

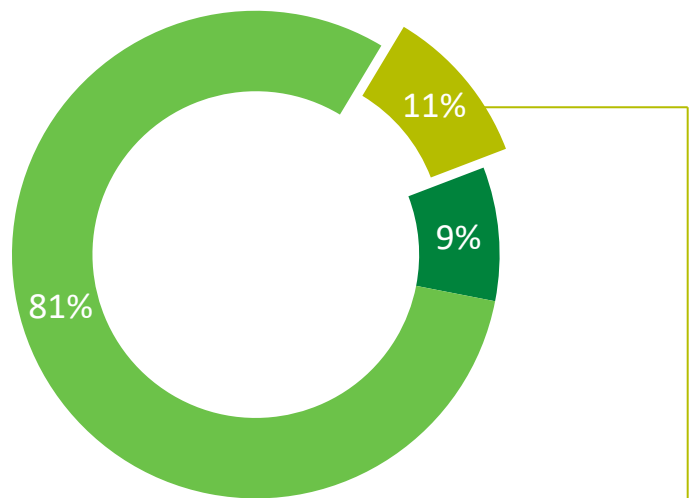
Employer Contribution Trends

Amid evolving risks posed by COVID-19, employers are dealing with significant financial uncertainty and many have been looking for ways to reduce expenses. A reduction or elimination of the employer contribution is one possible source of cost savings and one that is not taken lightly by plan sponsors.

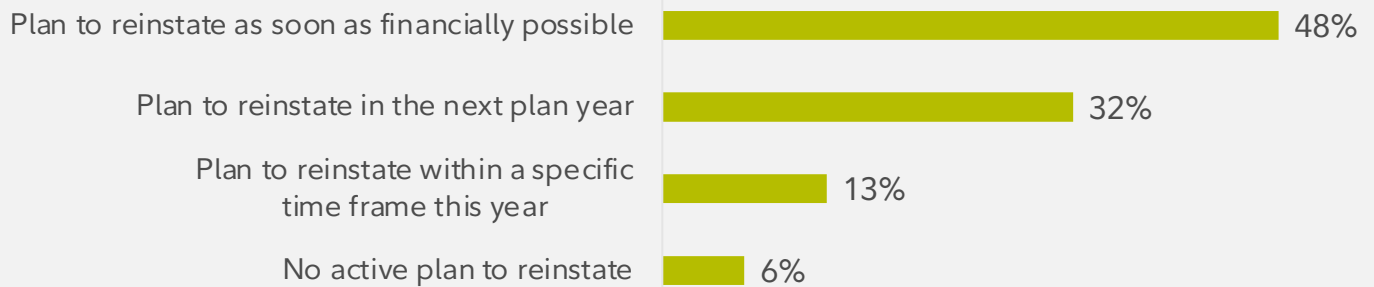


In a recent Fidelity survey, 4 in 5 plan sponsors told us that they have not made changes to their matching program.¹

- Suspended matching contributions
- Considering suspending matching contributions
- Maintaining current match program



Of those who have suspended the matching contributions, almost half plan to reinstate it as soon as possible.¹





At a glance²

86%

of employers offer a retirement plan contribution to their employees

92%

of workers are in a plan that offers a retirement plan contribution

84%

of active employees received a retirement plan contribution from their employer in the past 12 months

\$3,560

average employer retirement plan contribution in the past 12 months

The majority of employers offer company match

Employer contributions to a retirement account are one of the most valued benefits offered by many employers and typically essential to workers' retirement readiness. The average total savings rate for participating workers is 13.4% consisting of an 8.8% employee contribution and 4.6% employer contribution.²

Most common match formulas³

100% match on 3% + 50% on next 2% of pay



100% match on 4% of pay



50% match on 6% of pay



100% match on 6% of pay



100% match on 5% of pay



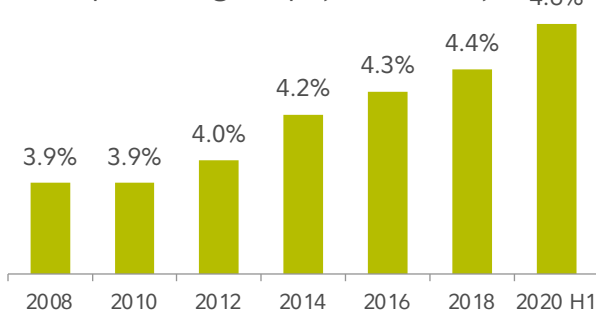
Did you know?

