



**Barnes Dennig  
Employee Benefit Plan  
401(k) Benchmarking Report**

**2024 Edition**



**BARNES DENNIG**  
CPAs and Advisors

# Barnes Dennig Employee Benefit Plan 401(k) Benchmarking Report

## 2024 Edition

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## Introduction

How have 401(k) plans and plan management changed in 2024 - and what's on the horizon? What features do employees find most valuable? And how does your plan measure up? When it comes to attracting and retaining top talent, the quality of your benefit offerings carries a lot of weight.

Every three years, we survey organizations of all sizes across industries to identify trends, topics, and new strategies to bring in more talent while also helping employees prepare for a successful retirement. In this report, we share their answers and compare trends to our previous findings in 2021 and 2018.

### Methodology

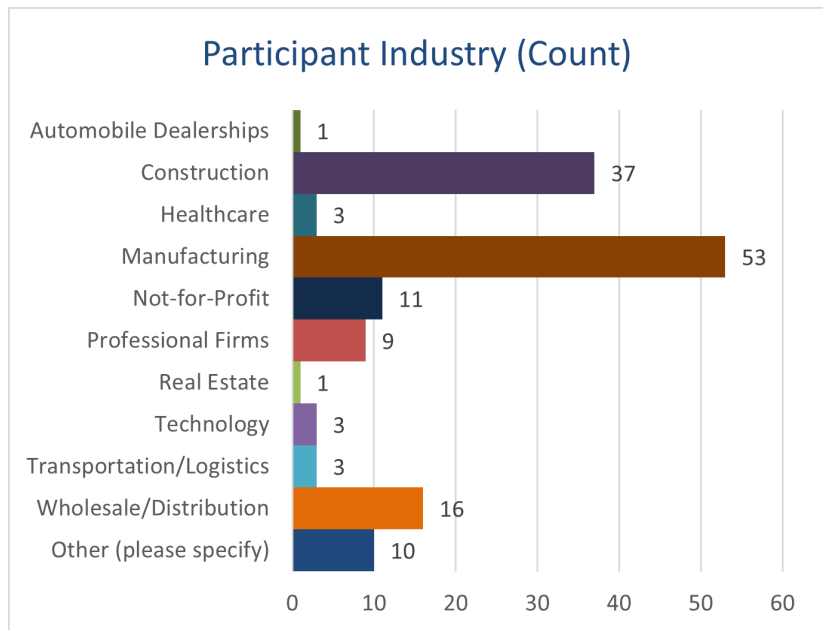
We surveyed companies across a range of industries and not-for-profits, asking 26 key questions on multiple topics, including plan size, success and success factors, operations and management, and both employer and employee satisfaction.

The survey was conducted online in the third quarter of 2024 and 147 companies and non-profits responded.

Please note that many of the percentages indicated do not total 100% due to rounding and to a small number of participants indicating "other," or responding that they are unsure of their organization's industry.

### Participant Breakdown

- Automobile Dealerships 1%
- Construction 25%
- Healthcare 2%
- Manufacturing 36%
- Not-for-Profit 7%
- Professional Firms 6%
- Real Estate 1%
- Technology 2%
- Transportation/Logistics 2%
- Wholesale/Distribution 11%
- Other (please specify) 7%



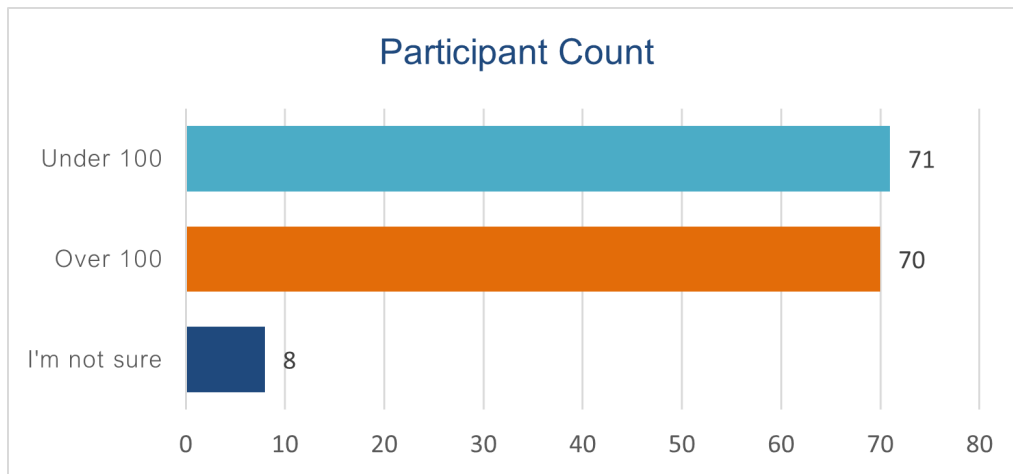
The self-described "other" category includes finance, accounting, salons, pharmaceuticals, facilities management, retail, aerospace, and industrial cleaning products.



