13% allow participants to defer a percentage of their salary, 31% allow participants to choose either a dollar figure or a percentage, and 3% report that it varies. Twenty-seven percent of responding local 457 plans allow participants to defer a specific dollar amount, 24% have

participants defer a percentage of their salary, and 49% of respondents allow a choice of either a specific dollar referral or specific percentage of salary.

Forty-four percent of state 401(k) respondents allow participants to defer a specific dollar amount, 22% allow participants to defer a percentage of their salary and 33% allow participants to choose either a dollar figure or a percentage. Eighty-three percent of the responding local 401(k) plans allow participants to defer a specific percentage of salary. Seventeen percent allow individual participants to choose whether to elect a specific dollar amount or a specific percent of salary.

Of state 401(a) respondents, the majority marked “other” as the most common use of deferral. Sixty percent of state respondents have a no minimum monthly deferral, and 20% of plans allow employer contributions only. Eight percent of plans allow participants to defer a percentage of their salary; 8% allow participants to choose either a dollar amount or percentage. Forty percent of the responding local 401(a) plans allow participants to defer a specific dollar amount. Sixty percent chose “other” as the most common use of deferral.

**Maximum Deferral**

The majority of all plans reported that only 1-5% of 1,982,591 plan participants deferred the ordinary maximum of \$15,500 in 2008.

Forty-seven percent of all 401(a) plans reported 0% of 324,947 participants deferred the ordinary maximum of \$15,500 in 2008 and another 47% reported unknown.

Fifty-three percent of all 401(k) plans reported that 1-5% of 395,998 plan participants deferred the ordinary maximum of \$15,500 and 27% reported 6-10%.

Fifty-four percent of all 457 plans reported 1-5% of 1,251,300 plan participants deferred the ordinary maximum and 18% reported 6-10%.

The majority of 403(b) plans reported that it was unknown if plan participants deferred the ordinary maximum.

### Fees

The majority of all respondents stated that general administrative services (record keeping, custody, auditing, and investment education) are paid as a direct asset base fee to plan participants.

Forty-seven percent of state 457 plans paid for administrative services as a direct asset based fee to plan participants, 41% use reimbursements from mutual funds or other investment managers and 21% charge participants a direct fixed dollar cost.

Thirty-two percent of local 457 plans paid for administrative services as reimbursements from mutual funds or other investment managers, 23% of plans pay as a direct asset based fee to participants and 21% as a combination of a fixed dollar and asset base fee to plan participants.

Fifty-eight percent of state 401(a) plans paid for administrative services as a direct asset based fee and 33% of general administrative services are paid by the employer.

Forty-three percent of local 401(a) plans paid for administrative services and use reimbursements from mutual funds or other investment managers and 29% of plans charge no direct participant fee since the administrator receives all reimbursements pursuant to their contract.

Fifty-six percent of all state 401(k) plans paid for administrative services as a direct asset base fee to plan participants, 44% use reimbursements from mutual funds or other investment managers and 33% charge as a combination of a fixed dollar and asset based fees.

Thirty-three percent of all local 401(k) plans paid general administrative services as a direct asset based fee or as a combination of

a fixed dollar and asset based fee to plan sponsors and 17% are charged as a direct fixed dollar cost to plan participants.

All 3 of the 403(b) plans paid as a direct asset based fee to plan participants.

Of the 107 responding governmental plans, the majority (55%) paid a direct per participant fee.

Sixty-four percent of state 457 plans paid a direct per participant fee and 36% of local 457 plans charge a fee.

Forty percent of state 401(a) plans paid a fee and 100% of local 401(a) participants do not charge a direct per participant fee.

Seventy-five percent of state 401(k) plans paid a direct per participant fee and 100% of local 401(k) plans charge a per participant fee.

One of the three 403(b) plans charge a direct per participant fee.

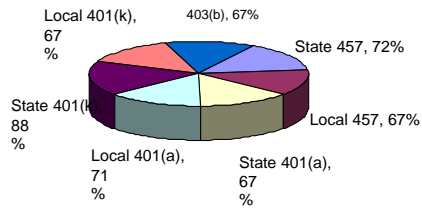
Of the reporting plans some required participants to pay an additional fee for the following services:

- Loan processing/ servicing 61%
- Self-directed brokerage accounts 51%
- QDRO Processing 18%
- Investment advice 38%
- Other 16%
  - Managed Accounts
  - Hardship and Service Credit Purchase
  - Overnight & ACH fee for distributions

### Investment Advice

Seventy percent of all plans responding to the survey use an advisor or consultant to monitor on-going plan investment performance.

**How Many Plans Use an Advisor/Consultant to Monitor On Going Plan Investment Performance?**



The following plans do use an advisor or consultant to monitor on going plan investment performance:

- 72% of state 457 plans
- 67% of local 457 plans
- 67% of state 401(a) plans
- 71% of local 401(a) plans
- 88% of state 401(k) plans
- 67% of local 401(k) plans
- 67% of 403(b) plans.

Forty-five percent of all surveyed plans use an advisor or consultant on an on going basis to advise on plan design best practices.

The following plans use an advisor/consultant on an on-going basis to advise on plan design best practices:

- 39% of state 457 plans
- 55% of local 457 plans
- 36% of state 401(a) plans
- 57% local 401(a) plans
- 50% of state 401(k) plans
- 33% of local 401(k) plans
- 50% of 403(b) plans.

**Governance of Plans**

The majority (72%) of all respondents reported that an appointed and/or elected Board has fiduciary responsibility for the administration of their plan. Forty-one percent reported the government’s plan administrator has fiduciary responsibility.

The average number of Board members is 8 for those responding plans governed by a Board.

**Board Members**

The majority (61%) of all respondents indicated that Board members are appointed by Governor/County Chair/Mayor, 49% responded that they have a member employee representative and 32% reported that they have a member ex-officio and member finance office.