Of plans that increased their match ceiling, 45% of active participants made no changes in their deferral rates and due to inertia, 25% of them missed out on the additional match.³

How much are employers contributing?

Including match and profit sharing

Average employer contribution by percentage of pay (historically)²



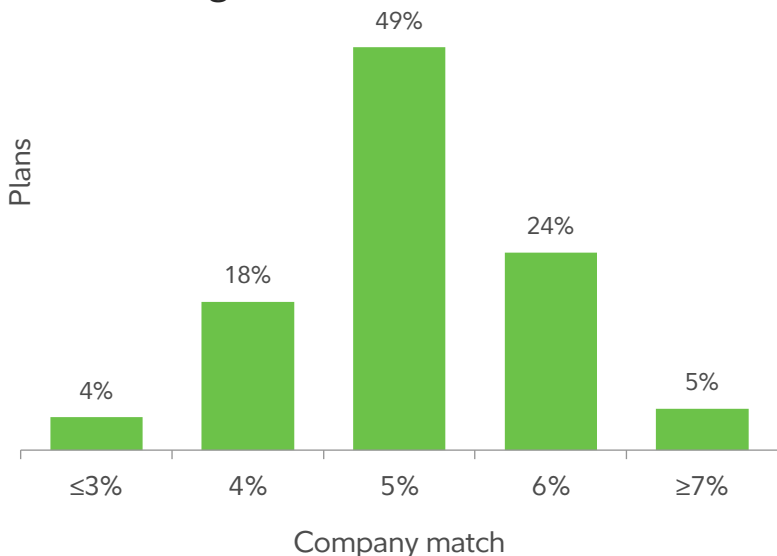
Average employer contribution by number of active participants²



Match ceilings and the role they play

A match ceiling is the minimum amount a participant must contribute in order to receive the full match. Our research has found that many employees anchor to the match ceiling when deciding how much to save toward retirement. Some employers may “stretch” their match ceiling to encourage higher savings rates among their employees.

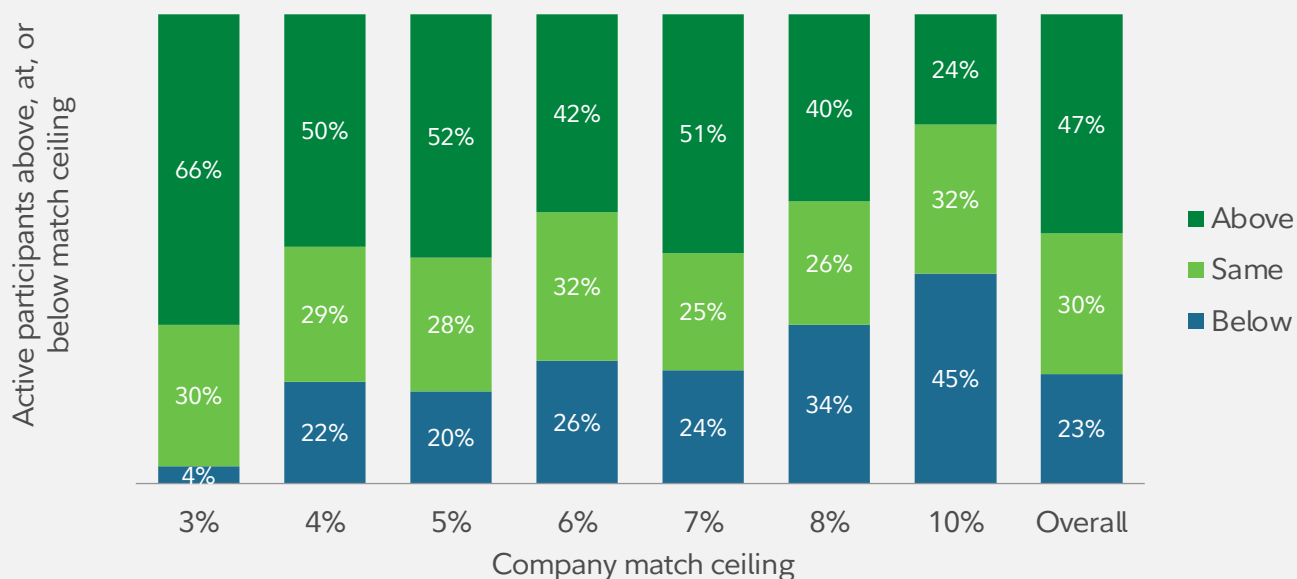
Percentage of plans using various match ceilings⁴



Did you know?