## Facts & Stats

### Plan Size

47% of respondents indicate their plan has over 100 participants, continuing to trend downward from 49% in the 2021 survey. Additionally, 48% reported they have 100 or fewer participants, with 5% saying they weren't sure.



### Bundle or Not?

51% of respondents' plans are bundled, meaning the same entity serves as the administrator, record keeper, and custodian. When comparing this number to 2021 and 2018, this appears to be a recurring switch between which option takes majority, as 52.7% reported unbundled plans in 2021 but in 2018, bundled plans barely beat out unbundled with 50% to 49% respectively.

This year, unbundled plans comprise 33%, with 16% unsure of its administrative organization. The latter number indicates an increased lack of knowledge about 401(k) plan structure.

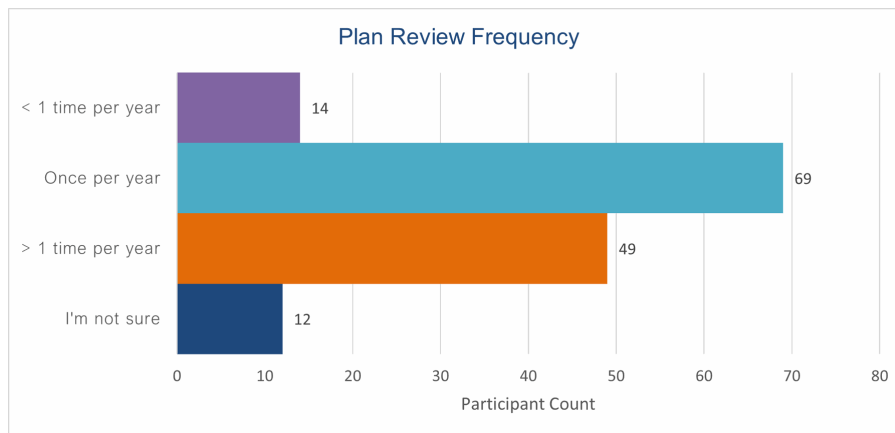
## Plan Oversight

Plan administration comes with much responsibility regarding plan oversight and management. The administrators typically monitor investment performance, evaluate plan design, and regularly review third-party administrators, trustees, custodians, and investment advisors to ensure the plan continues to meet its objectives.

### Review Frequency

Most respondents continue to regularly monitor their 401(k) plans, with 82% conducting a plan performance and design review either by committee or third-party company at least once a year. This is a slight improvement from 2021, but still lags behind the 93% of organizations surveyed in 2018.

It's positive to see fewer companies are reviewing their plan less than once per year (9.72%) compared to 2021 (15%). However, we also saw a decline in companies reviewing plans more than once annually, as only 34% reported a more frequent review compared to 2021's 36.8%. This disparity may be explained in part by the fact that more respondents marked their answer as "unsure" (8.33%).



### Trustee/Custodian Relationships

In the last three years, 75% of companies have evaluated their trustee/custodian relationship, 43% of which were reviewed in the last year. This is an increase in the proportion of companies reviewing in the last year (28% in 2021), though still not as high as in 2018 (54%).

Only 10% haven't evaluated their trustee/custodian relationship in over three years, a return to what we saw in 2018 from 2021's 12.6%. 16% responded that they were unsure.

### Investment Policy Statements

We're continuing to see a downward trend in plans including investment policy statements – 67% contain these statements compared to 72% in 2021 and 77% in 2018. However, this doesn't necessarily translate into a confirmed lack of investment policy statement, as only 7% actually reported not having a statement. The other 26% of respondents were unsure of if they had an investment policy statement. An investment policy statement is a written document intended to provide a plan's fiduciaries with a framework for decision making regarding various types or categories of plan investments. Typically, the investment policy statement outlines the roles of the parties involved with the plan investment process and details their investment responsibilities. While the Employee Retirement Income Security Act (ERISA) doesn't require plans to have an investment policy statement, it is generally considered a best practice to have one.

### Self-Corrections & Compliance

Self-corrections and Actual Deferral Percentage/Actual Contribution Percentage (ADP/ACP) testing failures are on the decline across the board. Only 19% of respondents admitted to submitting a self-correction - excluding Actual Deferral Percentage/Actual Contribution Percentage (ADP/ACP) testing failures - in the past two years, down from 23.4% in 2021.

Failures themselves have also decreased, with 14% reporting an ADP/ACP testing failure in the last three years compared to 19.8% in 2021 and 21% in 2018. The remaining respondents either passed ADP/ACP testing (75%) or weren't sure (11%). This is a significant change, with passing rates surpassing even the 72% we recorded in 2018.



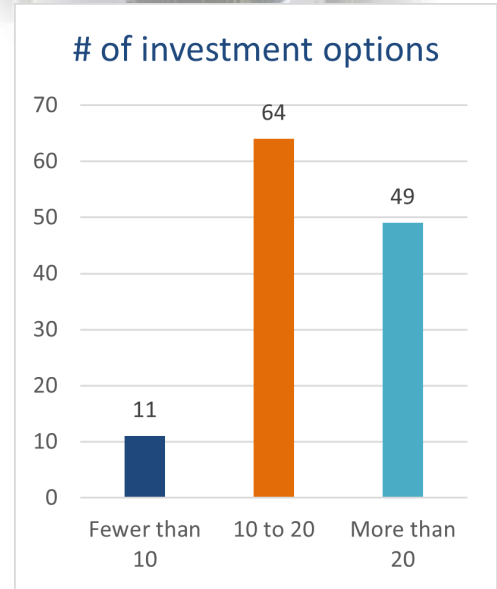
# Investments & Contributions

## Investment Options

An invaluable option for employees, 71% of plans allow participant-directed investments, allowing participants to have a hand in their investment strategy. This is a lower number than we saw in 2021 (74.3%) but could be explained by the increased number of responses indicating “I’m not sure” (9%) since we saw the same percentage of plans that don’t offer this option – 20% compared to 20.4% in 2021.

This year, 9% of plans have fewer than 10 investment options for plan participants, up from the 6.7% reported in 2021 and even 2018’s 8%. A small majority of plans offer between 10 and 20 investment options (52%), with the remaining 40% offering over 20 options.

This is a significant shift from 2021, when 71.4% of respondents had between 10 and 20 investment options and only 22% indicated their plan offered over 20 options. In 2018’s study, 34% of plans offered more than 20 investment options to participants.



## Employer Matching Contributions

The statistics on mandatory employer contributions remain around the same as in previous studies, with 56% not requiring employers to contribute and 39% mandating employer contributions. This is in line with 2021’s 53.3% and 41% respectively.

A majority of participants (57%) indicated their company matches less than 5% of their 401(k) contributions. And while 29% of participants receive more than 5%, another 11% of respondents aren’t offered company matching at all.

## Safe Harbor

Safe harbor plans require companies to make mandatory contributions through a match or non-elective contribution that is fully vested when made, which comes with many benefits, especially for smaller businesses looking to avoid IRS compliance testing fees. In the past, we’ve found these to be consistently popular, with 58% reporting they had a safe harbor plan in 2021. However, with another significant portion of respondents answering “I’m not sure” (20%) this year, the current state of safe harbor plan usage is less certain. 51% said their plan isn’t a safe harbor 401(k), with only 30% confirming they have safe harbor plans.