The majority of employees chose to save at or above the match ceiling; however, 52% of employers auto-enrolling workers don't use a default deferral rate that allows employees to maximize the match, diminishing the power of this valued benefit.⁴

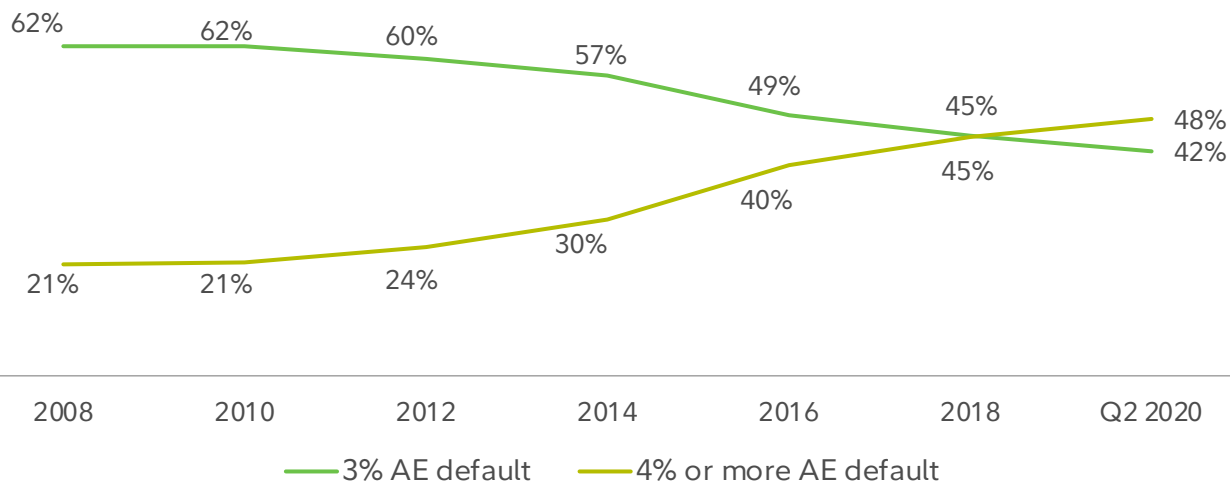
Distribution of active participants' deferral rates compared to match ceilings⁵



Employer match and auto-enrollment defaults

Over the past 10 years, the percentage of plans defaulting auto-enrolled participants at a rate of 6% or more has more than tripled.² Employers have recognized that a 3% default is likely not enough to help participants reach retirement readiness, and many are migrating to higher default rates.

Historic trend of employers auto-enrolling at 3% vs. 4% or more²



When considering changes to your employer contribution, here are a few things to think about...



Stretching the employer match formula can encourage higher savings rates among employees, helping them to save at necessary levels to be retirement ready.



Auto-enrollment has drastically increased participation rates, but not savings rates. Ensuring employees are taking advantage of employer match by auto-enrolling at the match ceiling can make a big difference over an employee's career.



To help employees understand the value of employer retirement contributions, present them as part of the total compensation the employee receives. It's money they receive today to help them live well in the future.

¹ Fidelity Investments Plan Sponsor Panel Survey, COVID-19 Influence: Employer Benefits, July 2020.

² Based on Fidelity analysis of 23,200 corporate DC plans (including advisor-sold DC) and 18.6 million participants, as of 6/30/2020.

³ Based on Fidelity analysis of 7,506 corporate DC plans with a known match formula (including advisor-sold DC), as of 6/30/2020.

⁴ Based on Fidelity analysis of 6.6M active participants with >0% deferral rates in 7,506 recordkept plans with fixed and tiered default match formulas only, as of 6/30/2020.

⁵ Based on Fidelity analysis of 2,690 recordkept plans with both auto-enrollment default rates and fixed and tiered default match formulas only, as of 6/30/2020.

For plan sponsor and investment professional use only.

Approved for use in Advisor and 401(k) markets. Firm review may apply.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

© 2020 FMR LLC. All rights reserved.

875598.7.1