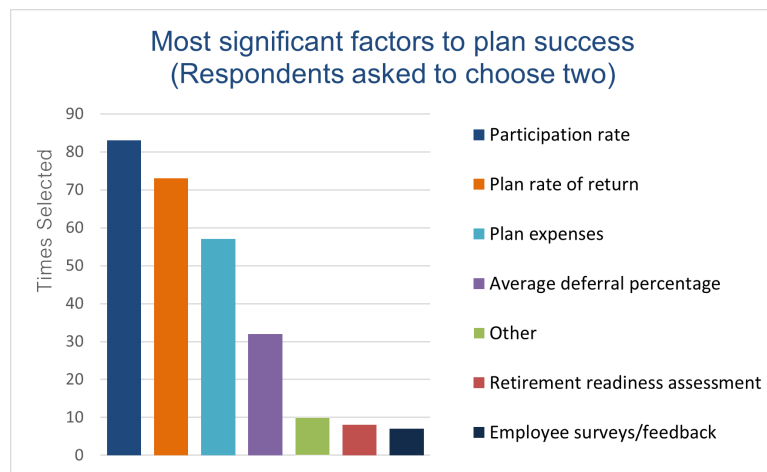
## Participant Loans

An overwhelming 79% of companies allow for participant loans, exceeding even the 75% affirmative response rate found in 2018. This is a bounce back from the dip we saw in 2021, when only 70% offered participant loans.



## Plan Success & Satisfaction

When asked the two most significant factors they review when assessing plan success, 59% say they prioritize participation rate, followed closely by 52% selecting plan rate of return. Plan expenses continue to be the third-most important at 40%, with average deferral percentage coming up fourth (23%), keeping the top four ranking consistent with 2021's findings.



While the priorities remain consistently ranked, we've seen a trend toward more equal consideration between the top three aspects of plan success since we began this study in 2018. For example, in 2021, 66% chose participation rate, 45.8% said plan rate of return, and 43.2% mentioned plan expenses—a wider spread compared to this year's 59%, 52%, and 40%, respectively.

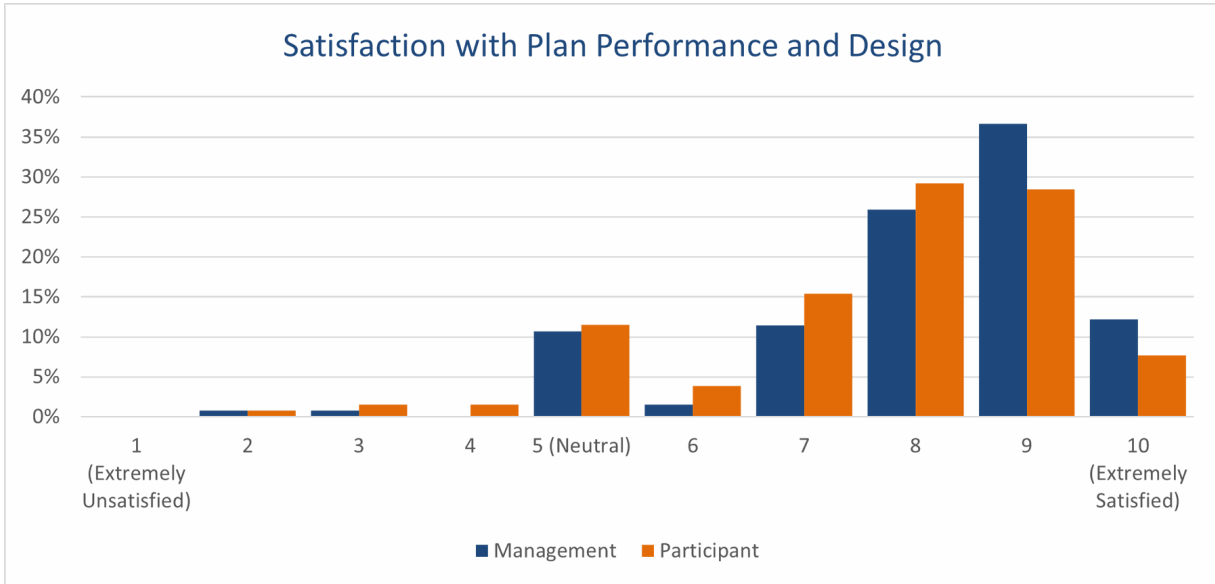
Additionally, the percentage of participants who chose the average deferral percentage broke the 20% mark this year with a 23% response rate, up from 18.6% in 2021. This likely indicates more organizations are broadening their analysis of plan success beyond traditionally higher-weighted factors.

The remaining responses split between a focus on participant retirement readiness assessments (6%), employee surveys and feedback (5%), and average plan balance (1%). 7% indicated other factors serve as important benchmarks, including non-performing funds, investment choices, investing only in funds aligned with the organization's mission, ADP plan management, overall HR/benefits platform and plans, match and other structure, business relationship with vendor, and company profitability.

## Management & Employee Satisfaction

Respondents were asked to rate plan satisfaction from management's and participants' perspectives on a scale from 1-10 with one (1) being extremely unsatisfied, five (5) being neutral, and ten (10) being extremely satisfied.

As we can see from the chart, management is generally satisfied with plan design and performance, with two outliers reporting they were not. While overall, 85% reported generally positive feelings, 75% were highly satisfied, scoring their plan between 8 and 10, down from 2021 (81%) and 2018 (80%). Only 12% gave their plan a perfect score, down from 17.4% and 16% in the prior two surveys respectively.



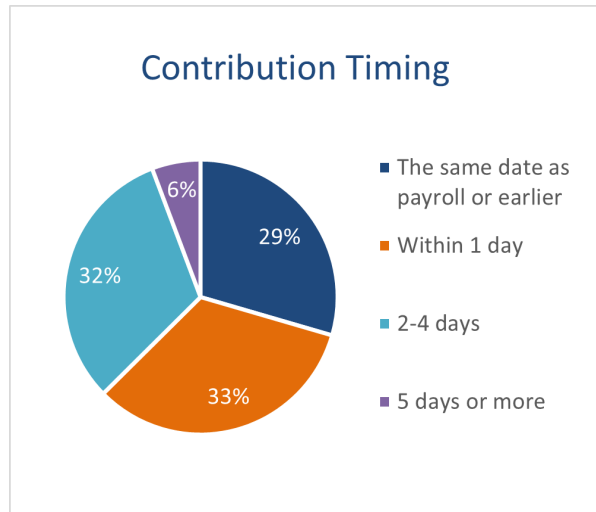
11% of management expressed a neutral opinion toward their plan performance and design and two respondents were unsatisfied, indicating there is still room for improvement, even from a management perspective.

Participants themselves are less satisfied with their 401(k) plans than we've seen previously. In 2021, 75.2% of respondents said their participants are highly satisfied and 13.8% rated their plan 10/10. This year, only 65.4% of respondents report participants being highly satisfied, with 7.7% giving their plan a perfect score, a drop in both categories. Five companies expressed their participants are unsatisfied (4%) and 12% expressed a neutral opinion about their plan.

### Timeliness of Contribution Remittances

There's a major positive trend in timing from payroll dates to funds transferred into the plan: There's a significant positive drop in transfer times of five days or more, down to 6% from the 7% recorded in 2021, hopefully indicating we'll return to the 4% result as seen in 2018.

62% of respondents reported seeing their funds within one day of payroll (33%) or earlier (29%), surpassing even 2018's numbers of 25.2% and 19.1% respectively. About a third of respondents (32%) receive their funds in 2-4 days, a return to the number we saw in 2018 from 2021's 47%.



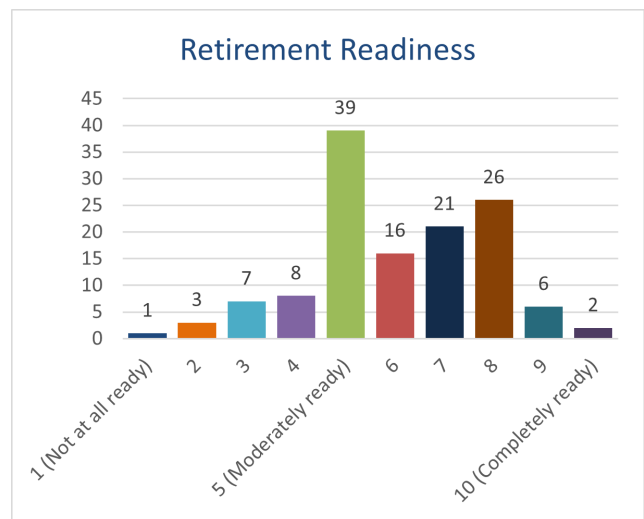
As a reminder, the Department of Labor (DOL) requires that an employer remit defined contribution retirement plan employee contributions and loan repayments to the plan as soon as administratively feasible. The DOL regulations provide a 7-business-day safe harbor rule for employee contributions to plans with fewer than 100 eligible participants (or small plan filers); this safe harbor does not apply to plans that require an audit under ERISA.



## Retirement Readiness

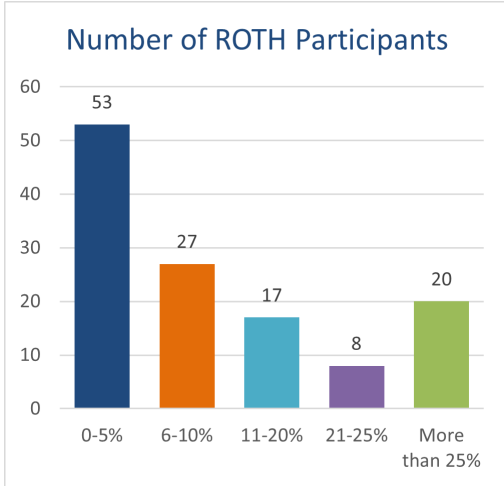
How ready are your plan participants for retirement? We've introduced more degrees of specificity to our study to help you find out. Our survey asked participants to rate their participants' retirement readiness on a scale of 1-10, with 1 being not at all ready, 5 moderately ready, and 10 being completely ready.

Using this new scale, we found that 27% are very prepared, marking their readiness between 8 and 10. This is comparable to the 27.8% in 2021 who responded "completely ready." In the middle of the spectrum, 30% of respondents' participants are moderately ready, with another 6% somewhat not ready and 12% somewhat ready.



The last 8% reported a score between one and three, indicating their participants aren't well prepared for retirement. While this is a decrease from the 17% who said they weren't ready at all in 2021, the survey results would seem to indicate there's still room for improvement in retirement education alongside refining plan options.

In 2018, only 15% of plan participants were completely ready for retirement, and 18% were not at all ready, so the findings are trending in the right direction from the employee readiness perspective.



## ROTH Deferrals

When asked what percentage of their plan participants elect ROTH deferrals, 42.4% report 5% or fewer employees actually use this option. Another 21.6% say between 6% and 10% make ROTH deferrals. These numbers are slightly lower than in 2021 (43.8% and 23.8%), which is a gradual but positive trend toward increased employee utilization of the ROTH option.

13.6% said 11-20% of their participants exercise ROTH options, and another 6.4% see between 21 and 25% participation. The final 16% reported over 25% participation in deferrals, almost double the 8.6% recorded in 2021.

2018's survey worded this question differently, asking whether more than 25% of participants elect ROTH deferrals. In that survey, 10% responded yes, 57% responded no, and 26% indicated their plan didn't offer ROTH deferral options.

## Auto-Enrollment & Auto-Escalation

Auto-enrollment is on the rise, as 58% of respondents said their plans include an auto-enrollment feature, a jump from the 52.4% recorded in 2021. Of course, this means a decrease in plans that don't offer auto-enrollment, coming in at 38% to 2021's 44.8% and 2018's 49%.

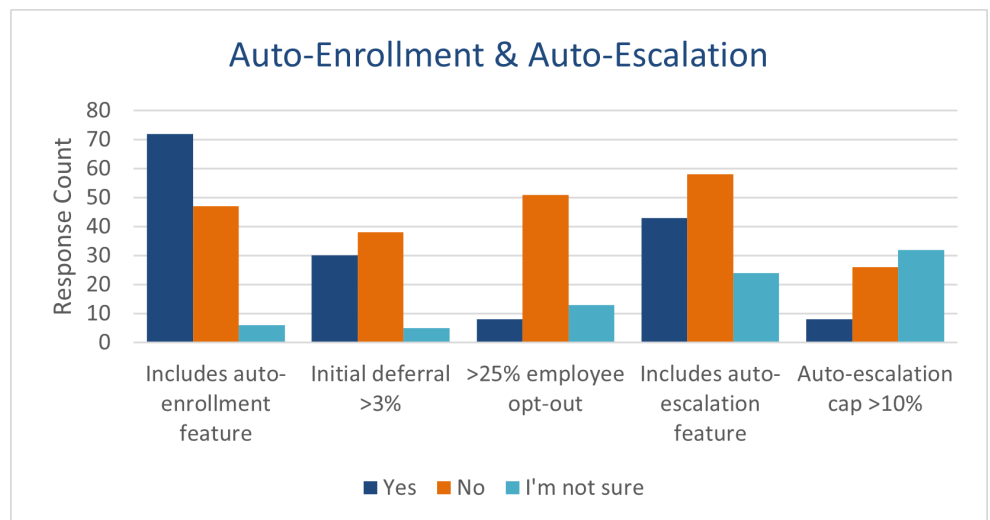
Of the plans that offer auto-enrollment, 52% have an initial deferral percentage of less than 3%, still taking majority but trending back down toward the 42% we saw in 2018 from 59.7% in 2021. Marginally more companies are starting their auto-enrollment deferrals at greater than 3% (41% this year compared to 40.4% in 2021), but a large leap from 17% in 2018.

When employees become eligible for enrollment, 71% of companies say less than 25% of participants opt-out of auto-enrollment. Only 11% experience an opt-out rate greater than 25%. This question was worded differently in our prior studies, with 2021 reporting 1.8% of newly eligible employees electing out of auto-enrollment and 85.5% accepting it.

While auto-enrollment is clearly on the rise, auto-escalation's popularity is following at a slower rate. Despite only 46% reporting no auto-escalation feature compared to 61% in 2021, the number of companies that do include auto-escalation only went up by 3.5 percentage points (34% to 2021's 30.5%). The remainder (19%) were unsure of their plans' auto-escalation status.

Further complicating our investigation of auto-escalation standards, almost half of respondents who report having an auto-escalation feature weren't sure of their plan's auto-escalation cap (48.5%).

For 39.4% of companies, their auto-escalation cap is 10% or less. Only 12% have auto-escalation caps greater than 10%. However, these statistics could be different in reality, due to the large percentage of unsure responses.





## Summary & Conclusion

Survey data came almost evenly from respondents whose plans have over 100 participants and those with fewer than 100. This is a positive sign that the results equally represent companies of various sizes, since plan size can affect how frequently plans are reviewed, if they are bundled or unbundled, and whether they mandate employer contributions.

Ultimately, the biggest challenge we faced in this survey was a lack of knowledge about the particulars of plan management and their various options. A larger proportion of respondents selected "I'm not sure" on questions containing the option this year than we've seen before. This knowledge gap could be addressed with more curated educational content for new and veteran employees alike.

Plan participants are generally less satisfied than management with their plan's design and performance, but both groups are overall less satisfied than we've previously recorded. The major dip in perfect scores signals to employers that it may be time to review, adjust options, and promote their 401(k) plan to employees. The most significant factors to plan success remain participation rate, rate of return, and plan expenses. Investigating the affordability and diversity of options may help increase enrollment, reduce costs, and boost 401(k) plan sentiment across the workplace.

Have any questions about effective strategies for 401(k) plan management or employee benefit plan audits—including preparing for your plan's first employee benefit plan audit or how to self-correct operational errors? Visit [barnesdennig.com](https://barnesdennig.com) to discover [thought leadership](#) on the subject, or set up a conversation with a member of our [employee benefit plan audit team](#) today. We're always here to help!